

National Portrait Gallery Annual Report and Accounts 2018-19

Presented to Parliament pursuant to Section 9(8) of
the Museums and Galleries Act 1992

Ordered by the House of Commons to be printed on 18
July 2019

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The Board of Trustees of the National Portrait Gallery Annual Accounts 2018-2019

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ADVISERS

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INTRODUCTION

Presentation of the financial statements

The Trustees of the National Portrait Gallery have pleasure in submitting their Annual Report and Accounts for the year ended 31 March 2019. The Accounts have been prepared in a form directed by the Secretary of State for Digital, Culture, Media and Sport (DCMS) with the consent of the Treasury in accordance with sections 9(4) and 9(5) of the *Museums and Galleries Act 1992* and are presented in accordance with the reporting requirements of the Charities Statement of Recommended Practice 2015 (the SORP) FRS102. The Trustees have complied with their duty in section 11 of the *Charities Act 2011* in ensuring they have due regard to guidance published by the Charity Commission and for the Commission's guidance on public benefit.

Mission

The National Portrait Gallery's mission, drawn from the *Museums and Galleries Act 1992*, is to maintain a collection of portraits of the most eminent persons in British history, of other works of art relevant to portraiture and of documents relating to those portraits and other works of art.

The four aims listed by the *Act* (c.44. 2-(3)) are to:

- a) care for, preserve and add to the portraits and other works of art and the documents in their collection;
- b) secure that the portraits are exhibited to the public;
- c) secure that the portraits and other works of art and the documents are available to persons seeking to inspect them in connection with study or research; and
- d) generally promote the public's enjoyment and understanding of portraiture of British persons and British history through portraiture both by means of the Board's collection and by such other means as they consider appropriate.

All the National Portrait Gallery's activities and aspirations are driven by its statutory mission to 'promote the public's enjoyment and understanding of portraiture of British persons and British history'. The Gallery signed a new Management Agreement with the Department for Digital, Culture, Media and Sport in March 2017. The Agreement confirmed the Gallery's Corporate Objectives along with some specific priorities that the Secretary of State outlined for the Gallery. The Agreement also included twelve key performance indicators (KPIs) that the Gallery has to report against.

Values

The Gallery's pursuit of its mission will be underpinned and framed by the following values:

- 1) Welcome, inspire and engage audiences
- 2) Embrace and champion inclusivity and diversity
- 3) Provide a forum for challenge and debate
- 4) Illuminate British history and culture and encourage discovery and participation
- 5) Build and share knowledge of the Collection
- 6) Deliver excellence in everything the Gallery seeks to achieve

History

Founded in 1856 to collect and display portraits of eminent British persons, the National Portrait Gallery maintains the principle that the paintings in the Collection should reflect the status of the sitter, not the artist. Today, the Gallery holds the most extensive collection of portraits in the world. The Primary Collection contains some 12,636 portraits of the most famous people in British history. Of these, 4,120 are paintings, sculptures and miniatures, approaching 60% of which are regularly displayed at the National Portrait Gallery or elsewhere. In addition, there are some 8,497 works on paper, shown on a rotating basis of about 120 items a year.

The Collection continues to be displayed in London at St Martin's Place, where the Gallery's main site has sat since 1896. Before then the Gallery occupied other premises in Westminster, South Kensington and Bethnal Green. The present building, designed by Ewan Christian, was the gift of William Henry Alexander. An extension was built in the 1930s from funds provided by Joseph Duveen. The Drue Heinz Foundation funded new offices, a conservation studio, and a space for the Gallery's archive and library in 1993. The most recent addition was the Ondaatje Wing in 2000, providing additional gallery space, expanded visitor facilities and a new lecture theatre, funded by Sir Christopher Ondaatje, the Heritage Lottery Fund and several donors.

The Gallery is always keen to find new ways to share the Collection through the National Programmes as well as through their website. The Gallery has ongoing national partnerships with Montacute House in Somerset and Beningbrough Hall in Yorkshire (both National Trust properties). Partnerships have also been formed with museums and galleries in the North East and the South West of England, and there are ongoing loan and display arrangements with other galleries and historic houses.

The Gallery aims to bring history to life through its extensive display, exhibition, research, learning, outreach, publishing and digital programmes. These allow us to stimulate debate and to address questions of biography, diversity and fame which lie at the heart of issues of identity and achievement. The National Portrait Gallery aims to be the foremost centre for the study of and research into portraiture, as well as making its work and activities of interest to as wide a range of visitors as possible.

Associated and connected charities

The Gallery has a wholly owned subsidiary company, the National Portrait Gallery Company Limited. The Company has a Board of six Directors, including one Trustee, three Gallery senior executives (one of which is the Director of the Gallery), and two independent non-executive Directors.

The Portrait Trust was established to work alongside the Gallery in promoting the public's enjoyment, understanding and learning through the medium of portraiture. The Trust is independent and does not impact on the National Portrait Gallery's operating policies. The Trust has not been active in recent years, and on 3 April 2019 the trustees of the Portrait Trust and the trustees of the National Portrait Gallery entered into a Transfer Agreement, where by the Gallery will receive the assets of the trust and continue the work of the Portrait Trust. Please see note 23, Post Balance Sheet Events for further information.

Auditors

Under statute, the Comptroller & Auditor General is the auditor of the Gallery's accounts for the year 2018/19. The audit fee in respect of this work was £38,000 (£33,500 in 2017/18). The National Audit Office did not provide any non-audit services. PKF Littlejohn LLP is the auditor for the National Portrait Gallery Company Limited and the audit fee in respect of their work was £9,950 (£9,750 in 2017/18).

So far as the Accounting Officer and Trustees are aware, at the time of approving the Annual Report, there is no relevant audit information of which the charitable NDPB's auditors are unaware. The Accounting Officer and Trustees have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the charitable NDPB's auditors are aware of that information.

REVIEW OF ACTIVITIES IN 2018-19

The Key Achievements of 2018-19 Include:

- An enormous amount of work has been done to develop and progress our *Inspiring People* project, which looks to the future with the most significant development of the Gallery since the building opened in 1896.
- Special displays and seasons such as *Rebel Women* highlighted the way in which cultural and historical connections can be traced across our collections.
- Our national reach has continued to grow with inventive learning and outreach such as *Coming Home*.

None of these achievements would have been possible without the commitment and expertise of the Gallery's staff and the interest, support and continuing generosity of all those who support the Gallery.

The following report presents the Gallery's key objectives, and some highlights of the work undertaken in the year to promote them.

1. To increase the understanding of and engagement with the Collection and the art of portraiture

The Galleries and the Displays

Our programmes are designed to promote the Collection and the understanding of portraiture in all media. Whether this is through innovative exhibitions, displays or partnerships our aim is to utilise our resources and expertise, and to optimise design and planning to enhance visitor experience.

The exhibition programme during the year was designed to balance historical, modern, monographic and thematic exhibitions with the annual competitions, but also created an opportunity to focus on contemporary artists working in different mediums. This programme provides opportunities to broaden our appeal and to respond quickly to current trends and events.

Sharing the Collection across the country is a key priority. We have strengthened our relationship with the National Trust as a long-term partner, explored new partnerships with organisations associated with the UK City of Culture, curated a selection of portraits to travel to locations associated with key sitters for *Coming Home*, and researched new venues across the country.

Exhibitions

A number of new initiatives have been taken in the exhibition programme in the year, including the pairing of artists and showcasing new mediums. *Tacita Dean: Portrait* was the first exhibition devoted to film in the Gallery's history and part of an unprecedented collaboration between the Gallery, the National Gallery and the Royal Academy to present *Portrait*, *Still Life* and *Landscape* respectively.

The *BP Portrait Award* and the *Taylor Wessing Photographic Portrait Prize* have included works by emerging and established artists and photographers, and were enjoyed by a wide range of visitors. Larger exhibitions such as *Martin Parr* have received critical acclaim for their exploration of artistic production today.

International tours

The international programme has continued to extend the Gallery's audience outside the UK, with an increased volume of exhibition touring reinforcing our role as an international hub for the understanding and interpretation of portraiture. Different types of exhibitions from our programme have been shared with partner institutions abroad such as *Gainsborough's Family Album* (2019).

New exhibitions have been created expressly for international audiences. In late 2018 *Tudors to Windsors: British Royal Portraits* premiered at the Museum of Fine Art Houston before travelling to Bendigo Art Gallery in Australia. The exhibition was drawn entirely from the Gallery's unparalleled collection of royal portraits, and was a powerful opportunity to build our international audience and the profile of our collection while generating income to sustain our wider work.

Research Programmes

The Gallery took part in National and international collaborative research projects in the year to increase understanding of the collection and facilitate the study of portraiture. Projects ranged from six collaborative doctoral partnership studentships, funded by the Arts and Humanities Research Council, to the ongoing examination of Tudor portraiture with the Yale Center for British Art.

The Gallery also provided a forum for scholars working on a variety of subjects, hosting workshops and conferences developed through partnerships with universities, collections and research institutes. These included *Royal Representation in the Scandinavian-British Sphere* (2018); *Portraiture and Biography* (2018); and *Hilliard, Oliver and the Miniature in Context* (2019).

New digital resources included the development of a Manchester Art Treasures' exhibition database of sketchbooks belonging to the Gallery's first Director, Sir George Scharf, in 2018. The Gallery's active research community offers an opportunity for staff development, and staff are encouraged to share their research expertise through the seminar programme.

2. To develop the Collection, creating opportunities for acquisition and commission, while improving its care and conservation

Acquisitions

The growth of the Gallery's collection is fundamental to our work and many important portraits were acquired during this period, expanding its remit and filling critical gaps.

For the twentieth century, the Gallery was fortunate in acquiring Augustus John's portrait of the poet Dylan Thomas, purchased as a Private Treaty sale. Gifts included a self-portrait of the engraver Iain MacNab, two drawings by John Minton of David Tindle and Jeffrey Bernard, and a drawing of the sculptor Barbara Hepworth by Naum Gabo.

Included among the significant contemporary acquisitions was Tacita Dean's film *Portrait* of the artist David Hockney, a painting of the writer Claire Tomalin by Rebecca Driffield came as a gift, as did Paul Benney's portrait of the chef and restaurateur Fergus Henderson.

Commissions

A varied programme of commissions to address under-represented areas of the Collection was undertaken in the year. The programme was funded by a range of supporters. The first in a series of commissions funded by Outset depicts Malala Yousafzai, the activist for girls' education and Nobel Prize recipient. The internationally acclaimed artist and filmmaker, Shirin Neshat, photographed Yousafzai in 2018. The artist applied calligraphic writings extracted from a poem by Pashto poet, Rahmat Shah Sail from Peshawar, directly to the photograph of Malala.

The most recently completed commission, *Luminary Drawings*, 2019, by Nina Mae Fowler is a series of nine charcoal drawings of influential film directors working in the UK today: Amma Assante, Paul Greengrass, Asif Kapadia, Ken Loach, Sally Potter, Sam Mendes, Nick Park, Ridley Scott and Joe Wright.

The Photographs Collection

Primary collection acquisitions include *Thelma Golden* and *Duro Olowu* by Catherine Opie, purchased with support from Ivor Braka; *Neil Macgregor* by Wolfgang Tillmans, purchased with support from the Ruddock Foundation for the Arts; *Sir Ranulph Fiennes* by Chris Levine.

Twentieth century additions include Audrey Hepburn by Antony Beauchamp, purchased with help from The Bern Schwartz Family Foundation, Lord Franks by Yosuf Karsh, and politicians of all parties made in the 60s by David Newell-Smith, given by Sonya Newell-Smith.

Contemporary highlights include portraits of the wedding of Meghan, Duchess of Sussex; Prince Harry, Duke of Sussex given by the photographer Alexi Lubomirski.

The Heinz Archive and Library: Reference Collection

The establishment of an acquisitions budget for the Reference Collection made a number of important purchases possible, including the start of a collection of images of national stereotypes, such as John Bull and Britannia.

Gifts to the Reference Collection included a bequest of over two hundred satirical prints of the Duke of Wellington received from Sir Edward du Cann. The Collected Archives received two further gifts from Lucian Freud's family, consisting of communications to him and art supplies used by him.

The institutional archive received a gift of the professional papers of Sir David Towry Piper, Director of the Gallery 1964-1967, in accordance with the wishes of the late Anne Horatia Piper, Lady Piper. The Library was given, amongst other gifts, 5 volumes of Francis Bacon: Catalogue Raisonné from the Bacon estate.

3. To extend and broaden the range of audiences for the National Portrait Gallery

Adult Programme

In 2018 the Gallery launched Friday 'Lates', an evening with DJs, pop-up bar, talks and a popular drawing class that attracts some 300 people each week to draw in the Gallery. The public programme of events is designed to engender real visitor engagement with the Collection, exhibitions and displays. Portrait painting and photography workshops continued to prove popular. Regular lunchtime lectures on history, art history and biography attract a strong, loyal audience, and academic and popular conferences have taken place in response to our major exhibition *Gainsborough's Family Album*.

Families Programme

The Family Activity Base provided a range of resources for families to explore the Collection during school holidays. In 2018 the Gallery launched popular family 'takeover' days, during which activities such as art workshops, talks, performances, and craft are run across the Gallery. These included 'Women of Courage', which celebrated 100 years of women's suffrage and 'Rainbow Family Day', the Gallery's first LGBTQI themed programming specifically for families. The four family days attracted 2,669 family visitors in the year.

Young People Programme

An after-hours Private View event took place to close the 'BP Portrait Award: Next Generation' programme in 2018. Exclusively for young people, the evening attracted 250 young people and included a headline performance from Mercury Prize-nominated grime MC, Novelist.

In their role as Youth Ambassadors, members of the Youth Forum attended the Portrait Gala in 2019 where they met and spoke with the Duchess of Cambridge about their work on the Forum, their involvement in the *Inspiring People* project and the future of the 'Creative Connections' project.

Schools Programme

In early 2018, the new school group exhibition ticket price was introduced enabling schools greater access to exhibitions. Teachers' Resources linked to exhibitions including *Martin Parr: Only Human*, and *Taylor Wessing Photographic Portrait Prize 2018*, have been created for use in the Gallery and the classroom. Secondary students heard directly from artists and sitters associated with the Collection in 'Meet the Artist' and 'Meet the Sitter' events.

Access

The Gallery works in partnership with London hospitals to promote health and wellbeing through the arts. We work with play therapists, nursing staff and hospital school teachers to ensure that this is relevant, challenging and inspirational. The Gallery's access programme includes monthly events in British Sign Language and audio descriptive talks for people with a visual impairment. A bi-annual partnership with Wigmore Hall and Turtle Key Arts enables young people with Autism Spectrum Condition to respond to the Collection creatively with art and music.

Interpretation

'Rebel Women' was an initiative created to celebrate the centenary of women's suffrage. A rich programme of activity was put in place for all audiences, and contemporary, inspirational women were invited to select their favourite women in the Collection, to create a Gallery trail.

4. To make the Gallery a national hub for sharing ideas and expertise about portraiture with a dynamic centre for learning in London and a skills sharing network across the country

National Programme

Touring exhibition projects in the year included 'Faces of Change', a 3 year touring and activity partnership with the National Trust. The Coming Home project was launched this year, and will take 50 works 'home' to venues with which the sitter has a strong connection.

The Gallery's loans programme has supported exhibitions in the UK and abroad by lending 627 works to 181 venues in the year. The Understanding British Portraits Network provided opportunities to share the knowledge and skills of its 1,272 members through targeted fellowships, seminars, study days and private collection visits.

The last self-portrait by Van Dyck was part of a nationwide touring project *Van Dyck: A Masterpiece for Everyone*. Over 2 million people saw the portrait and took part in related activities in London, Margate, Manchester, Birmingham, Dulwich, Newcastle and Edinburgh. *Faces of Change: Votes for Women*, in partnership with the National Trust, toured to the Workhouse in Southwell, Killerton House and Mount Stewart as part of the anniversary of women's suffrage.

Outreach

Creative Connections, a youth participation project supported by the Palley Family entered its fifth year with a national pilot in Nottingham. Social documentary photographer Katherine Green worked in partnership with Nottingham Contemporary Gallery and local art students to explore inspiring people in the Collection connected to Nottingham, and to document people of inspiration within the local community.

5. To create a digital presence which connects, inspires and engages audiences, where it is not seen as the remit of a single department, to one where all teams have digital activity as a core part of their working strategy

The Gallery's online collection space attracted a record-breaking 2 million visits in 2018-19, 600,000 more visits than the previous year. As well as creating a strong digital presence for the Collection, we have also developed a research layer within the Search the Collection area of the website from the transfer of period catalogue entries, and have seen a 650% growth in research visits in less than 2 years

The New Media team has redesigned the site, prioritising larger images and a visually-led experience and, as part of this, has for the first time added images to initial people-driven search results. The team will soon provide a feature enabling visitors to identify Who's Who in over 6,600 group portraits and a 'like' style feature so that visitors can tell us who and what inspires them in the Collection.

The Gallery has sought to develop audience engagement through daily analysis of Google Analytics data. The Gallery has also provided over 6,500 embedded film clips from the BBC

archive to help visitor understanding and appreciation, and responded to increasing interest in family history by digitising new sitters and portraits to inspire our increasing online visitor audience base.

6. To maximize the financial resources available through both public and private sector support, trading and licensing and through the effective management of the Gallery's assets and resources

The Gallery relies on, and is grateful for the help and generosity of individuals, public bodies, foundations and corporate sponsors. We also generate income through admissions, retail sales, publishing, event hire and catering and all of our income supports the vision and objectives of the Gallery.

Individual Support (patrons, associates, members)

Individual donors have made significant contributions to support exhibitions, acquisitions and commissions as well as donations to the *Inspiring People* project. In March 2018, the Gallery launched the Director's Circle as the highest level of annual giving. This group supports the Director's vision and projects across the Gallery and members enjoy bespoke events including a tour of the Collection with Erdem and a visit to Isaac Julien's studio with Kehinde Wiley.

Membership currently stands at 12,744 as of 31 March 2019. The scheme celebrated its 20 anniversary in 2018, which was marked with a special commission and display Celebrating Membership: 20 Years.

Charitable Trusts and Foundations

Charitable trusts and foundations make a significant contribution towards a wide variety of Gallery activities, including *Inspiring People*. Support for the exhibitions programme in 2018/19 has come from the Bern Schwartz Family Foundation for *Martin Parr: Only Human* and the William Brake Charitable Trust made possible a five-year programme of contemporary displays.

Legacies

Legacy fundraising is a growing area for the Gallery with a new strategy being implemented in 2018-19. In 2018 the long-term and generous supporter the late Mrs Drue Heinz Hon DBE left two significant bequests totalling just over £3m – for the Heinz Archive and Library and major acquisitions.

Corporate Support

A number of new sponsors were welcomed during 2018-19 including Gucci for *Only Human: Martin Parr*. In a new initiative, the Gallery was successful in securing sponsors for display and project-based work. Oath's (now Verizon Media) innovative sponsorship of *Black is the New Black* saw the creation of an augmented reality app which was free for visitors to download.

Ongoing multi-year partnerships included BP for the *Portrait Award*, Herbert Smith Freehills as Spring Season sponsor, Taylor Wessing as sponsor of the Photographic Prize, and a new partnership with Delancey in support of the Hospital Schools Programme.

Venue Hire

2018/19 was a record year for Private & Corporate Hire, attracting a significant number of Corporate Partners and Sponsors. The Events Team hosted two shows for Erdem in September 2018, and February 2019.

The Portrait Gala

On 11 March 2019 the Gallery hosted its fifth Portrait Gala, attended by HRH The Duchess of Cambridge, and chaired by Edward Enninful, the Editor of Vogue. It was the most successful to date, with all funds raised going directly towards *Inspiring People*. In addition to this year's Portrait

Gala a fundraising auction, *Artists First*, was held at Christie's London. Together these activities raised over £1 million towards the Gallery.

Portrait Fund

We were delighted that the Portrait Fund reached its £10m initial target in September 2018 thanks to a generous additional donation from Sir Christopher Ondaatje, who was key to the setting up of the Portrait Fund in 2006. The Fund continues to support major acquisitions, the most recent being the Lawrence portrait of the 1st Duke of Wellington.

Publishing

Publishing continues to develop three main product streams: collection titles, exhibition catalogues and paper products. In March 2018, *100 Photographs* and *100 Pioneering Women* were produced, with the latter reaching the top 20 of the Art Book Chart. Publishing had strong sales of exhibition catalogues, of particular note for Retail was the strong pick up rate of the *Elizabethan Treasures* catalogue.

Trading

The National Portrait Gallery Company business includes retail, catering and events hire.

The National Portrait Gallery Company Limited

The figures below are taken from the National Portrait Gallery Company Limited's accounts (note 5):

Table 1: Trading Company Assets

	2019	2018
	£000	£000
Fixed assets	-	-
Current assets	1,266	940
Current liabilities	(1,266)	(940)
Net assets	-	-
Capital and reserves	-	-
Total Assets	-	-

Table 2: Trading Company Income

	2019	2018
	£000	£000
Turnover	2,895	3,007
Cost of sales	(887)	(990)
Gross profit	2,008	2,017
Other income	-	-
Administrative expenses	(1,226)	(1,253)
Trading profit	782	764
Interest receivable	-	-
Net contribution	782	764

Turnover for 2018-19 was £2,895,000 (2017-18 £3,007,000). Both Catering and Retail Turnover and gross profit were impacted by a reduction in visitor numbers during the year. Events performed well with an increase in the number of events taking place in 2018-19.

Retail

The retail offering stayed consistent over the 3 locations of bookshop, gift shop and exhibition shop. The gift shop was refurbished in October 2018. This included moving the position of the till point for an improved customer journey and enhanced shop security. Shelving, jewellery and display solutions were also updated to showcase product more effectively.

Catering

The catering at the National Portrait Gallery consists of The Portrait Restaurant on level 3 with its views of Trafalgar Square and Westminster and the Portrait Café at basement level. The catering at the gallery is run as a concession by Company of Cooks.

The restaurant has a strong destination clientele who enjoy a pre-theatre menu or classic afternoon tea. For the first time in 2018-19 a temporary café was run inside the exhibition space of the Martin Parr exhibition selling traditional British tea time fare.

7. To develop staff as an essential resource through the extension of staff diversity, training, development and learning programmes, upgraded internships and a volunteer programme

Employee involvement

The National Portrait Gallery aims to promote a sense of ownership and involvement for all those who work and contribute towards its success. A range of formal and informal mechanisms operate to inform, engage, involve and gather ideas and feedback from employees.

Information is cascaded throughout the organisation through all staff briefings, divisional briefings, departmental meetings and individual one-to-one meetings with employees. The National Portrait Gallery operates its own intranet site which contains a wide range of information from news and updates about what is happening within the National Portrait Gallery.

To promote engagement and involvement of staff, National Portrait Gallery has created the following diversity networks: Black, Asian and Minority Ethnic (BAME) network and the Lesbian, Gay, Bisexual, Transgender, Queer and Intersex (LGBTQI) network. National Portrait Gallery's staff networks allow people who work at National Portrait Gallery to come together to focus on issues that are important to them and to National Portrait Gallery as a whole. They play an important role in helping National Portrait Gallery achieve its objectives by improving decision making and working towards a more inclusive culture.

The Gallery is the first museum to implement the 'Guardian' scheme developed by the Old Vic, which provides an opportunity for employees to access support in relation to their employment from trained colleagues, as an additional resource to their manager, HR and the union.

The National Portrait Gallery recognises three trade unions: First Division Association (FDA), Public and Commercial Services Union (PCS) and Prospect. The trade unions negotiate pay and pay-related conditions of service for all employees other than directors.

A broad range of induction training was provided to support new staff across all areas of the Gallery which has been supported by the launch of an e-learning system in August 2018. In total over 1,000 courses, conferences, seminars and specialist training events have been attended and completed by staff across the Gallery. The Gallery offered a total of two funded internships and two masters and degree led placements within the Curatorial and Learning departments, as well 13 work experience placements to Year 10 and 11 students from schools across London.

National Portrait Gallery is committed to understanding how employees feel about working for National Portrait Gallery and continuously improving this experience. This includes carrying out regular employee surveys. The last survey was carried out in September 2018 and an action plan has been put together to address staff concerns.

Disability and access

The National Portrait Gallery is committed to becoming a truly inclusive organisation with a workforce and audience that represents the communities it serves. The Gallery runs a 'blind' recruitment process, ensuring that those involved in recruitment decision making processes do not have access to candidate's personal details. The Gallery is part of the Disability Confident Scheme, and is currently at Stage 2 of the scheme with plans to reach Stage 3 during 2020.

The National Portrait Gallery is committed to ensuring that opportunities to work at National Portrait Gallery are open to all, and that employees feel valued and able to be themselves in the workplace.

The composition of the Gallery's workforce, as at end of March 2018 is 83.5% white (81% in 2017/18), 11% black and ethnic minority (11% in 2017/18) with 5.5% opting not to provide this data (8% in 2017/18). The Gallery's gender profile is 29.7% male (33% in 2017/18) and 70.3% female (67% in 2017/18). The Gallery has a disabled workforce of 2.2% (2% in 2017/18) and 35.5% of the workforce undertakes part time working (41% in 2017/18).

Future Developments

The Inspiring People Project

Inspiring People is a £35.5m project for the comprehensive renewal of the National Portrait Gallery. The project will deliver both Capital Works and a national Activity Plan that will significantly enhance and diversify audiences, improve visitors' experience of the Gallery, increase long-term financial sustainability, conserve and enhance the Grade 1 Listed buildings and provide an exciting programme of activities and events on site, in London and throughout the UK. It is the most transformative project the Gallery has undertaken since the building opened in 1896.

At its core is an ambitious, more engaging, and much-needed comprehensive re-display of the Gallery's permanent Collection, from top to bottom, Tudors to now, together with a more welcoming entrance and forecourt, Learning Centre, return of the East Wing to full public use, improved access and restored historic features. With an ambitious national programme and digital strategy, the Gallery will become more engaging and appealing to the widest, most diverse audiences onsite, online, nationally and internationally.

Strategic Objectives

Inspiring People provides the strategic blueprint to deliver the National Portrait Gallery's corporate objectives. It will do this by delivering two complementary strands (a) capital works and (b) an enhanced programme of activities across the UK.

The Capital Works will deliver:

- A much improved provision for Learning
- Comprehensive re-display and re-interpretation of the Collection – more on display and in chronological order
- Improved entrances, accessibility, orientation and way-finding – less congestion at pinch-points, more intuitive orientation, access to all floors and a more logical flow of the galleries
- Improved and larger permanent space for temporary exhibitions without affecting the flow of visitors to permanent galleries
- Improvement in fabric of the building's heritage
- Increased opportunities for income generation

The Activity Plan will deliver:

- A greatly enhanced and diversified range of activities both on site and around the UK during and after the capital programme.
- Expanded national learning and volunteer programmes
- An enhanced digital offer
- In addition, the project will strengthen the Gallery's ability to continue to deliver a world-class gallery experience, hold exciting programmes of events and reach new audiences.

Project Development

A masterplan and feasibility study for the project was completed in 2016, by Haworth Tompkins Architects which enabled a major grants application to be made to the National Lottery Heritage Fund (NLHF) in November 2016. This feasibility study forms the basis of the capital project and the outcomes of the project that were agreed at that time continue to be upheld.

Following success of the first round of the NLHF application a First Round Pass was awarded in April 2017, with permission to start being given in July of the same year. This enabled the Gallery to undertake a rigorous OJEU compliant procurement process which began in Autumn 2017. Jamie Fobert Architects were appointed as the Architect led team and design work commenced in February 2018 in earnest.

Over 2018 to 2019 design work substantially progressed and Westminster City Council approved a Planning and Listed Building Consent Application in April 2019. Subsequent to this RIBA Stage 3 - Developed Designs were completed at the end of March 2019. At the same time a detailed Outline

Business Case in support of the project was submitted to DCMS which recently received approval. RIBA Stage 4 is currently in progress.

In addition, the Gallery has been working on its NLHF Round 2 application for funding that will secure the remainder of the NLHF's award. The outcome of the award is expected in September 2019.

Sustainability

Operations and sustainability

Environmental sustainability is a prime consideration across the National Portrait Gallery's work, from the way food is sourced for cafés and restaurants, to the way buildings are managed and exhibitions created. The Gallery continues to make progress in reducing its environmental impact and has an active Green Group within the staff organisation, whose aim is to highlight and take positive action towards this end.

Greenhouse gas emissions

Under the *Climate Change Act 2008*, the Government put in place legally binding carbon reduction targets of 35% by 2020 and 80% by 2050 compared to 1990 levels. The National Portrait Gallery has been measuring and reporting emissions since 2014-15, and this constitutes the baseline year.

Overall the National Portrait Gallery's carbon emissions for Scopes 1 and 2 have reduced by 20% since the baseline year. A number of energy-saving interventions have been made across the estate during this time. Sustainability is an important issue for the National Portrait Gallery, which is demonstrated by an on-going programme of upgrade works, carried out as part of its regular maintenance regime. As part of this programme of works, a significant amount of the existing lighting within the building has already been converted to LED lighting, and out-dated & obsolete controls are being replaced over time with modern, more efficient controls.

As the proposed scope of works for *Inspiring People* Project will include the upgrade of many of the existing services & systems in the areas which will be refurbished or redeveloped, this includes most of the proposed concerns and forward plans for replacement of outdated, and mostly obsolete controls system, for example the provision of new lighting in many of the existing galleries. The requirement for 'consequential improvements' set by Part L2B of the Building Regulations will therefore be easily satisfied as the cost of these works will be well in excess of the target 10% of the construction cost. Other works outside the scope of the *Inspiring People* Project will form part of the 10-year plant replacement strategy, in line with the Gallery's overall strategic view to replace all obsolete controls systems.

Table 3: Greenhouse Gas Emissions

		2014-15	2015-16	2016-17	2017-18	2018-19	% change on base yr.
Greenhouse gas emissions (tCO ₂ e)	Scope 1 (direct)	541,034	597,676	662,724	595,844	597,554	+10.44%
	Scope 2 (indirect)	1,310,780	1,247,477	750,935	786,499	875,022	-33.24%
	Scope 3 (business travel)*	-	-	-	77,591	81,668	n/a%
	Total Scope 1-3	1,851,814	1,845,153	1,413,659	1,459,934	1,554,244	-16.06%
Energy use (kWh)	Electricity (renewable)	0	0	0	0	0	00.00%
	Electricity (non-renewable)	2,652,006	2,699,056	1,822,437	2,237,168	2,722,541	+02.65%
	Gas	2,924,933	3,240,316	3,384,373	3,230,037	5,120,556	+75.06%
	Total kWh	5,576,939	5,939,372	5,206,810	5,467,205	7,843,097	+40.63%
Expenditure (£)	Electricity	281,474	259,643	265,000	213,859	276,954	-01.60%
	Gas	98,087	79,171	79,992	63,906	72,770	-25.81%
	Business travel	15,886	12,853	14,759	10,766	24,727	+55.65%
	Total expenditure	395,447	351,667	359,751	288,531	374,451	-05.30%

*Business travel information has only been collected since 2017-18

Waste and finite resources

During 2018-19 the National Portrait Gallery has continued to make substantial progress in waste management. The Gallery is now working with a full recycling service, which allows the separation of glass, food and mixed recyclables. The National Portrait Gallery's commitment to reduce waste to landfill is evident in the significant decrease in our contribution to landfill waste. Overall production of waste has decreased by 55% from the baseline year due to a significant increase in waste being recycled/reused and 100% of food waste being composted using an anabolic digestion process which, when complete, returns the waste to crops as fertilizer. The remaining 32% of waste was diverted to an incineration plant, where it was used to generate electricity for the National Grid.

Table 4: Finite Resources, Waste

		2014-15	2015-16	2016-17	2017-18	2018-19	% change on base yr.
Waste (tonnes)	Landfilled*	-	-	7	2.1	5.00	-28.57%
	Hazardous waste disposed*	-	-	-	-	1.00	+100%
	Reused/recycled	101	109	25	23.1	71.10	-29.60%
	Composted	-	-	12.4	22.5	25.80	+108.06%
	Incineration with energy recovery	119	119	19.5	34.6	49.80	-58.15%
	Incineration without energy recovery	0.0	0.0	0.0	0.0	0.0	00.00%
	Total waste	220	228	63.9	82.3	152.70	-55.48%
Spend (£000)	Total waste	22,977	36,870	21,593	17,500	22,853	-00.53%

*Landfill and Hazardous waste data has only been collected since 2016-17 and 2018-19 respectively

Table 5: Finite Resources, Water

		2014-15	2015-16	2016-17	2017-18	2018-19	% change on base yr.
Water use (m ³)	Total scope 1 & 2	14,612	19,698	15,582	16,193	17,263	+18.14%
Expenditure (£000)	Water supply	30,641	46,845	37,666	36,605	32,561	+06.26%

Biodiversity action planning

The National Portrait Gallery actively works to preserve and enhance biodiversity within its estate. The Gallery staff took over management of the Gallery's bee-hives in 2015-16, and have continued to look after the colonies and harvest honey from the hives kept on the roof since 2010.

Fulfilment of Museums and Galleries Act Aims

The National Portrait Gallery's fulfilment of the Museums and Galleries Act aims is best reflected by its expenditure on charitable activities. Charitable activities expenditure is broken down into three main areas: gallery activities, gallery operations and Collections. Gallery activities comprises all those costs associated with the public programmes of the Gallery and of the media programmes and website; this includes exhibitions, education and communications and marketing expenditure. Gallery operations comprises visitor services and operations costs. Collections comprises all those costs associated with the National Portrait Gallery Collection; this includes conservation, art handling, photography and acquisitions related expenditure.

Immunity from seizure

The National Portrait Gallery is an approved body under Section 136 of the *Tribunals, Courts and Enforcement Act 2007*. This means that, subject to meeting the conditions set out in the *Act*, objects on loan from outside the United Kingdom for the purposes of a temporary exhibition may not be seized or forfeited by a United Kingdom court order (unless the court is required to make the order under European Community or international obligations). In accordance with regulations made under the *Act*, the National Portrait Gallery publishes on its website specified information about such protected objects. This includes details of the provenance of the objects including a statement indicating whether or not the National Portrait Gallery possesses a complete history of ownership between the years 1933 and 1945.

The National Portrait Gallery's Due Diligence Policy is published online as part of the Freedom of Information Publication Scheme and on the Immunity from Seizure pages of the National Portrait Gallery's website. The National Portrait Gallery has its own staff training materials for provenance research and internal staff meetings are held to discuss issues relating to immunity from seizure and due diligence.

Over the 2018-19 period six exhibitions were shown at the National Portrait Gallery containing works for which Immunity from Seizure was granted, covering 42 works (45 in 2017/18). The exhibitions are listed below.

Table 6: 2019 Works covered by Immunity from Seizure

Exhibition	Period	Number of works
<i>Tacita Dean Portrait</i>	15 March 2018 - 28 May 2018	0
<i>Victorian Giants: The Birth of Art Photography</i>	1 March 2018 - 20 May 2018	0
<i>Michael Jackson: On the Wall</i>	28 June 2018 - 21 October 2018	33
<i>Gainsborough's Family Album</i>	22 November 2018 - 3 February 2019	9
<i>Elizabethan Treasures: Miniatures by Hilliard and Oliver</i>	21 February 2019 - 19 May 2019	0
<i>Only Human: Martin Parr</i>	7 March 2019 - 27 May 2019	0
Total		42

Performance indicators

Performance indicators agreed with DCMS as part of the annual funding agreement process were achieved as follows:

Table 7: Performance indicators

	Actual 2019 000s	Restated Actual 2018 000s
<i>Access</i>		
Number of actual visits	1,550	1,692
Number of unique users visiting the website	5,131	3,846
<i>Audience profile</i>		
Number of visits by children under 16	129	145
Number of overseas visits	610	647
<i>Learning / outreach</i>		
<i>Children</i>		
Number of facilitated and self-directed visits to the museum by visitors under 18 in formal education	32	34
Number of instances of visitors under 18 participating in on-site organised activities	3	3
<i>Visitor satisfaction</i>		
Percentage of visitors who would recommend a visit	95%	94%
<i>Income generation</i>		
Exhibitions income (admissions and other exhibitions related income)	3,762	3,812
Trading net profit	782	764
Fundraising (including capital)	8,411	7,170
Ratio of Fundraising to Grant in Aid	1.1:1	1:1
<i>Regional engagement</i>		
Number of UK loan venues	80	92

Visitor figures at the National Portrait Gallery were 1.6 million, slightly lower than in 2017-18 with 1.7 million visitors. Other attendance performance indicators follow the same pattern as general attendance. The number of unique users visiting the website has increased from 3.8 million to over 5 million as a result of a number of content projects which have driven traffic.

Visitor numbers for 2017-18 have been restated from 1.1 million visitors to 1.7 million visitors due to an error in the counting system through the main entrance during that financial year. The counting system has been replaced and corrective actions have been taken to safeguard against a similar error in future.

The increase in fundraising income reflects the donations that have already been received for the *Inspiring People* project. Admissions income and trading net profit have remained steady in 2018-19 compared to prior year.

Financial review

In line with relevant reporting requirements, the consolidated statement of financial activities combines income and expenditure, capital (including major capital projects) and acquisitions for the Collection (including donated works of art). In terms of controllable revenue and expenditure items in the income and expenditure statement, National Portrait Gallery has delivered a surplus in a

volatile and challenging economic environment. This is as a result of tightly controlling costs, in addition to increased income across a number of income streams, most notably museums and galleries tax relief.

The consolidated statement of financial activities on page 37 shows total income of £24,357,000 (£22,444,000 in 2017-18). Of this amount £253,000 (£170,000 in 2017-18) was applied to the capital programme, and £708,000 (£718,000 in 2017-18) to Collection acquisitions. The remaining £20,222,000 (£21,556,000 in 2017-18) was applied to ongoing operations (see expenditure below).

The National Portrait Gallery received £7,634,000 of Grant in Aid (£7,134,000 in 2017-18), provided through DCMS. Grant in Aid is made up of two elements:

- revenue grant used to support ongoing operations of £7,381,000 (£6,964,000 in 2017-18);
- general capital expenditure grant used to support the purchase and maintenance of fixed assets of £253,000 (£170,000 in 2017-18).

The National Portrait Gallery continues to supplement this grant from other sources and self-generated income from trading, admissions and fundraising amounted to £16,723,000 for the year (£15,310,000 in 2017-18).

Expenditure includes the costs of generating donations and legacies, trading and other costs, investment management costs and costs of charitable activities. The consolidated statement of financial activities on page 37 shows total expenditure of £23,153,000 (£20,319,000 in 2017-18). Of this amount £3,190,000 (£2,355,000 in 2017-18) was applied to the capital programme, £35,000 (£13,000 in 2017-18) to Collection acquisitions and £19,846,000 (£17,951,000 in 2017-18) was applied to ongoing operations (see above).

Over the past year, the National Portrait Gallery has added works of art valued at £774,000 to the Collection (£397,000 in 2017-18). Of this figure, £376,000 has been donated by individuals either directly or in lieu of tax (£333,000 in 2017-18). Funding for purchased works of art has come from many sources, including donors and self-generated income.

Reserves and funds carried forward of £136,156,000 (£131,116,000 in 2017-18) are:

Table 8: Reserves

	2019	2018
	£000	£000
Revaluation reserve	61,234	57,646
Capital reserves	23,576	24,021
Works of art reserves	32,693	31,919
General reserve	1,717	300
Endowment funds	3,092	-
Other restricted reserves	13,425	14,899
Other designated reserves	419	2,331
Total Reserves	136,156	131,116

For more details on reserves, please refer to note 16.

Fixed assets

The Trustees hold the freeholds of the gallery and land at Saint Martin's Place, London. In April 2018 the East Wing of the Gallery was purchased from the National Gallery for £2.6m.

Additions to tangible fixed assets during the year of £2,746,000 (£503,000 in 2017-18) comprise £1,400,000 (nil in 2017-18) in relation to land, £1,200,000 (£333,000 in 2017-18) in relation to freehold buildings, and £146,000 (£170,000 in 2017-18) on plant and machinery and other assets. Heritage assets comprise works of art; additions of £774,000 in the year (£397,000 in 2017-18) include items donated, bequeathed or given in lieu of tax to the National Portrait Gallery with an

approximate value of £376,000 (£333,000 in 2017-18). All works of art acquired during the year have been capitalised in accordance with section 34 FRS102, as detailed in note 10.

Subsidiary undertakings

The results of the National Portrait Gallery's trading subsidiary are summarised in note 20 to the financial statements.

Payment of creditors

The National Portrait Gallery aims to settle all bills within 30 days or in accordance with the suppliers' terms of business. In 2018-19 76% (56% in 2017-18) of invoices were settled in 30 days or less.

Reserves policy

The Trustees review the reserves held annually, with reference to guidance from the Charity Commission. This review encompasses the nature of the income and expenditure streams, the need to match potentially variable income streams with largely fixed commitments and the nature of the reserves. The most recent review concluded that, in order to allow efficient financial management and to provide a buffer to give some assurance against interruption to the charitable activities, a general reserve equivalent to four months' worth of unrestricted charitable expenditure, net of grant in aid receipts should be maintained.

The Trustees consider the following funds when reviewing the reserves policy: the Investment and Contingency fund, the General fund, the Deferred Project fund and the Inspiring People fund. They are all unrestricted funds, some of which are designated by Trustees for specific purposes. Please see note 16 for further information.

At the year end the reserves under consideration in respect of the reserves policy was £2,136,000 (£2,631,000 in 2017-18), equivalent to two and a half months (three months in 2017-18) worth of unrestricted charitable expenditure, net of grant in aid receipts. The reserves policy requires the Gallery to maintain sufficient reserves to fund itself for four months net of grant in aid receipts, in order to ensure financial stability and act as a safeguard against volatile and unpredictable income streams and unforeseen expenditure or liabilities. The unrestricted reserve is reviewed by the Finance Committee on a quarterly basis. A plan will be prepared during 2019-20 in order to improve the reserves position for the Gallery.

Investments

An Investment Committee monitors the performance of the investment portfolio. The National Portrait Gallery's investment managers ensure that all investments are suitable under the Standard Investment Criteria of the *Trustee Act 2000*. The Gallery holds two funds: The Master Portfolio (long term investment) and The Investment and Contingency Reserve Fund (short term investments).

The Master Portfolio is a collective investment scheme, created by Partners Capital, that invests across a range of asset classes and securities (which may include investments in other collective investment schemes). The objective is to seek an income yield of 5.5% to 6% nominal returns, based on a target return of RPI plus 2%.

At 31 March 2019, the investment fund was valued at £6,179,000 (£6,142,000 in 2017-18); historic cost £3,620,000 (£3,620,000 in 2017-18).

The Investment and Contingency Reserve Fund are current asset investments held for the purposes of producing a return, but the Gallery considers that they should remain highly liquid and available to spend within the next 12 months.

At 31 March 2019, the investment fund was valued at £5,610,000 (£6,002,000 in 2017-18); historic cost £3,986,000 (£4,559,000 in 2017-18).

The National Portrait Gallery's investment managers, Partners Capital LLP advise on the investment strategy required to meet the objective. Fund performance is measured against agreed benchmarks, and an asset profile is agreed for each fund. Rebalancing of the portfolio is agreed at Investment Committee meetings in response to market conditions.

Fundraising

The National Portrait Gallery follows the regulation scheme established by the Fundraising Regulator and complies with the Code of Fundraising Practice.

During the year there were no failures of compliance and the Gallery received no complaints about its fundraising activities.

The Gallery protects vulnerable people and other members of the public from unreasonable intrusion, in that it does not cold call, operate telephone fundraising, street fundraising or undertake mass direct marketing campaigns. The Gallery's CRM system enables it to monitor approaches and ensure no one experiences multiple approaches or solicitations which might place pressure on them to give money.

Personal data related incidents

The Head of Archive at the National Portrait Gallery maintains a record of all incidents that involve the loss, unauthorised disclosure or insecure disposal of personal data, whose release could cause harm or distress to the individuals concerned. The incident record includes the nature of the incident, the nature of data involved, the number of people potentially affected and the steps taken to notify the individuals concerned. Based on severity these incidents are reported to the Information Commissioner's Office. There were no significant incidents during the year.

Social policy and wider public benefit

The National Portrait Gallery aims to serve as wide a public and be as inclusive as possible. During this period 'Rebel Women' was an initiative we designed in 2018 in response to the centenary of women's suffrage. In addition to creating a rich programme of activity for all audiences, we created a Gallery trail with contemporary, inspirational women selecting their favourite women in the Collection.

The National Portrait Gallery's work with younger audiences has led to innovation. The gallery has responded to the particular needs reported by that age group in relation to the cost of attending exhibitions, but also involves them in the creation of content. An after-hours Private View event took place to close the 'BP Portrait Award: Next Generation' programme in 2018. Exclusively for young people, the evening attracted 250 young people and included a headline performance from Mercury Prize-nominated grime MC, Novelist.

Signed

Nicholas Cullinan
Director, the National Portrait Gallery

3 July 2019

Signed

David Ross
Chairperson, the National Portrait Gallery

3 July 2019

REMUNERATION REPORT

Membership

The Remuneration Committee, advising on contractual terms and remuneration for the Director, is made up of the following Trustees: David Ross, Roger Blundell, Marcus Harley and Sir Michael Hintze.

Policy on the Remuneration of the Director

Annual pay increases for the Director who comes under the scope of the Committee are determined as set out in the Director's employment contract and on the basis of an assessment of performance against agreed objectives, taking into account external market comparisons.

The Director is a member of the Principal Civil Service Pension Scheme (PCSPS) with associated redundancy and retirement conditions.

The Director is a permanent employees of the National Portrait Gallery, with a notice period of six months. Termination payments are in accordance with the National Portrait Gallery contractual terms.

Senior Directors

The National Portrait Gallery is required to prepare a remuneration report containing certain information about the directors' remuneration as a result of the Accounts Direction from DCMS which required the Gallery to follow the Financial Reporting Manual (FReM) paragraph 5.3.28. "Directors" shall be interpreted to mean persons in senior positions having authority or responsibility for directing or controlling the major activities of the entity. This means those who influence the decisions of the entity as a whole rather than the decisions of individual directorates or sections within the entity.

The Accounting Officer has decided that this requirement encompasses the posts listed below, whose emoluments and pension details are disclosed. The National Portrait Gallery considers that no other key management staff details need to be disclosed under this guidance for 2018-19.

The following paragraphs within the Senior Directors' section of the Remuneration Report have been subject to audit.

Table 9: Salary entitlements

		2018-19	2017-18
		£'000	£'000
Nicholas Cullinan	Director	100-105	100-105
Pim Baxter	Deputy Director	85-90	85-90

The salary entitlements above represent one full year contractual salary including bonus entitlements. The actual amounts paid are disclosed in the following table:

Table 10: Remuneration Breakdown

	2018-19				2017-18					
	Salary (excluding non-consolidated performance-related pay) £000	Non-consolidated performance pay £000	Benefits-in-kind £000	Pension benefits ^a (to the nearest £1,000) £000	Total remuneration £000	Salary (excluding non-consolidated performance pay) £000	Non-consolidated performance pay £000	Benefits-in-kind £000	Pension benefits (to the nearest £1,000) £000	Total remuneration £000
Nicholas Cullinan, Director	100-105	5-10	-	40	145-150	100-105	5-10	-	40	145-150
Pim Baxter, Deputy Director	85-90	-	-	10	95-100	85-90	-	-	6	90-95
Band of highest-paid director's total remuneration					105-110					105-110
Median total remuneration					26,073					23,581
Ratio					4.2					4.6

^a The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest-paid director in the National Portrait Gallery in the financial year 2018-19 was £105,000-£110,000 (2017-18 £105,000-110,000). This was 4.1 times (2017-18 4.6) the median remuneration of the workforce, which was £26,073 (2017-18 £23,581). In 2018-19, no employees (2017-18: nil) received remuneration in excess of the highest-paid director. Remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind where applicable. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Table 11: Pension Breakdown

	Accrued pension at end date at 31 March 2019 £	Real increase / (decrease) in pension at end date £	CETV at 31 March 2019 £	CETV at 31 March 2018 or start date £	Real increase / (decrease) in CETV £
Nicholas Cullinan, Director					
Pension	5-10	0-2.5	92	58	16
Lump sum	-	-	-	-	-
Pim Baxter, Deputy Director					
Pension	20-25	0-2.5	501	472	9
Lump sum	70-75	0-2.5	-	-	-

Nicholas Cullinan and Pim Baxter are members of the Civil Service defined benefit pensions scheme.

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members' accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pensions Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction in benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in CETV reflects the increase that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. The Board of Trustees of the National Portrait Gallery, who hold overall responsibility for the National Portrait Gallery, are not remunerated. No compensation for loss of office was paid to board members during the year. Expenses paid are disclosed in note 21 to the accounts.

Sickness absence data

The average number of days absent through sickness per full-time equivalent staff member was 3.4 in 2018-19 (4.5 in 2017-18).

Off-payroll engagements

As a result of the Accounts Directive from DCMS the National Portrait Gallery follows guidance per the Financial Reporting Manual (FRM) paragraph 5.3.27. As of March 2019 there were no off payroll engagements for more than £245 per day and that lasted longer than six months.

Trade union facility time

In accordance with the Trade Union (Facility Time Publication Requirements) regulations 2017, all entities are required to present information on trade union facility time in their organisations. Facility time is paid time off for union representatives to carry out trade union activities.

Table 12: Relevant union officials

Number of employees who were relevant union officials during the relevant period	4
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Table 13: Percentage of time spent on facility time

Percentage of time	Number of employees
0%	-
1-50%	4
51%-99%	-
100%	-

Table 14: Percentage of pay bill spent on facility time

Pay spent on facility time	
Total pay bill (wages + ER NI +ER Pension)	£4,854
Percentage of facility time against total pay bill	0.051%

For more information about staffing please see note 8.

Signed

Nicholas Cullinan Director, the National Portrait Gallery	3 July 2019
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Signed

David Ross Chairperson, the National Portrait Gallery	3 July 2019
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STATEMENT OF TRUSTEES' AND DIRECTOR'S RESPONSIBILITIES

Under Section 9(4) and (5) of the *Museums and Galleries Act 1992*, the Board of Trustees is required to prepare a statement of account in the form and on the basis directed by the Secretary of State for Digital, Culture, Media and Sport with the consent of the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the National Portrait Gallery and of its net incoming resources and net movement in funds and cash flows for the financial year.

In preparing the National Portrait Gallery accounts the Board of Trustees is required to:

- observe the accounts directions issued by the Secretary of State*, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the National Portrait Gallery will continue its operation.

The Accounting Officer for the DCMS has designated the Director as the Accounting Officer for the National Portrait Gallery. Their relevant responsibilities as Accounting Officer, including their responsibility for the propriety and regularity of the public finances for which they are answerable and for the keeping of proper records and for safeguarding the National Portrait Gallery's assets, are set out in Managing Public Money.

The Accounting Officer and Trustees have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the charitable NDPB's auditors are aware of that information. "Relevant audit information" means information needed by the entity's auditor in connection with preparing the audit report. The Accounting Officer and Trustees confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and have taken personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Signed

Nicholas Cullinan
Director, the National Portrait Gallery

3 July 2019

Signed

David Ross
Chairperson, the National Portrait Gallery

3 July 2019

* a copy of which is available from: The Accounting Officer, the National Portrait Gallery, Millbank, London, SW1P 4RG

GOVERNANCE STATEMENT

Introduction

The National Portrait Gallery (the Gallery) is an executive non-departmental public body (NDPB) sponsored by the Department for Digital, Culture, Media and Sport (DCMS) and an exempt charity defined by Schedule 3 to the Charities Act 2011. It is exempt from registration with, and oversight by the Charity Commission and is regulated by DCMS in accordance with a management agreement agreed by the Secretary of State for Digital, Culture, Media and Sport for charity law purposes. The Gallery's management agreement for the period 2016-2020 sets out the governance framework within which the Gallery operates.

The Governance Framework

The Gallery is governed by a Board of Trustees in accordance with the provisions of the Museums and Galleries Act 1992 (the Act). The Board of Trustees is a body corporate which acts collectively to add to, safeguard and to promote the Gallery and its collections in the best interests of the public. The priority of the Board is strategic oversight.

The Board is advised by a number of formal sub-committees, some of which have delegated authority, as set out below.

The Board delegates the management and administration of the Gallery to the Director, Dr Nicholas Cullinan, who is responsible to the Board for the general exercise of its functions, and as the Gallery's Accounting Officer, he is responsible to the Board of Trustees, DCMS and Parliament for safeguarding the public funds for which he has charge.

The governance framework comprises the systems and processes, culture and values by which the Gallery is directed and controlled. It enables the Board to monitor progress against the Gallery's strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective activities. It also ensures accountability. A governance review and internal audit of governance began in 2018-19 and will be concluded in 2019-20.

The Board of Trustees

The Board consists of sixteen Trustees as set out in the Act, who meet quarterly. Two of the Trustees are ex-officio Trustees and the remaining fourteen are appointed by the Prime Minister, on the recommendation of the Secretary of State for Digital, Culture, Media and Sport with oversight by the Commissioner for Public Appointments following a transparent public appointment process which follows the Government's Governance Code for Public Appointments. Trustees have responsibility for overseeing the Gallery's affairs, determining the policies and overall strategy for the organisation. Trustees are expected to provide critical commentary on the current activities of the Gallery and to determine its overall direction for the future. Outside Trustee meetings, they will make themselves available for consultation and specialist advice, whenever appropriate, as well as acting externally as advocates for the Gallery and assisting in the processes of fund-raising.

Trustees are usually appointed for four years and may be reappointed for a further term. Trustees elect a Chairperson from among their number.

During 2018-19 Kim Evans retired from the Board and Roger Blundell, Marcus Harling, Jonathan Yeo and Shearer West were appointed as Trustees filling a number of vacant posts from retirements in 2017-18. Chris Townsend, who was appointed as a Director and Chair of the National Portrait Gallery Company Limited attends the Trustee meetings as an independent member.

Trustees who served during the year and their attendance at meetings* are shown below:

- David Ross (Chairperson) – 4 of 4 meetings
- Dr Brian Allen – 4 of 4 meetings
- Allegra Berman – 4 of 4 meetings
- Roger Blundell - 3 of 3 meetings
- Rob Dickins – 3 of 4 meetings
- Kim Evans – 2 of 2 meetings
- Marcus Harling – 2 of 2 meeting
- Sir Michael Hintze – 3 of 4 meetings
- Dr Joanna Kennedy – 4 of 4 meetings
- Andrea Leadsom – 0 of 4 meetings
- Christopher Le Brun – 1 of 4 meetings
- Dr Andrew Roberts – 3 of 4 meetings
- Bjorn Saven – 4 of 4 meetings
- Sir Peter Stothard – 4 of 4 meetings
- Chris Townsend – 2 of 2 meeting
- Rachel Wang – 4 of 4 meetings
- Shearer West – 1 of 1 meeting
- Jonathan Yeo – 2 of 2 meeting

* (of the total meetings Trustees were eligible to attend)

The Board of Trustees is required to follow the principles established by the Nolan Committee in the conduct of public bodies; this includes the declaration of individual Trustees' interests. A register of Trustees' interests is kept to identify any potential, perceived or actual conflicts of interest. The Register is reviewed annually by the Audit & Risk Committee and the Board of Trustees and is publicly available in the Heinz Archive and Library.

Delegation of authority and matters reserved to the Board

The Act provides for the establishment, constitution, functions and property of the Board of Trustees. The Board oversees the management of the Gallery, with the Trustees acting as guardians of the public interest. It approves policy and the strategic direction for the Gallery, leaving operational matters to the Director. The Board decides on all acquisitions and strategic resource allocations. It represents the Gallery externally, monitors the organisation's performance against its agreed objectives and targets, and ensures the stewardship of public funds.

A number of specific issues are reserved for decision by the Board of Trustees:

- approval of the forward plan, including strategic priorities and budgets;
- approval of the statutory accounts and Annual Report;
- acquisition and disposal of land and buildings and approval of all contracts over £250k;
- acquisitions of artworks;
- formation and dissolution of subsidiary companies and sub-committees of the Board;
- appointments of the Chairs of the Board's sub-committees and of subsidiary directors;
- authorisation of signatories on behalf of the Board;
- approval of acquisition, disposal, loan and due diligence policies for the Collection and of major Collection purchases;
- appointment of the Director, with the approval of the Prime Minister; and
- approval of the Gallery's Management Agreement with DCMS;

Board Business 2018-19

During 2018-19, the Board considered key strategic issues and routine business planning, including:

- regular review of and updates about the *Inspiring People* project;
- exhibition programmes from 2018 to 2022;
- future commissions; and

- a governance review.

In addition, the Board:

- at each meeting discussed current and forward budgets, management information and development of the forward business plan;
- considered and approved the audited accounts and Annual Report;
- reviewed corporate risks; and
- Reviewed the Gallery's Policy for the Care of Collections.

Minutes of Board meetings, with relevant exemptions applied under the Freedom of Information Act 2000 are published on the Gallery's website as part of the Publication Scheme.

Board Sub-committees

The Act allows the Board to establish sub-committees to undertake its activities more efficiently. The Board is advised by a number of formal sub-committees, as set out below:

- committees with delegated authority from the Board: Investment Committee, *Inspiring People* Project Board; and
- advisory committees with no formal decision-making authority: Finance Committee; Advisory Ethics Committee, Audit & Risk Committee, Remuneration Committee.

Comprising both Trustees and non-Trustees and chaired by a Trustee, committees report to the Board following their meetings through their Trustee Chair. Committees provide detailed expertise and help to advise the Board on specific areas of the Gallery's operations.

The Audit and Risk Committee considers the Gallery's internal control structure, internal and external audit risk, compliance with the regulatory environment and the statutory accounts. The Audit and Risk Committee meets four times each year. Attendance* in 2018-19 was as follows:

- Roger Blundell (Trustee, Chair) – 4 of 4 meetings
- Kim Evans (Trustee) – 2 of 2 meetings
- Marcus Harling (Trustee) – 1 of 1 meetings
- Sir Michael Hintze (Trustee) – 1 of 2 meetings
- Stephen Souchon (Independent member) – 4 of 4 meetings
- Neil Spence (Independent member) – 3 of 4 meetings

* (of the total meetings Members were eligible to attend)

The Remuneration Committee is comprised of the Chair of Trustees and the Trustee members of the Audit and Risk Committee. The Chair of the Committee is Roger Blundell (Trustee). The Remuneration Committee met in February 2019 to consider the performance and remuneration of the Director as detailed in the Remuneration Report.

The Finance Committee considers the Gallery's budgets, financial performance and reserves and reviews *Inspiring People* financial information. The Finance Committee met five times in 2018-19. Attendance* in 2018-19 was as follows:

- Allegra Berman (Trustee, Chair) – 4 of 5 meetings
- David Ross (Trustee) – 5 of 5 meetings
- Bjorn Saven (Trustee) – 4 of 5 meetings
- Neil Spence (Independent member) – 4 of 4 meetings
- Kim Evans (Trustee) – 2 of 3 meetings
- Sir Michael Hintze (Trustee) – 1 of 1 meetings

* (of the total meetings Members were eligible to attend)

The Investment Committee reviews the performance of the Gallery's investment funds and advises on investment strategy. The Investment Committee met two times during 2018-19. Attendance* in 2018-19 was as follows:

- Allegra Berman (Trustee, Chair) – 1 of 2 meetings

- Anthony Brooke (Co-opted member) – 2 of 2 meetings
 - Bjorn Saven (Trustee) – 2 of 2 meetings
 - Jeremy Sillem (Co-opted member) – 1 of 2 meetings
 - Ben Whitmore (Co-opted member) – 2 of 2 meetings
- * (of the total meetings Members were eligible to attend)

The *Inspiring People* Project Board reviews all aspects of the *Inspiring People* Project including design, costs, fundraising and risk. The *Inspiring People* Board met 11 times during 2018-19. Attendance* in 2018-19 was as follows:

- Joanna Kennedy (Trustee, Chair) – 10 of 11 meetings
 - Kim Evans OBE (Independent member) – 10 of 11 meetings
 - Dr Peter Gist (Independent member) – 9 of 9 meetings
 - Amanda Hill (Independent member) – 6 of 11 meetings
 - Jenni Lomax OBE (Independent member) – 9 of 10 meetings
 - Alice Rawsthorn (Independent member) – 6 of 11 meetings
- * (of the total meetings Members were eligible to attend)

Highlights of Board committee reports 2018-19

During 2018-19, The Audit and Risk Committee, Finance Committee and Advisory Ethics Committee all considered issues of governance and risk, including reputational risk.

The Audit and Risk Committee covered items of business including the risk register, business continuity planning, internal audits and external audit reports so that Committee members could assure themselves of the appropriate management of the Gallery's affairs. The Audit and Risk Committee also scrutinised the statutory accounts and Annual Report before recommendation to the Board.

The Finance Committee advised the Board on the budget, management information, reserves and the *Inspiring People* project.

The Advisory Ethics Committee scrutinised and advised the Board on current and prospective corporate sponsorships and support from individuals, international partnerships and other sources and the extent to which these complied with the provisions of the Gallery's Grants and Donations Policy.

The *Inspiring People* Project Board recommended that the Board approve the Royal Institution of British Architects stage 3 designs, as well as reviewing business cases for fundraising and the Outline Business Case stage of DCMS approval for the *Inspiring People* project.

Subsidiary undertakings

The main retailing, catering and events activities of the National Portrait Gallery are carried out by the National Portrait Gallery Company Limited (company number 6015724), a company wholly owned by the Trustees.

As well as the Directors of the Company, the Audit and Risk Committee reviews the performance of the Company, its annual report and accounts, the external auditors' audit strategy and Management Letter. This is done in order to obtain assurance over the activities of the subsidiary during the year. More information about the Gallery's trading subsidiary are summarised in note 20 to the financial statements.

Connected charities

The Gallery has one connected charity, the Portrait Trust, which is independent and its activity does not impact on the Gallery's operating policies. The Trustees of the Portrait Trust work closely with the National Portrait Gallery and have the aim of helping it to fulfil its mission for the public benefit.

On 6 March 2019 it was decided by the Trustees of the Portrait Trust that the charity would be closed, and all assets and liabilities transferred to the National Portrait Gallery. The process will be enacted, and the charity will be wound up in 2019-20.

Risk management

The Risk Management Strategy and Policy, updated and agreed by the Audit and Risk Committee in February 2019, describes the National Portrait Gallery's approach to risk management and the process to be adopted by managers in its implementation. The policy has been issued to all Directors.

The policy sets out the roles and responsibilities for risk management, including those for the Trustees, Audit and Risk Committee and the Directors Group. The Trustees have responsibility for ensuring effective risk management processes are in place across the National Portrait Gallery (the Gallery), the monitoring of which has been delegated to the Audit and Risk Committee. The actual risk management processes are the responsibility of Gallery management and are embedded in the management process.

Risk is reported at divisional and Gallery-wide levels. Directors are responsible for maintaining a risk register for their division. The most significant risks facing the Gallery are detailed in the corporate risk register, which is reviewed by the Directors Group and the Audit and Risk Committee twice a year. The risks have all been assessed and scored for impact, probability and proximity and a mitigation policy has been formulated taking into consideration the targeted risk profile. Each risk is assigned a risk owner.

Risks are explicitly reviewed:

- as part of the annual planning and budget process;
- by the Audit and Risk Committee, consisting of Members of the Board of Trustees and independent members, which meets four times a year;
- at Directors Group meetings, with appropriate action being taken as necessary;
- at a divisional level and acted upon where necessary;
- by the *Inspiring People* capital project board.

The National Portrait Gallery Company Limited's risk registers are reviewed by the Directors of the company.

The targeted risk profile of the Gallery is defined against the following risks:

- programme/content;
- regulation/compliance;
- reputation;
- health and safety, security;
- financial.

The targeted risk profile is reviewed annually and approved by the Audit and Risk Committee, most recently in February 2019.

At the National Portrait Gallery, the main processes in place for identifying, evaluating and managing risk are:

- to ensure that risk identification is an integral part of the annual planning and budgeting process with risks linked to objectives;
- performance against budget and objectives is regularly reviewed by Trustees;
- key performance indicators are included in internal reports and regularly reviewed by Trustees;
- directors consider risk when assessing any major project and formally review significant risks before they are reviewed by the Audit and Risk Committee.

Risk management forms a key area of internal audit, underpinning the Annual Internal Audit Opinion. The Board of Trustees has contracted the internal audit service to Mazars, which operates to the standards defined in the Public Sector Internal Audit Standards. The work of the internal auditors is informed by an analysis of the risk to which the organisation is exposed and annual audit plans are based on this analysis. The analysis of risk and internal audit plans are approved by the Audit and Risk Committee and internal audit reports, key findings and progress towards the implementation of recommendations is reviewed at each meeting.

The internal auditors provide an annual report on the internal audit activity carried out. The report includes the internal auditor's independent opinion on the adequacy and effectiveness of the Gallery's arrangements for governance, risk management and control, together with recommendations for improvement.

Based upon the programme of work undertaken by internal audit during 2018-19, the Head of Internal Audit provided the opinion that overall, the Gallery has an adequate and effective framework for risk management, governance and internal control. An adequate assurance opinion, or better, was given for three of the four assurance reviews carried out. A limited assurance opinion was given for a review of Business Continuity Planning and an action plan has been agreed to address the recommendations made including updating the BCP Plan, a log of near miss incidents, and a communication plan for staff.

Significant risks

During the year the following significant changes have been made to the risk register:

- removal of the risk regarding governance as a review has begun and recruitment for a Head of Governance role is in progress;
- removal of the risks regarding the impact of social media and legal and regulatory breaches which will be held at a divisional rather than corporate level.

The most significant risks are:

- delivery of the *Inspiring People* Project
- ensuring that the Gallery has a sustainable operating and financial model in the medium to long term;
- managing change and the impact on retaining and motivating staff who use their skills and knowledge to deliver the Gallery's objectives;
- the external environment including EU Exit, the Spending Review and the sponsorship climate.

In order to mitigate against the most significant risks a number of actions have been taken, including fundraising for the *Inspiring People* project, increased resources within the Finance team focussed on financial management and business partnering, continuing to work closely with DCMS on EU Exit planning and working on a staff action plan to address the outcomes of the recent staff survey.

Directors Group and the Senior Management Team

The Board has delegated responsibility for the implementation of its strategy and for operational matters to the Director, who has responsibility under the Board for the formulation and recommendation of strategy, and for the overall organisation, management and staffing of the Gallery.

The Director of the Gallery is Dr Nicholas Cullinan. The appointment of the Director is made by the Trustees and approved by the Prime Minister. The Director is responsible for the overall leadership of the Gallery, its programmes of activities, the soundness of its finances, business and financial planning and its external representation. The Director leads the Management Team, which carries responsibility for developing the work of the Gallery, and debating and deciding on particular initiatives within the policies set by the Board. The Management Team takes responsibility for evaluating current work and initiatives, as well as reviewing policies, and is supported by a Directors' Group, which reviews the Strategic and Corporate Plans, the Corporate Risk Register and monitors budgets and financial matters.

The Directors Group considers and agrees budgets and resource frameworks, as well as strategies and policies where there are resource implications for the Gallery. The Senior Management Team, which is made up of heads of departments and senior curators serves as a forum for consultation on and discussion of important strategic, policy and operational issues, and is the decision-making body on gallery-wide policy issues which do not have resource implications. The Directors Group is chaired by the Director, Dr Nicholas Cullinan, and the Senior Management Team is chaired by the Deputy Director, Pim Baxter. Appropriate management structures have been put in place throughout the organisation to assist the Gallery's directors with overseeing their respective departments and areas of responsibility.

The Directors who served in the period 2018-19 were:

Nicholas Cullinan, Director
Pim Baxter, Deputy Director
Robert Barr, Director of Estates and Operations
Nick Hanks, Director of Finance and Planning (to 30 September 2018)
Clare Rolfe, Finance Director of the *Inspiring People* Project (from 9 April 2018 to 2 May 2019)
Lornette Pemberton, Human Resources Director (from 1 April 2018)
Lisa Silver, Interim Finance Director (from 29 August 2018 to 1 February 2019)
Alison Smith, Chief Curator
Liz Smith, Director of Learning and Engagement
Sarah Tinsley, Director of Exhibitions and Collection Management
Ben Weaver, Director of External Relations
Lesley Williams, Chief Finance Officer (from 23 January 2019)

Risk Management and Internal Control

The systems of internal control are designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; they can therefore only provide reasonable and not absolute assurance of effectiveness. The systems of internal control are based on ongoing processes designed to identify and prioritise the risks to the achievement of the Gallery's aims and objectives, and to compliance with its policies, to evaluate the likelihood and impact of those risks being realised and to manage them efficiently, effectively and economically.

Whistleblowing policy

The National Portrait Gallery has a whistleblowing procedures which are regularly reviewed and updated, and made available to all staff.

Significant incidents arising relevant to internal control

There were no significant incidents during the year.

Signed

Dr Nicholas Cullinan
Director and Accounting Officer, the National Portrait Gallery

3 July 2019

Signed

David Ross
Chairperson, the National Portrait Gallery

3 July 2019

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

Opinion on financial statements

I certify that I have audited the financial statements of the National Portrait Gallery for the year ended 31 March 2019 under the Museums and Galleries Act 1992. The financial statements comprise: the consolidated statement of financial activities, the consolidated and National Portrait Gallery balance sheets, the consolidated statement of cash flows and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). I have also audited the information in the Remuneration Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the National Portrait Gallery's affairs as at 31 March 2019 and of its net income/(expenditure) for the year then ended; and
- the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Board of Trustees of the National Portrait Gallery in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the National Portrait Gallery's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Trustees and Director

As explained more fully in the statement of Trustees' and Director's responsibilities, the Trustees and the Director are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the *Museums and Galleries Act 1992*.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the Board of Trustees of the National Portrait Gallery's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the Board of Trustees of the National Portrait Gallery's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Other information

The Trustees and Director are responsible for the other information. The other information comprises information included in the Annual Report, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the

work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with Secretary of State directions made under the Museums and Galleries Act 1992;
- in the light of the knowledge and understanding of the group and the Board of Trustees of the National Portrait Gallery and its environment obtained in the course of the audit, I have not identified any material misstatements in the Annual Report; and
- the information given in the Annual Report which we provide a positive consistency opinion on for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the remuneration report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the governance statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

Date 11 July 2019

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

FINANCIAL STATEMENTS

Consolidated Statement of Financial Activities

Table 15: Incorporating an income and expenditure account, for the Year Ended 31 March 2019

	Notes	INCOME AND EXPENDITURE				CAPITAL				COLLECTIONS				TOTAL				Restated 2017-18 Total funds £000		
		2018-19		2018-19		2018-19		2018-19		2018-19		2018-19		2018-19		2018-19				
		Unrestricted funds £000	Restricted funds £000	Unrestricted funds £000	Restricted funds £000	Unrestricted funds £000	Restricted funds £000	Unrestricted funds £000	Restricted funds £000	Unrestricted funds £000	Restricted funds £000	Unrestricted funds £000	Restricted funds £000	Unrestricted funds £000	Restricted funds £000	Unrestricted funds £000	Restricted funds £000			
Income and endowments from:																				
<i>Donations and legacies</i>																				
Grant in Aid	3	7,381	-	7,381	-	253	-	253	-	-	-	-	-	7,634	-	-	-	7,634	7,134	
Other donations and legacies		3,074	1,465	4,539	-	-	708	708	-	-	-	-	-	3,074	2,173	3,164	-	8,411	7,170	
Charitable activities	4	3,815	22	3,837	-	-	-	-	-	-	-	-	-	3,815	22	-	-	3,837	3,896	
Other trading activities	5	4,462	-	4,462	-	-	-	-	-	-	-	-	-	4,462	-	-	-	4,462	4,242	
Investments	6	3	-	3	-	-	-	-	-	-	-	-	3	-	-	10	-	4,462	4,242	
Total		18,735	1,487	20,222	-	253	708	708	-	253	-	708	708	18,988	2,195	3,174	24,357	22,444	22,444	
Expenditure on:																				
<i>Raising funds</i>																				
Costs of raising donations and legacies	8	1,219	36	1,255	11	47	-	-	-	-	-	-	-	1,230	72	82	1,384	1,190	1,190	
Fundraising trading: cost of goods sold and other costs	8	3,184	391	3,575	436	576	-	-	-	-	-	-	-	3,324	827	-	4,151	3,287	3,287	
Investment management costs	8	11	-	11	-	-	35	35	-	-	-	-	-	11	35	-	46	23	23	
Charitable activities	8	13,147	1,858	15,005	1,943	2,567	-	-	-	-	-	-	-	13,771	3,801	-	17,572	15,819	15,819	
Total		17,561	2,285	19,846	2,415	3,190	35	35	-	35	-	35	35	18,336	4,735	82	23,153	20,319	20,319	
Net gains/(losses) on investments	16	50	-	50	-	-	198	198	-	-	-	-	-	50	198	-	248	417	417	
Net income/(expenditure)		1,224	(798)	426	(2,415)	(2,937)	871	871	-	(522)	(2,937)	871	871	702	(2,342)	3,092	1,452	2,542	2,542	
Transfers between funds	16	(1,719)	(11)	(1,730)	2,600	2,492	(762)	(762)	-	(108)	(108)	(762)	(762)	(1,827)	1,827	-	-	-	-	
Other recognised gains/(losses):																				
Gain/(loss) on revaluation of fixed assets	16	-	-	-	(10,332)	3,588	-	-	-	13,920	(10,332)	-	-	13,920	(10,332)	-	3,588	(5,022)	(5,022)	
Net movement in funds		(495)	(809)	(1,304)	(10,147)	3,143	109	109	-	13,290	(10,147)	109	109	12,795	(10,847)	3,092	5,040	(2,480)	(2,480)	
Reconciliation of funds:																				
Restated funds brought forward at 1 April 2018	16	2,631	4,916	7,547	4,777	81,667	41,902	41,902	-	4,777	76,890	81,667	81,667	7,408	123,708	-	131,116	133,596	133,596	
Funds carried forward at 31 March 2019		2,136	4,107	6,243	18,067	84,810	42,011	42,011	-	18,067	66,743	84,810	84,810	20,203	112,861	3,092	136,156	131,116	131,116	
Restated Reconciliation of funds:																				
Funds brought forward at 1 April 2017		2,568	1,223	3,791	83,114	88,541	41,264	41,264	-	5,427	83,114	88,541	88,541	7,995	125,601	-	133,596	131,049	131,049	
Net movement in funds		63	3,693	3,756	(6,224)	(6,874)	638	638	-	(650)	(6,224)	(6,874)	(6,874)	(587)	(1,893)	-	(2,480)	2,547	2,547	
Funds carried forward at 31 March 2018	24	2,631	4,916	7,547	76,890	81,667	41,902	41,902	-	4,777	76,890	81,667	81,667	7,408	123,708	-	131,116	133,596	133,596	

All operations of the National Portrait Gallery continued throughout both periods and no operations were acquired or discontinued in either period. There are no recognised gains or losses other than those shown above.

To provide better understanding of the accounts, the National Portrait Gallery provides enhanced statement of financial activities disclosure beyond the requirements of the SORP.

The notes on pages 40 to 73 form part of these accounts

Consolidated and National Portrait Gallery Balance Sheets

Table 16: Balance Sheets at 31 March 2019

	Notes	Group		National Portrait Gallery	
		2019 £000	Restated 2018 £000	2019 £000	Restated 2018 £000
<i>Fixed assets</i>					
Tangible assets	9	84,810	81,666	84,810	81,666
Heritage assets	10	32,693	31,919	32,693	31,919
Investments	6	6,179	6,142	6,179	6,142
Total fixed assets		123,682	119,727	123,682	119,727
<i>Current assets</i>					
Stocks	11	674	602	382	308
Debtors and prepayments	12	2,385	1,825	3,170	2,392
Investments	6	5,610	6,002	5,610	6,002
Cash and liquid resources	13	9,108	9,005	8,442	8,631
Total current assets		17,777	17,434	17,604	17,333
<i>Creditors: amounts falling due within one year</i>	14	(2,715)	(3,447)	(2,542)	(3,346)
<i>Provisions: amounts falling due within one year</i>	14	(8)	(8)	(8)	(8)
Net current assets		15,054	13,979	15,054	13,979
Total assets less current liabilities		138,736	133,706	138,736	133,706
Creditors: amounts falling due after more than one year	14	(2,580)	(2,590)	(2,580)	(2,590)
Total assets less liabilities		136,156	131,116	136,156	131,116
<i>Represented by:</i>					
<i>Restricted reserves</i>					
Restricted funds (excluding revaluation reserves)	16	65,807	66,322	65,807	66,322
Revaluation reserves		47,054	57,386	47,054	57,386
Subtotal		112,861	123,708	112,861	123,708
<i>Unrestricted reserves</i>					
Designated (excluding revaluation reserves)		4,306	6,848	4,306	6,848
Revaluation Reserves		14,180	260	14,180	260
General		1,717	300	1,717	300
Subtotal		20,203	7,408	20,203	7,408
Total funds		133,064	131,116	133,064	131,116
Endowments	16	3,092	-	3,092	-
Total funds		136,156	131,116	136,156	131,116

The notes on pages 40 to 73 form part of these accounts. The financial statements on pages 37 to 39 were approved by the Trustees on:

Signed

Dr Nicholas Cullinan
Director and Accounting Officer, the National Portrait Gallery

3 July 2019

Signed

David Ross
Chairperson, the National Portrait Gallery

3 July 2019

Consolidated Statement of Cash Flows

Table 17: Cash flows for the Year Ended 31 March 2019

	Notes	2019 £000	2018 £000
<i>Cash flows from operating activities:</i>			
Net cash provided by operating activities	18(i)	2,759	6,653
<i>Cash flows from investing activities:</i>			
Dividends and interest		13	2
Purchase of property, plant and equipment		(3,160)	(715)
Proceeds from sale of investments		647	2,224
Purchase of investments		(74)	(546)
Net cash used in investing activities		(2,574)	965
Unrealised loss from changes in foreign currency exchange rates		(82)	-
Change in cash and cash equivalents in the reporting period		103	7,618
Cash and cash equivalents at the beginning of the reporting period		9,005	1,387
Cash and cash equivalents at the end of the reporting period		9,108	9,005

The notes on pages 40 to 73 form part of these accounts..

NOTES TO THE ACCOUNTS

1. *Accounting policies*

Basis of accounting

The accounts have been prepared in accordance with the accounts direction given by the Secretary of State for Digital, Culture, Media and Sport, with the approval of Treasury. The particular policies adopted by the National Portrait Gallery are described below; they have been applied consistently in dealing with items that are considered material in the accounts.

The financial statements are prepared under the historical cost convention as modified for the revaluation of certain fixed assets and the inclusion of investments at market value. The accounts comply with the requirements of Accounting and Reporting by Charities: Statement of Recommended Practice (the SORP) FRS102 (updated for reporting from 2016), applicable accounting standards under UK GAAP and the Government Financial Reporting Manual (the FReM).

The National Portrait Gallery is a public benefit entity.

Basis of consolidation

The National Portrait Gallery's financial statements consolidate the results of the National Portrait Gallery and its wholly-owned subsidiaries the National Portrait Gallery Company Limited (company number 6015724). A separate statement of financial activities or income and expenditure account for the National Portrait Gallery has not been presented.

Statement of Financial Activities (SOFA)

This statement discloses the totality of the resources receivable by the NPG during the year and their disposition. The NPG has provided enhanced disclosure this year for the first time in the Statement of Financial Activities beyond the requirements of the SORP in order to allow readers of the accounts to distinguish between the ongoing revenue income and costs of operating the NPG, and the impact of donations in support of capital expenditure and collection acquisitions.

Going concern

After reviewing the National Portrait Gallery's budgets, forecasts, anticipated Grant in Aid from the Department of Digital, Culture, Museums and Sport, and the fundraising position for the *Inspiring People* Project there is a reasonable expectation that the Gallery has adequate resources to continue in operational existence for the foreseeable future. The Gallery therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Key judgements and estimates

The significant judgements and estimates made in preparing these accounts are disclosed throughout the document, and include those with respect to depreciation (note 1), the valuation of fixed assets (note 9) and heritage assets (note 10), and the actuarial valuation of the defined benefit pension liability (note 8).

Income and endowments

Income and endowments are shown net of Value Added Tax. In general, income is accounted for on a receivable basis. The following accounting policies are applied to income:

Donations and legacies:

Grant in Aid from DCMS is recognised on receipt. Donated works of art are recognised as income based on the value at the date of acceptance. Donations of works of art are normally valued by the National Portrait Gallery curators who are experts in their fields, with external validation when required. Donation income, including lottery and grant income, is recognised as income when the conditions for its receipt have been met. Receipt of a legacy will be recognised when there has been

grant of probate; the executors have established that there are sufficient assets in the estate; that any conditions attached to the legacy are within the control of the National Portrait Gallery or have been met; and it is possible to estimate with sufficient accuracy the amount receivable. Where a payment is received from an estate or is notified as receivable by the executors after the reporting date and before the accounts are authorised for issue, but it is clear that the payment had been agreed by the executors prior to the end of the reporting period, then it is treated as an adjusting event and accrued as income if receipt is probable.

Other trading activities:

Sponsorship income is recognised as income when the conditions for its receipt have been met and when the sponsored activity has taken place.

Investments:

Dividend and interest income is recognised on a receivable basis.

Charitable activities:

Admissions and other charitable income is recognised on a receivable basis on the date of the event.

Deferred income:

Income relating to the future provision of services is deferred until the services are provided and entitlement to the income is earned. This includes admissions income from exhibition tickets where the provision is based on the date the visit to the exhibition occurs.

Expenditure

All expenditure is accounted for on an accruals basis and is classified on the following bases:

Costs of raising donations and legacies:

Comprises the costs associated with raising donations and legacies, trading income and income raised from other activities.

Charitable activities:

Comprises the costs associated with the performance of: gallery activities (all those costs associated with the public programmes of the National Portrait Gallery and of the media programmes and website, including exhibitions, education and communications and marketing expenditure); gallery operations (visitor services and operations costs); and the costs of maintaining the Collection (including conservation, art handling, photography and acquisitions-related expenditure).

Support costs:

Comprises the costs of governance costs (including relevant legal costs and finance staff, as well as audit fees), finance, human resources, information technology, estate and facilities and general administration and support. These costs are allocated to the various categories of expenditure based on the most appropriate method for each support department, as described in note 8.

Heritage Assets

Additions to the Collection acquired since 1 April 2001 are capitalised and recognised in the balance sheet, at the cost or value of the acquisition. Such items are not depreciated or revalued as a matter of routine as the assets are deemed to have indeterminable lives. Expenditure to conserve the works is included under charitable activities in the statements of financial activities. Where works of art are included at valuation, external valuations are used where available; more usually assets are valued internally by the National Portrait Gallery staff. These represent an indicative estimate only. In reaching these valuations curators compare portraits donated to the Collection with the values of comparable items on the open market, taking account of differences in condition, size, status and market desirability. The capitalised heritage assets reflect a small proportion of the Gallery's collections: only 11% of the Primary Collection, 2% of Photographs Collection, and under 1% of the Reference Collection. For the remaining works, the appropriate and relevant valuation information is

not available; the Trustees do not consider that the cost of valuing the remainder of the Collection is commensurate with the benefits to the users of the financial statements. Where assets have been acquired with another party, their carrying value reflects the proportion of the Gallery's holding.

Expenditure which is required to preserve or prevent further deterioration of individual collection items is recognised in the Statement of Financial Activities when it is incurred.

Fixed assets

The threshold for capitalisation of tangible fixed assets is as follows:

IT hardware and software assets	£1,000
Other assets	£5,000

With the exception of assets in the course of construction and fixtures, fittings and equipment, tangible fixed assets are stated at modified historic cost in the accounts, being revalued annually using indices when no formal revaluation is undertaken. A revaluation of the Trustees' property holding was undertaken at 31 March 2019 by Montagu Evans, independent property consultants. Specialised operational assets were revalued on a Depreciated Replacement Cost basis; operational assets are revalued on the basis of Existing Use Value. Revaluation of assets is undertaken on a quinquennial basis and material variations from historical cost are reflected in the balance sheet value and unrealised gains or losses are disclosed in the statement of financial activities. In the years between professional valuations of land and buildings, and every year for certain other fixed assets, indices are used to adjust the net book value of the assets. A desk top valuation of the land element is also undertaken in each year between professional revaluations, by the Gallery's surveyors. Impairment reviews are carried out at the end of each reporting period, in accordance with the Charities SORP (FRS 102), to ensure that the carrying values of the assets reflect the recoverable amounts.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset evenly over its expected life; a full year's depreciation is charged in the year of acquisition. The useful economic lives of the tangible fixed assets are as follows:

Land	- not depreciated
Buildings and leasehold improvements	- 5 to 70 years
Plant and fit-out	- 5 to 19 years
Fixtures, fittings and equipment	- 3 to 10 years

Impairments of Financial Assets

An assessment of whether there is objective evidence of impairment is carried out for all financial assets or groups of financial assets at the balance sheet date. A financial asset, or group of financial assets, is considered to be impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the asset or group of assets that can be reliably estimated.

Where there is objective evidence that an impairment loss exists on loans and receivables carried at amortised cost, impairment provisions are made to reduce the carrying value to the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The charge to the Statement of Financial Activities represents the movement in the level of provisions, together with any amounts written off, net of recoveries in the year.

Investments

Investments are stated at market value rather than at historical cost, based on the mid-market price. Any unrealised gains or losses arising from this policy are disclosed in the statement of financial activities.

Stock

Stock is stated at the lower of cost or net realisable value.

Cash and liquid resources

Funds placed on money market deposit for more than one day are defined as liquid resources. Funds held in cash or in current or call accounts are defined as cash.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the year-end. Transactions in foreign currencies are translated at the rate ruling at the time of transaction. All exchange differences go to the statements of financial activities.

Operating leases

Costs in relation to operating leases are charged to the statements of financial activities over the life of the lease.

Pensions

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, of which the National Portrait Gallery is not able to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensionscheme.org.uk). For more information, please see note 8. Pensions are accounted for as a defined benefit scheme for members of the PCSPS. A partnership pension account has also been available which is a defined contribution stakeholder pension scheme with a choice of providers.

Redundancy costs

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme under the *Superannuation Act 1972*. Exit costs are accounted for in full for the year of departure.

Fund accounting

The National Portrait Gallery maintains general, designated, restricted and endowment funds as set out in note 16.

Taxation

The National Portrait Gallery is exempt under section 505 of the Income and Corporation Taxes Act 1988 from taxes on income arising from the pursuit of its charitable objectives. The taxable profits of the National Portrait Gallery Company Limited are distributed to the National Portrait Gallery under Gift Aid rules and no tax liability is expected for the year ended 31 March 2019.

Liabilities

Liabilities are recognised when a present legal or constructive obligation exists, it is more likely than not that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured or estimated reliably. Voted loans from DCMS are accounted for on an amortised cost basis using the effective interest rate method.

Financial instruments

As required by accounting standards, certain items are classified as financial instruments. Creditors under one year are accounted for at carrying value, as disclosed in note 14. Trade debtors are included at carrying values with debts provided for where all efforts to recover them have been exhausted. Investments are held at market value, as they are classified as being held at fair value since the funds are actively managed.

2. Consolidated Statement of Financial Activities (Restated)

Table 18: Incorporating an income and expenditure account, for the Year Ended 31 March 2018

	INCOME AND EXPENDITURE				CAPITAL				COLLECTIONS				TOTAL	
	Restated												Restated	
	2017-18 Unrestricted funds £000	2017-18 Restricted funds £000	2017-18 Total funds £000	2017-18 Total funds £000	2017-18 Unrestricted funds £000	2017-18 Restricted funds £000	2017-18 Total funds £000	2017-18 Total funds £000	2017-18 Unrestricted funds £000	2017-18 Restricted funds £000	2017-18 Endowment funds £000	2017-18 Total funds £000	2017-18 Total funds £000	
Income and endowments from:														
<i>Donations and legacies</i>														
Grant in Aid	6,964	-	6,964	170	-	170	-	-	-	-	7,134	-	7,134	
Donated works of art	-	-	-	-	-	-	333	333	333	-	-	-	333	
Other donations and legacies	1,808	4,644	6,452	-	-	-	385	385	1,808	5,029	-	-	6,837	
Charitable activities	3,767	129	3,896	-	-	-	-	-	3,767	129	-	-	3,896	
Other trading activities	4,242	-	4,242	-	-	-	-	-	4,242	-	-	-	4,242	
Investments	2	-	2	-	-	-	-	-	2	-	-	-	2	
Total	16,783	4,773	21,556	170	-	170	718	718	16,953	5,491	-	-	22,444	
Expenditure on:														
<i>Raising funds</i>														
Costs of raising donations and legacies	1,080	85	1,165	9	16	25	-	-	1,089	101	-	-	1,190	
Fundraising trading: cost of goods sold and other costs	3,244	-	3,244	15	28	43	-	-	3,259	28	-	-	3,287	
Investment management costs	9	14	23	-	-	-	-	-	9	14	-	-	23	
Charitable activities	12,800	719	13,519	792	1,495	2,287	-	-	13,592	2,227	-	-	15,819	
Total	17,133	818	17,951	816	1,539	2,355	13	13	17,949	2,370	-	-	20,319	
Net gains/(losses) on investments														
Net income/(expenditure)	(348)	3,955	3,607	(646)	(1,539)	(2,185)	-	415	2	415	-	-	417	
Transfers between funds	411	(262)	149	-	333	333	-	(482)	(994)	3,536	-	-	2,542	
Other recognised gains/(losses):														
Gain on revaluation of fixed assets	-	-	-	(4)	(5,018)	(5,022)	-	-	(4)	(5,018)	-	-	(5,022)	
Net movement in funds	63	3,693	3,756	(650)	(6,224)	(6,874)	-	638	(587)	(1,893)	-	-	(2,480)	
Reconciliation of funds:														
Funds brought forward at 1 April 2017	2,568	1,223	3,791	5,427	83,114	88,541	-	41,264	7,995	125,601	-	-	133,596	
Restated funds carried forward at 31 March 2018	2,631	4,916	7,547	4,777	76,890	81,667	-	41,902	7,408	123,708	-	-	131,116	

The accounts have been restated to incorporate the impact of the omission of Gift Aid income on two large donations received in 2017-18 (see note 24).

3. Donations and legacies

Table 19: National Portrait Gallery Donations and Legacies

	2019	Restated
	£000	2018
		£000
Grant in Aid	7,634	7,134
Grants & donations	1,567	5,343
Legacies	3,167	-
Fundraising events	1,017	161
Donations in kind	45	100
Individual giving	1,455	1,198
Lottery	784	35
Donated works of art	376	333
Total	16,045	14,304
<i>of which the following is taken to (see pages 37 and 44)</i>		
Income and expenditure	11,920	13,416
Capital	253	170
Collections	708	718
Endowments	3,164	-

Grant in aid is available for running costs, capital improvements and collection purchases. Of the total figure, £253,000 (£253,000 in 2017-18) was provided for capital purposes.

Restricted donations included in the above total amounted to £2,173,000 for 2018-19 (2017-18 £5,362,000).

All the above income relates to the parent charity rather than the National Portrait Gallery Company Limited.

The categories within donations and legacies have been remodelled from 2017-18 to provide more meaningful analysis.

4. Charitable activities

Table 20: National Portrait Gallery Charitable Activities

	2019 £000	2018 £000
Exhibitions income	3,762	3,812
Learning income	75	84
Total	3,837	3,896
<i>of which the following is taken to (see pages 37 and 44)</i>		
Income and expenditure	3,837	3,896
Capital	-	-
Collections	-	-
Restricted income included in the above total	22	129

All the above income relates to the parent charity rather than the National Portrait Gallery Company Limited.

The categories within charitable activities have been remodelled from 2017-18 to provide more meaningful analysis.

5. Other trading activities

Table 21: National Portrait Gallery other trading activities

	2019	2018
	£000	£000
Trading	4,244	3,949
Other activities for raising funds	218	293
Total	4,462	4,242
<i>of which the following is taken to (see pages 37 and 44)</i>	4,462	4,242
Income and expenditure	-	-
Capital	-	-
Collections		

No restricted income is included in the above total.

Included within the above totals for income from other trading activities for the group is £2,895,020 (2017-18 £3,007,000) of income generated by the National Portrait Gallery Company Limited. An additional £1,366,000 (2017-18 £1,509,000) of income due to the National Portrait Gallery from the National Portrait Gallery Company Limited has been eliminated on consolidation. This relates to the Gallery's publications by the Company and the management charge. Company profits of £782,000 (2017-18 £764,000) have been gift aided to the Gallery for 2018/19. In total, this brings the Gallery's non-consolidated trading income to £3,715,000 (2017-18 £3,518,000).

The categories within trading activities have been remodelled from 2017-18 to provide more meaningful analysis.

6. Investments

Table 22: Income from Investments

	2019	2018
	£000	£000
Income from UK bank deposits	13	2
Total	13	2

All of the above income relates to the National Portrait Gallery rather than the National Portrait Gallery Company Limited (also in 2017/18).

Table 23: Fixed asset investments

	2019	2018
	£000	£000
Market value at 1 April 2018	6,142	5,238
Investment portfolio additions	-	540
Investment portfolio disposals	-	-
Gains/(losses) on revaluation	37	364
Market value at 31 March 2019	6,179	6,142
Historical cost at 31 March 2019	3,620	3,620
Unrealised investment gains at 31 March 2019	2,559	2,522

The National Portrait Gallery holds the fixed asset investments. The National Portrait Gallery Company Limited does not hold any investments. The investments are held for the purposes of producing a long term return and are not intended to be spent within the next 12 months. Partners Capital LLP manage the funds, which are invested in The Master Portfolio (TMP), as part of the Portrait Fund portfolio. The TMP is a collective investment scheme, created by Partners Capital, which invests across a range of asset classes and securities (which may include investments in other collective investment schemes).

The fixed asset investments are held outside the UK (also in 2017-18). Unrealised gains and losses are included in the statement of financial activities.

Table 24: Current asset investments

	2019	2018
	£000	£000
Market value at 1 April 2018	6,002	8,214
Investment portfolio additions	74	6
Investment portfolio disposals	(647)	(2,224)
Investment management charges deducted	(30)	(47)
Gains/(losses) on revaluation	211	53
Market value at 31 March 2019	5,610	6,002
Historical cost at 31 March 2019	3,986	4,559
Unrealised investment gains at 31 March 2019	1,624	1,443

The National Portrait Gallery holds the current asset investments. The trading company does not hold any investments. The current asset investments are held for the purposes of producing a return, but the Gallery considers that they should remain highly liquid and available to spend within the next 12 months. Partners Capital LLP manages the funds as part of the Portrait Fund and Investment & Contingency Fund portfolios.

Table 25: Investment Portfolio

	2019 Market value £000	2018 Market value £000
<i>Investments in the UK</i>		
Government stocks (inflation linked gilts)	824	344
Real Assets (charities property fund)	800	749
Absolute return	-	344
<i>Investments held outside the UK</i>		
Government stocks (index-linked UK gilts and conventional UK gilts)	-	268
Corporate bonds	1,922	2,370
Global equities fund	100	231
Absolute return	367	417
Cash	1,597	1,279
Total	5,610	6,002

Unrealised gains and losses are included in the statement of financial activities.

7. *Net income/(expenditure)*

Table 26: Net income/expenditure is stated after charging:

	2019	2018
	£000	£000
<i>Auditors' remuneration</i>		
Comptroller and Auditor General	38	34
Subsidiary – audit, PKF Littlejohn LLP	10	10
<i>Operating lease rentals</i>		
Land and buildings	148	153
Equipment	16	8
Depreciation	2,609	2,355
Loss on surrender of finance lease	581	-

The audit fee relates solely to audit services provided by the National Audit Office and PKF Littlejohn LLP.

8. Total expenditure

Table 27: Total expenditure

	Staff costs £000	Other direct costs £000	Support costs £000	Depreciation £000	2019 Total £000	2018 Total £000
<i>Raising funds</i>						
Costs of raising donations and legacies	795	255	296	38	1,384	1,190
Fundraising trading: cost of goods sold and other costs						
Trading costs	1,127	1,214	1,339	471	4,151	3,287
Investment management costs	-	43	3	-	46	23
<i>Total costs of raising funds</i>	1,922	1,512	1,638	509	5,581	4,500
<i>Charitable activities</i>						
Extending and broadening audiences	1,200	879	773	218	3,070	3,504
Developing the collection	3,683	184	3,391	1,378	8,636	5,332
Increasing understanding and engagement	1,915	1,881	1,566	504	5,866	6,983
<i>Total charitable activities</i>	6,798	2,944	5,730	2,100	17,572	15,819
Total	8,720	4,456	7,368	2,609	23,153	20,319

Support costs

Table 28: Support cost breakdown by activity

	Governance costs £000	Finance and Legal £000	Human resources £000	Information systems £000	Estates £000	Other £000	2019 Total £000	2018 Total £000
<i>Raising funds</i>								
Costs of raising donations and legacies	9	53	52	85	78	19	296	267
Fundraising trading: cost of goods sold and other costs								
Other costs of raising funds	19	118	79	129	951	43	1,339	506
Investment management costs	-	2	-	-	-	1	3	-
Total costs of raising funds	28	173	131	214	1,029	63	1,638	773
<i>Charitable activities</i>								
Extending and broadening audiences	17	105	66	107	440	38	773	965
Developing the collection	32	195	225	85	2,783	71	3,391	1,474
Increasing understanding and engagement	31	192	98	159	1,017	69	1,566	3,217
Total charitable activities	80	492	389	351	4,240	178	5,730	5,656
Total	108	665	520	565	5,269	241	7,368	6,429
Basis of allocation	expenditure	expenditure	average FTE	FTE excluding visitor services	Square meterage	expenditure		

Support costs include an element of staff costs amounting to £2,085,000 (£1,702,000 in 2017-18).

Staff costs

Table 29: Total Staff costs

	2019 £000	2018 £000
Wages and salaries	8,403	8,437
Pension costs	1,470	1,507
Social Security costs	724	742
Redundancy costs	103	562
Total employee costs	10,700	11,248
Agency staff costs	105	221
Total employee and agency staff costs	10,805	11,469

The above includes £59,000 of staff costs relating to staff working on capital projects that were capitalised in 2018-19 (£76,000 in 2017-18). The average number of full-time equivalent (FTE) staff directly employed on capital projects was 2 in 2018-19 (2 in 2017-18).

The Gallery's gender profile is 29.7% male and 70.3% female. Of the Directors within the Gallery 33.3% are male, and 66.7% are female.

The number of National Portrait Gallery employees, including the Director, whose emoluments as defined for taxation purposes amounted to over £60,000 in the year was as follows:

Table 30: Staff pay brackets over £60,000

	2019 No.	2018 No.
£60,000 - £69,999	5	5
£70,000 - £79,999	1	-
£80,000 - £89,999	1	1
£90,000 - £99,999	-	-
£100,000 - £109,999	1	1
Total	8	7

All 8 of the staff earning more than £60,000 are members of a defined benefit pension scheme (7 in 2017-18). Further information on Director's and senior managers' pay can be found in the remuneration report on page 22.

The Trustees neither received nor waived any emoluments during the year (also in 2017-18). Expenses reimbursed or paid on behalf of one Independent Committee Member for travel and subsistence amounted to £292 (£293 in 2017-18 for one Independent Committee Member).

No expense was incurred on consultants during the year (also in 2017-18).

The average number of full-time equivalent (FTE) staff during the year was 271 (281 in 2017-18). Included within this total are 35 FTE staff on temporary contracts (28 in 2017-18) and 52 FTE staff on fixed-term contracts (46 in 2017-18).

Table 31: Breakdown of average FTE staff by occupational group

	2019 No.	2018 No.
<i>Costs of raising funds</i>	-	-
Costs of raising donations and legacies	23	17
Costs of fundraising trading	35	38
<i>Charitable activities</i>	171	191
<i>Other resources expended – support costs</i>	42	35
Total	271	281

Table 32: Breakdown of Exit Packages

Exit package cost band	Number of compulsory redundancies 2019	Number of other redundancies agreed 2019	Total number of exit packages by cost band 2019	Total number of exit packages by cost band 2018
<£10,000	2	2	4	-
£10,000 - £50,000	-	1	1	32
£50,000 - £100,000	-	1	1	-
Total number of exit packages	2	4	6	32
Total cost/£	£15,144	£122,938	£138,082	£562,118
No. of exit packages repaid	-	(1)	-	-
Cost of exit packages repaid	-	(£34,860)	(£34,860)	-
Total resource cost/£	£15,144	£88,078	£103,222	£562,118

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme under the *Superannuation Act 1972*. Exit costs are accounted for in full for the year of departure.

Pension benefits are provided through the Civil Service pension arrangements. The Principal Civil Service Pension Scheme (PCSPS) – known as “Alpha” – is an unfunded multi-employer defined benefit scheme was introduced from 1 April 2015. The Gallery is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2012. Details are included in the resource accounts of the Cabinet Office: Civil Superannuation, for reference please see; <https://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>. Prior to 1 April 2015, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

For 2018-19, employers’ contributions of £1,429,000 were payable to the PCSPS (2017-18 £1,481,000) at one of four rates in the range of 20.0% to 24.5% of pensionable pay, based on salary bands. The scheme’s Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018-19 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers’ contributions of £38,000 (2017-18 £26,000) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £1,000 (£1,000 in 2017-18), 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions of £4,000 (2017-18 £2,000) were due to the partnership pension providers at the balance sheet date. There were no contributions prepaid at that date.

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

9. Tangible assets

Table 33: Group & National Portrait Gallery Assets

	Land £000	Leasehold & Freehold Buildings £000	Plant & Machinery £000	Fixtures Fittings and Equipment £000	Total Tangible Assets £000
Value at 1 April 2018	23,500	60,322	6,627	3,676	94,125
Additions at cost	1,400	1,200	12	134	2,746
Valuation of assets	10,334	(20,566)	13,920	-	3,688
Disposals	-	(850)	-	(21)	(871)
Value at 31 March 2019	35,234	40,106	20,559	3,789	99,688
Depreciation at 1 April 2018	-	6,933	2,259	3,267	12,459
Charge for the year	-	1,833	575	201	2,609
Valuation of assets	-	100	-	-	100
Disposals	-	(269)	-	(21)	(290)
Depreciation at 31 March 2019	-	8,597	2,834	3,447	14,878
Net book value at 31 March 2019	35,234	31,509	17,725	342	84,810
Net book value at 31 March 2018	23,500	53,389	4,368	409	81,666

The freehold of National Portrait Gallery at St Martin's Place was transferred from the Secretary of State for the Environment and the Crown to the Trustees of the Gallery in January 1994. The freehold land and buildings were brought into the books in 1994 at net book value of £43.7m.

The St Martin's Place building also includes the East Wing, which occupies a frontage onto Charing Cross Road. Whilst the East Wing is part of the structure of the National Portrait Gallery, ownership was transferred to the National Gallery (as part of the arrangements for the creation of the Ondaatje Wing) and the National Portrait Gallery leased the East Wing from the National Gallery through a 99-year finance lease. The lease was valued at £2,657,000 as at 31 March 2018. In April 2018, the National Portrait Gallery surrendered the lease and purchased the freehold from the National Gallery for £2,600,000. The surrender of the lease resulted in a loss of £581,000. The East Wing was purchased during 2018-19 from the National Gallery for £2,600,000.

The land and buildings at 39-45 Orange Street and 1 Charing Cross Road were purchased by the Trustees in 1988/89 for £1.5 million. This conveyance contains a covenant which states: "that the property shall not be used for any purpose other than for the purposes of The National Portrait Gallery as a non-profit making public art gallery and offices, library and storage and shop for the sale of books, souvenirs and pictures and restaurant and catering for visitors to the public and/or other similar. In each case strictly ancillary to the use of the property or the premises now known as The National Portrait Gallery as a public art gallery." They were reconstructed to provide new accommodation for the archives and gallery administration. The buildings were brought into the balance sheet in 1994 at a value of £9.1 million (including plant and machinery).

A full revaluation of the Trustees' property holdings was undertaken at 31 March 2019 by Montagu Evans, independent property consultants. The revaluation was in accordance with the Royal Institution of Chartered Surveyors' "Red Book", RICS Appraisal and Valuation Standards. Specialised property is valued at depreciated replacement cost and non-specialised property at market value for existing use.

Where no formal revaluation is undertaken, buildings, plant and fit-out and the buildings and plant element of long leasehold assets have been revalued using indices; land has been revalued using information provided by independent property consultants.

The financial effect of revaluing fixtures, fittings and equipment was considered to be immaterial and therefore they have been disclosed at their historical cost value.

10. Heritage assets

Table 34: Collection Cost and Valuation

	Value at 1 April 2018 £000	Additions £000	Value at 31 March 2019 £000
<i>Cost</i>			
Primary Collection	22,415	370	22,785
Reference Collection	54	12	66
Photographs Collection	689	16	705
<i>Valuation</i>			
Primary Collection	5,265	146	5,411
Reference Collection	3,012	49	3,061
Photographs Collection	484	181	665
Total	31,919	774	32,693

In the year 301 works were added to the Collection of which 86 are included at cost price and 215 (including 62 part-purchased works) have been valued. There were no disposals of heritage assets in the period.

Table 35: Five-year financial summary of heritage asset transactions

	2014-15 £000	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000
<i>Cost</i>					
Purchased assets	9,901	275	1,881	64	398
<i>Valuation</i>					
Donated assets	286	4,162	486	333	376
Total additions	10,187	4,437	2,367	397	774

Further Information on the National Portrait Gallery's Collection

The Gallery's collections are held in support of its statutory obligations to promote, through the medium of portraits, the appreciation and understanding of the men and women who have made and are making British history and culture, and to promote the appreciation and understanding of portraiture in all media.

The Collection is displayed at the National Portrait Gallery and through loans to temporary national and international exhibitions and long loans. Access to the permanent collection on display at the National Portrait Gallery is free of charge. Most of the temporary exhibitions are ticketed providing an essential source of revenue. Normally items not on display can be made available for viewing via the Acquisitions & Displays Registrar. The Collection is also made widely available via the Portrait Explorer within the Gallery, on the internet (at www.npg.org.uk) and in Gallery and other publications.

Primary Collection

The Primary Collection of paintings, sculpture, miniatures, drawings, prints, photographs, silhouettes and mixed/new media works contains some 12,636 portraits of the most famous people in British history. Of these, 4,120 are paintings, sculptures and miniatures, approaching 60% of which are regularly displayed at the National Portrait Gallery or elsewhere. In addition, there are some 8,497 works on paper, shown on a rotating basis of about 120 items a year.

Reference Collection

There are more than 335,000 images in the Reference Collections, divided between the Archive and Library's Reference Collection of about 85,000 items, mainly prints but also 2,767 drawings, 78 paintings, 168 sculptures, and a small but growing collection of popular ceramics. The Reference

Collection is used for study and exhibition, and has been extensively reproduced in books and other publications.

Photographs Collection

The Photographs Collection consists of more than 250,000 original photographic images of which at least 130,000 are original negatives. They date from the 1840s to the present day. The collection is divided into two parts; photographic portraits that are subsumed into the Gallery's Primary Collection of portraits, and the remainder which form the Photographs Collection.

Further information on the Collection may be found in the annual report on page 6. More information is available on the National Portrait Gallery's website, www.npg.org.uk.

Preservation and Management of the Collection

The Collection is under the care of the Collections Services department. The Conservation staff perform one of the Gallery's core functions, the long-term preservation of all Collection items, to make them accessible now and in the future.

The Primary, Photograph and Reference Collections are recorded on the Gallery database, Multi Mimsy, and this database serves as the register of the Collection.

The condition and storage of acquisitions for the Collection are considered at the point of acquisition. Items in the various collections are kept in environmentally controlled conditions. The condition and the management of the collections are then subject to review on a portrait-by-portrait basis as and when portraits are used for exhibition or other use at the Gallery or elsewhere.

The condition and the management of the collection is also subject to review in other ways, firstly across a whole group of objects in a particular medium as and when opportunity or the need arises for a wider survey, secondly at a particular location as a matter of regular review and, thirdly as a matter of day-to-day review by staff working with the collections on display and in store.

The Collection is subject to periodic random audit to make sure that portraits are located as recorded on the database.

There is close and frequent liaison between collection managers, curators and conservators, and also with security staff as necessary.

Acquisitions

Acquisitions for the Primary Collection are subject to the approval of the Board of Trustees which meets four times a year. The Gallery's formal collecting policy is set out in Collections Development Policy, which can be viewed on the Gallery's website:

<https://www.npg.org.uk/about/corporate/gallery-policies/collections-development-policy>

Acquisitions for the Reference Collection (Photograph and Archive) are delegated to the Director and are formally approved by the monthly Curatorial Meeting.

Disposals

The Trustees have a statutory responsibility to hold and maintain the collection in trust for future generations in accordance with the Gallery's objectives. The Trustees are empowered to dispose of objects the Gallery owns, but only in certain circumstances. The procedures are laid out in the Collections Development Policy mentioned above.

Capitalisation of the Collection

Additions to the Collection acquired since 1 April 2001 are capitalised and recognised in the balance sheet, at the cost or value of the acquisition. Such items are not depreciated or revalued as a matter of routine as the assets are deemed to have indeterminable lives. Expenditure to conserve the works is included under charitable activities in the statements of financial activities.

Where works of art are included at valuation, external valuations are used where available; more usually assets are valued internally by the National Portrait Gallery staff. These represent an indicative estimate only. In reaching these valuations curators compare portraits donated to the Collection with the values of comparable items on the open market, taking account of differences in condition, size, status and market desirability. The capitalised heritage assets reflect a small proportion of the Gallery's collections: only 11% of the Primary Collection, 2% of Photographs Collection, and under 1% of the Reference Collection. For the remaining works, the appropriate and relevant valuation information is not available; the Trustees do not consider that the cost of valuing the remainder of the Collection is commensurate with the benefits to the users of the financial statements. Where assets have been acquired with another party, their carrying value reflects the proportion of the Gallery's holding.

11. Stock

Table 36: Stock

	Group		National Portrait Gallery	
	2019 £000	2018 £000	2019 £000	2018 £000
Goods for resale	667	582	375	288
Work in progress	7	20	7	20
Total	674	602	382	308

12. Debtors

Table 37: Debtors

	Group		National Portrait Gallery	
	2019 £000	Restated 2018 £000	2019 £000	Restated 2018 £000
Trade debtors	833	389	576	220
Provision for bad debts	(26)	(10)	(10)	(10)
Subtotal	807	379	566	210
Amounts due from group companies	-	-	1,093	838
Other debtors	138	102	108	80
Prepayments	67	75	67	74
Accrued income	1,165	908	1,128	829
VAT recoverable	208	361	208	361
Total	2,385	1,825	3,170	2,392

13. Cash and liquid resources

Table 38: Cash and liquid resources

Held at/in:	Group		National Portrait Gallery	
	2019 £000	2018 £000	2019 £000	2018 £000
Interest-bearing accounts	4,517	4,749	3,862	4,381
Cash and non-interest-bearing accounts	4,591	4,256	4,580	4,250
Total	9,108	9,005	8,442	8,631

14. Creditors

Table 39: Creditors, amounts falling due within one year

	Group		National Portrait Gallery	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade creditors	764	657	736	651
Other creditors	64	17	56	17
Taxation and social security	381	366	381	366
Accruals	573	1,261	539	1,221
Deferred income	933	1,146	830	1,091
Total	2,715	3,447	2,542	3,346
Of which capital creditors	-	16	-	16

Table 40: Creditors, amounts falling due after more than one year

	Group		National Portrait Gallery	
	2019 £000	2018 £000	2019 £000	2018 £000
Other creditors	2,580	2,590	2,580	2,590
Total	2,580	2,590	2,580	2,590

Creditors falling due after more than one year comprise the Voted Loan. The loan was provided by DCMS in March 2018 to fund the purchase of the East Wing freehold from the National Gallery. The loan is subject to 1.63% interest per annum and will be paid off in full in 2037/38.

Table 41: Deferred income

	Group		National Portrait Gallery	
	2019 £000	2018 £000	2019 £000	2018 £000
Deferred income brought forward	1,146	1,118	1,091	1,096
Released in year	(1,146)	(1,118)	(1,091)	(1,096)
Deferred in year	933	1,146	830	1,091
Deferred income carried forward	933	1,146	830	1,091

Deferred income released during the year related to sponsorship, exhibitions income and events where the underlying activities were completed during the year; as well as a portion of membership income. Income deferred in the year includes income for future exhibitions, sponsorship and events.

Table 42: Provisions

	Group		National Portrait Gallery	
	2019 £000	2018 £000	2019 £000	2018 £000
Provisions brought forward	8	8	8	8
Released in year	(8)	(8)	(8)	(8)
Charged in year	8	8	8	8
Provisions carried forward	8	8	8	8

15. Operating leases

At 31 March 2019 the National Portrait Gallery had annual commitments under non-cancellable operating leases as follows:

Table 43: Operating leases for the Group

	Land and buildings £000	Other £000	2019 £000	2018 £000
<i>Operating leases expiring within</i>				
One year	146	7	153	144
Two to five years	145	20	165	280
More than five years	-	-	-	-
Total	291	27	318	424

The National Portrait Gallery Company Limited does not hold any leases.

16. Statement of funds

Table 44: Statement of funds for the Group

	Restated Opening Funds £000	Transfers £000	Income £000	Expenditure £000	Gain on revaluation £000	Gain on investment £000	Closing funds £000
Unrestricted							
<i>Designated</i>							
Plant & Machinery, Fixtures & Fittings	4,517	-	146	(776)	-	-	3,887
Plant & Machinery revaluation reserve	260	-	-	-	13,920	-	14,180
Inspiring People Fund	-	-	597	(178)	-	-	419
Investment & Contingency Fund	2,077	(2,077)	-	-	-	-	-
Deferred Projects Fund	254	(254)	-	-	-	-	-
Subtotal	7,108	(2,331)	743	(954)	13,920	-	18,486
<i>Unrestricted funds</i>	300	504	18,245	(17,382)	-	50	1,717
Total unrestricted funds	7,408	(1,827)	18,988	(18,336)	13,920	50	20,203
Restricted							
Land & Buildings	19,504	2,600		(2,415)	-	-	19,689
Land & Buildings revaluation reserve	57,386	-	-	-	(10,332)	-	47,054
Heritage Assets	31,919	398	376	-	-	-	32,693
<i>Restricted reserves for the purchase of heritage assets:</i>							-
Portrait Fund	9,708	(800)	91	(35)		198	9,162
Dame Helen Gardiner Fund	8	-	1	-		-	9
Grants & Donations Fund for Acquisitions	267	(360)	240	-		-	147
Grants & Donations Fund for Inspiring People	4,673	-	1,042	(2,167)		-	3,548
Grants & Donations Fund for other activities	243	(11)	445	(118)		-	559
Total restricted income funds	123,708	1,827	2,195	(4,735)	(10,332)	198	112,861
Endowments							
Heinz Archive Fund	-	-	1,587	(41)	-	-	1,546
Heinz Acquisitions Fund	-	-	1,587	(41)	-	-	1,546
Total endowment funds	-	-	3,174	(82)	-	-	3,092
Total funds	131,116	-	24,357	(23,153)	3,588	248	136,156

Table 45: Fair value reserve (investments) – movements

	As at 1 April 2018 £000	Unrealised gains under fair value £000	Realised gains under fair value £000	As at 31 March 2019 £000	Reserve fund net of FV at 31 March £000	Reserve fund incl. FV at 31 March £000
<i>Restricted</i> Portrait Fund	2,728	198	-	2,926	6,236	9,162
<i>Unrestricted</i> General	1,255	50	-	1,305	412	1,717
<i>Total</i>	3,983	248	-	4,231	6,648	10,879

The accounts comprise a number of individual funds that divide into distinct categories, which are defined below.

Designated funds

Funds designated for a particular use by the Trustees.

Designated funds and the purpose for which their income may be applied are:

- *Plant & Machinery, Fixtures & Fittings* – funds applied towards the purchase of plant, machinery, fixtures and equipment.
- *Plant & Machinery Revaluation reserve* – the reserve arising from the 5-yearly revaluation and the indexation of historical asset values of plant and machinery to arrive at a modified historical cost.
- *The Investment & Contingency fund* (represented the designation reserves to be invested in future projects).
- *The Deferred Projects fund* (represented underspends generated in the year which were to be employed in projects in the next year).
- *The Inspiring People fund* (represents funds generated from the gala held in March 2019 and the Inspiring People public campaign).

During the year the Investment & Contingency fund and the Deferred Projects fund was transferred into the General Fund in order to improve clarity of the unrestricted position.

During the year the purchase of the East Wing from the National Gallery was funded from £2,600,000 of unrestricted reserves.

General funds

Funds available for general use.

Restricted funds

Funds restricted for particular purposes either by the wishes of the donor or by the nature of the fundraising appeal.

Restricted funds and the purpose for which their income may be applied are:

- *Land and Buildings* – the value of the National Portrait Gallery's estate vested in the Board of Trustees by the Secretary of State for the Environment and adjusted for subsequent valuations and disposals
- *Land and Buildings Revaluation reserve* – the reserve arising from the 5-yearly revaluation and the indexation of historical asset values to arrive at a modified historical cost.

- *Heritage assets* – funds applied towards the purchase of acquisitions for the collections together with all donated works of art since 1 April 2001;
- *Portrait fund* – funds raised specifically for the development of the collections (acquisitions and related costs such as conservation and displays) as set out in the Portrait fund deed.
- *Dame Helen Gardner fund* – funds provided by royalties received under the Dame Helen Gardner's bequest restricted to purchasing literacy or early 17th century portraits.
- *Grants and donations fund for acquisitions* – funds from various grants and donations given for the purchase of acquisitions
- *Grants and donations fund for Inspiring People* – funds from various grants and donations given towards the Inspiring People project.
- *Grants and donations fund for other activities* – funds from various grants and donations given for specified purposes (not including acquisitions or Inspiring People)

During the year £800,000 from the Portrait fund was transferred into general funds, recognising a number of acquisitions that had been made from unrestricted funds in prior years.

Endowment funds

Endowment funds are funds that the donor has stated are to be held as capital.

The endowment funds and the purpose for which their income may be applied are:

- *Drue Heinz Archive Fund* – legacy endowment to support and maintain the Heinz Library & Archives. The capital element of this endowment remains permanently intact and only the income can be spent;
- *Drue Heinz Acquisition Fund* - legacy endowment for purchase of acquisitions for the collections.

17. Analysis of net assets between funds

Table 46: Funds balances at 31 March 2019 for the Group

	Unrestricted designated funds £000	Unrestricted general funds £000	Restrict ed funds £000	Endowment funds £000	Total 2019 £000	Restated Total 2018 £000
Tangible assets	18,067	-	66,743	-	84,810	81,666
Heritage assets	-	-	32,693	-	32,693	31,919
Fixed Investments	-	-	6,179	-	6,179	6,142
Net current assets	419	4,297	7,246	3,092	15,054	13,979
Long term creditors	-	(2,580)	-	-	(2,580)	(2,590)
Total net assets	18,486	1,717	112,861	3,092	136,156	131,116

18. Cash flow information

Table 47: Reconciliation of net income to net cash inflow from operating activities

	2019 £000	Restated 2018 £000
Net (expenditure)/income for the reporting period	1,452	2,542
Adjustments for:		
Depreciation charges	2,609	2,355
(Profit)/loss on disposal of property, plant and equipment	581	0
Dividends and interest	(13)	(2)
Unrealised loss from changes in foreign currency exchange rates	82	
(Gain)/loss on investments	(248)	(417)
Investment management fees	30	47
Donations of works of art	(376)	(333)
Decrease/(increase) in stocks	(72)	37
Decrease/(increase) in debtors	(560)	(591)
(Decrease) /increase in creditors	(513)	2,987
Increase /(decrease) in deferred income	(213)	28
Net cash inflow from operating activities	2,759	6,653

Table 48: Analysis of cash and cash equivalents

	2019 £000	2018 £000
Balances held with commercial banks	9,077	8,978
Cash in hand	31	27
Cash balance at end of year	9,108	9,005

19. Capital commitments

Table 49: Capital Financial commitments

	2019	2018
	£000	£000
Capital expenditure contracted for, but not provided in the accounts	67	2,600
Acquisition of works of art contracted for, but not provided in the accounts	302	363
Total	369	2,963

Table 50: Capital Opening and Closing Financial commitments

	Capital expenditure	Works of art
	£000	£000
Opening commitments at 31 March 2018	2,600	363
Less paid for during the year	(2,600)	(331)
Less commitments written out	-	(12)
Additional commitments	67	282
Closing commitments at 31 March 2019	67	302

Commitments to acquire works of art are made throughout the year with the timing of payments dependent upon bringing the work into the National Portrait Gallery's premises and satisfactory completion of condition checks. Payments for works are normally expected to take place within the following year and will be funded via donations already pledged to the acquisitions as well as further fundraising during the coming months.

20. Subsidiaries

The Board of Trustees of the National Portrait Gallery owns the whole of the issued share capital of the National Portrait Gallery Company Limited (comprising 1 ordinary share of £1 each).

The National Portrait Gallery Company Limited

The National Portrait Gallery Company Limited's principal activities comprise the management and operation of restaurant, café and ancillary services for the benefit of visitors to the National Portrait Gallery's galleries, venue hire, and the sale of books and other products and merchandise associated with the Collection and the National Portrait Gallery activities.

Table 51: Asset figures taken from the National Portrait Gallery Company Limited accounts

	2019	2018
	£000	£000
Fixed assets	-	-
Current assets	1,266	940
Current liabilities	(1,266)	(940)
Long-term liabilities	-	-
Net assets	-	-
Capital and reserves	-	-
Total	-	-

Current assets include stock (goods for resale) of £292,651 (£294,287 in 2017-18).

Table 52: Profit and loss figures taken from the National Portrait Gallery Company Limited accounts

	2019	2018
	£000	£000
Turnover	2,895	3,007
Cost of sales	(887)	(990)
Gross profit	2,008	2,017
Other income	-	-
Administrative expenses	(1,226)	(1,253)
Trading profit	782	764
Interest receivable	-	-
Net contribution	782	764

The profits of the National Portrait Gallery Company Limited are gift-aided to the National Portrait Gallery via a Deed of Covenant.

21. Related party transactions

The National Portrait Gallery is an NDPB whose parent department is DCMS. DCMS is regarded as a related party. During the year, the National Portrait Gallery had a number of transactions in the normal course of business and at full arm's length with DCMS.

The National Portrait Gallery is a Non-Departmental Public Body whose sponsoring body is the Department for Digital, Culture, Media and Sport. The Department for Digital, Culture, Media and Sport is regarded as a related party. During the year the National Portrait Gallery had a number of transactions with the Department and with other entities for which the Department is the sponsor, for example; the Heritage Lottery Fund, the National Gallery, Tate, the Victoria & Albert Museum and the National Heritage Memorial Fund.

The National Portrait Gallery also entered into transactions with other related parties during the year as set out below:

Party	Nature of the Relationship	Transaction	Income for the year ended 31 March 2019	Expenditure for the year ended 31 March 2019	Debtor Balance as at 31 March 2019	Creditor Balance as at 2019
Christopher Le Brun	Christopher Le Brun is an ex officio Trustee of the NPG and President of the Royal Academy of the Arts	During the year a joint acquisition was made between the NPG and the RA. The NPG received income from the Royal Academy of the Arts to cover their share of the acquisition	£14,360	-	-	-
Roger Blundell	Roger Blundell is a Trustee of NPG and a Director of Grosvenor Britain and Ireland	Grosvenor donation to the NPG gala	£10,000	-	-	-
Roger Blundell	Roger Blundell is a Trustee of NPG and a Director of Grosvenor Britain and Ireland	NPG Membership	£145	-	-	-
Dr Andrew Roberts	Andrew Roberts is a Trustee of NPG	Donation to the NPG gala	£10,000	-	-	-
David Ross	David Ross is a Trustee of NPG and a Trustee of the David Ross Foundation	David Ross Foundation donation to the NPG gala	£18,000	-	-	-
David Ross	David Ross is a Trustee of NPG	Donation to the NPG gala	£5,750	-	£5,750	-
Bjorn Saven	Bjorn Savens is a Trustee of NPG	Donation to the NPG	£10,000	-	-	-
Dr Andrew Roberts	Andrew Roberts is a Trustee of NPG	NPG Membership	£145	-	-	-
Sir Michael Hintze	Sir Michael Hintze is a Trustee of NPG	NPG Membership	£145	-	-	-
Neil Spence	Neil Spence is an independent member of the Finance Committee and Audit & Risk Committee	Re-imbusement of travel expenses	-	£291.75	-	-

Jeremy Sillem, an independent member of the Investment Committee, is a director and shareholder with Partners Capital LLP. Partners Capital LLP are the Gallery's investment advisors with £11.7m of the Gallery's reserves under management.

22. Financial instruments

FRS102 Section 11, Basic Financial Instruments required entities to provide disclosures which allow users of the accounts to evaluate the significance of financial instruments for the entity's financial position and performance and the nature and extent of risks arising from financial instruments during this period.

As a significant proportion of the cash requirements of the charity are met through Grant in Aid received from DCMS, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments are cash relating to the running of the operation. The charity's main exposure is investments and debtors.

Credit risk

The National Portrait Gallery is exposed to a credit risk of £807,000 representing trade debtors (£379,000 in 2017-18), however the risk is not considered significant as major customers are known to the National Portrait Gallery.

Cash is held by the National Portrait Gallery's bankers. The charity has not suffered any loss in relation to cash held by its bankers. See note 13.

Liquidity risk

The National Portrait Gallery manages liquidity risk through its reserves policy. The National Portrait Gallery does not make use of borrowing facilities. As a result, the National Portrait Gallery is not exposed to significant liquidity risks. There are sufficient funds to cover existing current liabilities.

Market risk

The National Portrait Gallery is not exposed to significant market risk from financial instruments. Interest and investment income represents less than 1% of the total incoming resources for the National Portrait Gallery (less than 1% in 2017-18). The National Portrait Gallery is therefore not exposed to significant interest or investment risk.

Foreign currency risk

The National Portrait Gallery's exposure to foreign currency risk is not significant.

23. Post balance sheet events

The annual report and accounts were approved by the Accounting Officer and Trustees on 3 July 2019 and authorised for issue on the date they were certified by the Comptroller and Auditor General.

On 3 April 2019 the trustees of the Portrait Trust and the trustees of the National Portrait Gallery entered into a Transfer Agreement, where by the Gallery will receive the assets of the trust and continue the work of the Portrait Trust. This is considered a non-adjusting event.

24. Prior Period Adjustment – Grants and Donations

The accounts have been restated to incorporate the impact of the omission of Gift Aid income on two large donations received in 2017-18.

The Gift Aid declarations were in place by 31 March 2018 and the underlying donations received. The Gift Aid was claimed from HMRC in 2018-19 but the income was not recognised within accrued income for 2017-18.

The Statement of Financial Activities, Balance Sheet and related notes have been restated for this effect in 2017-18.

The tables below show the impact of the inclusion of the Gift Aid income within Grants and donations income on the Statement of Financial Activities and Balance Sheet for 2017-18. The prior period adjustment does not have impact on the opening position at 1 April 2017.

Restated Consolidated and Gallery Statement of Financial Activities

Table 53: Restated Consolidated and Gallery Statement of Financial Activities

	As reported 31 March 2018 £000	Gift Aid Adjustment £000	As restated 31 March 2018 £000
Donations and legacies	6,226	611	6,837
Total income	21,833	611	22,444
Net income/(expenditure)	1,930	611	2541
Net movement in funds	(3,092)	(611)	(2,481)
Funds carried forward at 31 March 2018	130,505	611	131,116

Table 54: Restated Consolidated and Gallery Balance Sheets

	As reported 31 March 2018 £000	Gift Aid Adjustment £000	As restated 31 March 2018 £000
Debtors and prepayments	1,214	611	1,825
Net current assets	13,368	611	13,979
Total assets less current liabilities	133,095	611	133,706
Total assets less liabilities	130,505	611	131,116
Represented by:			
Restricted funds	65,711	611	66,322

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