

The Wallace Collection
Annual Report and Accounts 2022-23

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Annual Report and Trustees' Report

Objectives and Achievements

Background/introductory information

The Wallace Collection was formed by four generations of the Marquesses of Hertford and by Sir Richard Wallace (the supposed illegitimate son of the Fourth Marquess) between the 1780s and the 1880s. Since the 1870s the Collection has been housed in Hertford House, Manchester Square, London, W1U 3BN, one of the Hertford-Wallace residences and a Grade II listed building. The Collection was bequeathed to the nation by Lady Wallace, Sir Richard's widow, in 1897 and opened to the public on 22 June 1900. Admission to the permanent collection is free.

A Treasury Minute of 28 July 1897 appointed the first Board of Trustees, which acts on the authority of a Declaration of Trust dated 27 July 1899, and of the Museums and Galleries Act 1992, which specifies the Board's general function to maintain, exhibit and grant access to, and to promote public understanding and enjoyment of the Collection. Responsibility for Government financing of the Wallace Collection rests with the Secretary of State for Culture, Media and Sport, from whom the museum receives a Grant-in-Aid out of monies provided by Parliament. The museum is a Non-Departmental Public Body sponsored by the Department for Culture, Media and Sport (DCMS). It is a charity exempt from registration under the Charities Act 2011. It has a wholly-owned subsidiary, Hertford House Marketing Limited, whose results are consolidated with the Wallace Collection's results for the purpose of these accounts.

The museum contains Old Master paintings, miniatures, sculpture, furniture, porcelain and goldsmiths' work, European, African and Asian arms and armour, and medieval and Renaissance works of art. All are of the highest quality and of international importance. Its holdings of French eighteenth-century art, European princely arms and armour, and Old Master paintings are internationally acclaimed.

The works of art in the Collection, broken down by collection category, comprise:

Pictures (paintings, watercolours, drawings and etchings)	777
Miniatures	317
Furniture	525
Sculpture	481
European Arms and Armour	1,342
Oriental Arms and Armour	1,057
Asian and African Art	98
Porcelain	287
Earthenware	203

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Glass	59
Limoges enamels	29
Gold boxes	89
Works of Art	341
Manuscript cuttings	32

These objects (5,637 in total) encompass a superb range of fine and decorative arts from the fifteenth to the nineteenth centuries. They are housed in twenty-seven rooms and galleries on the ground and first floors, with an additional Temporary Exhibition Gallery, Visitors' Library, Theatre, Meeting Room and Learning Studio on the lower ground floor.

Notably, in 2019-20, the Collection obtained permission to loan works of art and thereby develop stronger partnerships and relationships with other arts institutions.

Aims, Objectives and Priorities

The 1992 Museums and Galleries Act sets the overall statutory objectives for the Wallace Collection. Its wording is as follows:

“(4) so far as practicable and subject to the provisions of this Act, the Wallace Collection Board shall maintain the collection of objects known as the Wallace Collection and shall:

- (a) care for and preserve the objects in their collection;
- (b) secure that the objects are exhibited to the public;
- (c) secure that the objects 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 fine and applied art both by means of the Board's collection and by such other means as they consider appropriate.”

In 2019, following consultation with DCMS, the Charity Commission granted an Order under section 105 of the Charities Act 2011 to authorise the temporary lending and borrowing of objects for exhibitions or displays. The following powers were vested in the Board of Trustees:

“1.2.1. Being satisfied that it is expedient in the interests of the Charity that it should do so, the Commission authorises the Charity:

- (1) to lend any objects in the Charity's collection (whether the loan is for purposes of public exhibition or not and whether, under the terms of the loan, the object is to remain in the United Kingdom or not) provided that in deciding whether or not to

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lend an object, and in determining the time for which, and the conditions subject to which, an object is to be lent, the Charity:

- (a) shall give special consideration to the request for the loan of an object for public exhibition; and
- (b) subject to that, shall have regard to the interests of students and other persons visiting the Charity's collection, the sustainability of the prospective borrower, the purpose of the loan and the physical condition and degree of rarity of the object and any risk to which it is likely to be exposed."

The Trustees of the Wallace Collection consider the museum's principal aim is 'to safeguard this unique and varied Collection, making it accessible for the present and preserving it for future generations.' In order to achieve this aim the Collection has, under the banner of "*Making Culture Matter*", set itself the following objectives and priorities for the period 2022 - 2025:

1. To maintain, research and preserve the Collection for future generations;
2. To broaden and deepen visitor engagement, connecting with audiences onsite and digitally;
3. To build and support a strong exhibition programme;
4. To lay a strong financial foundation for the future; and
5. To embark upon a Masterplan programme to transform the museum.

These objectives and priorities are described in further detail in this annual report.

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Achievements and Performance

The Wallace Collection continued to recover from the challenges created by the COVID-19 pandemic during the 2022-23 financial year. Visitor numbers grew strongly throughout the twelve months, increasing to 314,000 during 2022-23, an increase of 93% from the previous year (162,000 visits in 2021-22). Although this figure is still 21% below pre-pandemic levels of visitation, the increase brought improved income through retail and the restaurant. The venue hire team had a record year for income generation.

To maintain, research and preserve the Collection for future generations

Researching and conserving the works of art in the Wallace Collection for future generations is one of the museum's core strategic aims, and the Collection made important progress on several areas of research over the last year.

Major Research Projects

Ottoman, Middle Eastern and Asian Arms and Armour

The Collection's research on its Ottoman, Middle Eastern and Asian Arms and Armour continued; Hertford House is home to one of the finest collections of non-European arms and armour in the world, which in total makes up almost 20% of the museum's works of art. It provides an unusually comprehensive view of its key areas – India, the Ottoman Empire and Iran – over the eighteenth and nineteenth centuries, although some of its star pieces were made as early as the fifteenth century. These functional weapons and prestigious luxury objects are integral to the story of the Wallace Collection, yet they have never been thoroughly researched and studied. Led by Arthur Bijl, the Hutton McRoberts Assistant Curator of Ottoman, Middle Eastern and Asian Arms and Armour, this comprehensive catalogue expected to be released in 2024, includes new photography following conservation and cleaning of the objects.

The Fragonard Research Project

In 2019-20, the Wallace Collection launched a major conservation and research project focusing on the artist, Jean-Honoré Fragonard. The Collection is fortunate to own eight exquisite works by Fragonard, one of the most popular artists of the eighteenth century. This ensemble is crucial to the identity of the museum, yet they have not been studied in depth. Led by Dr Yuriko Jackall, Head of Curatorial and Curator of French Paintings, the project aims to address these gaps in knowledge. Following the conservation of several Fragonard's works in 2022, we were able to conserve *The Swing*; by removing the thick yellowing varnish, the conservation opened up new depths in the painting, bringing it back to its original glory for visitors to appreciate. Dr Yuriko Jackall will publish a long-form article (in two parts) in the Burlington Magazine in 2024 which details our findings from the conservation of *The Swing*.

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The Venetian Views Research Project

The Wallace Collection has an extremely fine group of paintings by Giovanni Antonio Canal (commonly known as Canaletto), Francesco Guardi and their followers. The Venetian Views Project was launched in 2017 to conserve, analyse and research these important works, with the conservation and technical analysis carried out by the world-renowned Hamilton Kerr Institute at the University of Cambridge. Now that the final paintings have returned from the Hamilton Kerr to the Wallace Collection, Dr Lelia Packer, Curator of Dutch, Italian, Spanish, German and Pre-1600 Paintings, is writing the first volume dedicated to these Venetian views, presenting the research undertaken on each of the paintings. *Canaletto and Guardi: Views of Venice at the Wallace Collection* will also include extensive discussion of the conservation process with the findings made and is scheduled for publication in 2024.

Conservation Projects

Miniatures

The Wallace Collection holds an important group of miniatures and illuminated manuscript cuttings, and following a successful crowd-funding campaign in which we raised substantially more than our target of £7,000, we were able to conserve more than 30 of these that had been identified as needed priority treatment.

This group included some of our most important works, on both vellum and ivory, as well as oil on card, for example a manuscript cutting of Galeazzo Sforza on the Eve of Battle; a work depicting Jean de Thou from the circle of François Clouet and Isaac Oliver's portrait miniature of Sir Richard Leveson. Once conserved, we were able to photograph the miniatures, and curator Dr Lucy Davis, Curator of Flemish and British Paintings, Miniatures and Works on Paper, who led the project, made a short video to share the results with the public.

Cornelis de Vos, Portrait of a Man & Portrait of a Lady

Cornelis de Vos (c. 1584 - 1651) was a Flemish portraitist, a member of the Antwerp Painters' Guild, and a close collaborator of Rubens and van Dyck. In July 2022, two works in the Collection by the artist, *Portrait of a Man* and *Portrait of a Lady*, both oil on panel paintings, were identified as high priority for conservation. The thick varnish was very visibly yellowed, interfering with the pigments and visual appearance of the paintings. Assessment of the paintings also revealed several small fractures in the panels, which can affect long-term stability.

In late autumn, following successful fundraising for the project, the portraits were sent to be conserved and given structural treatment. The project also included dendrological analysis, pigment samples and x-rays to document De Vos's creative process. The works were returned to the Wallace Collection in August 2023.

While the pictures are being restored, curator Dr Lucy Davis has been carrying out research into the paintings the possible identities of the sitters, who are currently unknown.

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Jean-Marc Nattier, *Mademoiselle de Clermont en sultane*

Painted in 1733, little is known of this group portrait showing a seated white female figure, currently identified as Marie-Anne de Bourbon (1697–1741), better known as Mademoiselle de Clermont (the youngest child of Louis III de Bourbon, Prince de Condé and of Mademoiselle de Nantes, an illegitimate (though subsequently recognised) daughter of Louis XIV), and several unidentified Black models.

Over the last twelve months, this work has undergone conservation to remove a heavily yellowed varnish, which obscured the painting's details and luminous finish. Alongside this treatment, curator Dr Yuriko Jackall embarked upon a programme of research to discover more about the painting's history and context. A central aim of this research was to identify the other sitters in the painting as members of Clermont's household, as part of the museum's ongoing equity, diversity, and inclusion initiative.

Significant Loans

Louis XV: Passions of a King *exhibition at Château de Versailles, France*

From October 2022 to February 2023, the Wallace Collection made two important loans to the Château de Versailles: *Madame de Ventadour with Louis XIV and his heirs*, and a commode by the Royal cabinet-maker Antoine-Robert Gaudreaus, with mounts by the famous Jacques Caffiéri. Both works underwent conservation treatment before they travelled to France.

Madame de Ventadour with Louis XIV and his heirs depicts the duchesse de Ventadour shown alongside her little charge, the duc d'Anjou, the future Louis XV (1710–1774), whom she saved during the measles epidemic of 1712. The work had a layer of varnish removed to reveal its true vibrancy, and research carried out by curator Dr Yuriko Jackall and former Enriqueta Harris Frankfort Curatorial Fellow, Dr Akemi Luisa Herráez Vossbrink, proposed a new attribution for the painting discovered during the course of their research.

The commode (or chest of drawers) was conserved in house by Senior Conservator Jürgen Huber. The piece was made for the King's bedroom at Versailles in 1739 by the Antoine-Robert Gaudreaus, and it was the first time that the piece had returned to its original home since 1774. It was a major moment in the history both of the Wallace Collection and of Château de Versailles.

The Wallace Collection publications for the year are:

Tobias Capwell, *Armour of the English Knight: Continental Armour in England 1435-1500*, London: Thomas Del Mar, 2022

Tobias Capwell, 'The Funerary Helm of Henry V: A Helm for the Joust of Peace, c. 1380–1420', in Curry, Anne and Susan Jenkins, eds, *The Arms and Armour of Death: The Funeral Achievements of Henry V at Westminster Abbey* (Woodbridge: Boydell, 2022), pp.92–127

Tobias Capwell, 'The George that Stands in the Hall': Saint George and the Dragon, by William Vynyard, Armourer of London, c. 1528', in Brown, Ruth Rhynas and Kay Douglas

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Smith, *The Armourers and Brasiers' Company: 700 Years in 70 Objects* (Leeds: Basiliscoe Press, 2022), pp.20–5

Tobias Capwell, 'The "Lebus" Helm: Notes on Its Construction, Function and Date,' *Vaabenhistoriske Aarbøger* (Journal of the Danish Arms and Armour Society) (2022), pp.95–128

Lucy Davis, 'The Provenance of 'Het Steen' and 'The Rainbow Landscape'', *Burlington Magazine* (April 2022), pp. 333-342 (with Natalia Muñoz- Rojas)

Ada de Wit, *Grinling Gibbons and his Contemporaries (1650–1700). The Golden Age of Woodcarving in the Netherlands and Britain*, Turnhout: Brepols, 2022

Yuriko Jackall, 'Catalogue entry. Madame de Ventadour avec le roi Louis XIV et ses héritiers (P122)', in Yves Carlier and Hélène Delalex, eds.: *exh. cat. Louis XV. Passions d'un roi, 1710–1774, Versailles (château de Versailles) 2022*, pp.35–36 (with Akemi Luisa Herráez Vossbrink)

Yuriko Jackall, *Jean-Baptiste Greuze et ses têtes d'expression*, Paris: Institut national d'histoire de l'art, 2022

Yuriko Jackall, 'Greuze's greens: ephemeral colours, classical ambitions', *The Burlington Magazine* 165 (March 2023), pp.268–279 (with Barbara H. Berrie, John K. Delaney, and Michael Swicklik)

Yuriko Jackall, 'Review. Boilly (1761–1845): Parisian Chronicles. Musée Cognacq-Jay, Paris', *Burlington Magazine* (June 2022), pp.600–602

Yuriko Jackall, 'Review. Fragonard's Progress of Love by Alan Hollinghurst and Xavier F. Salomon', *The Burlington Magazine* 164 (September 2022), pp.945–946

Yuriko Jackall, 'Review. Watteau at Work: La Surprise. By Emily A. Beeny, Davide Gasparotto, and Richard Rand. Los Angeles: Getty Publications, 2021', in *French Studies* (November 2022)

Félix Zorzo, 'This palace of genius, fancy and taste', *Scala Regia Carnets. Collectors & Collections*, Scala Regia International Unipessoal Lda., Lisbon, 2022, pp.85–98

To broaden and deepen visitor engagement, connecting with audiences onsite and digitally

The Collection's Learning and Digital team enable people of all ages and backgrounds to develop a greater understanding and enjoyment of art. Through a wide range of opportunities that combine discussion, observation and creative activities, our digital and in-person learning programmes aim to inspire primary and secondary students and teachers, children and their families, adults and young people, and our diverse communities.

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We also deliver accessible events for children and adults with special educational needs and disabilities (SEND), and for D/deaf and visually-impaired people. Our extensive outreach programmes connect with older people living with dementia, and those in residential care and who are at risk of social isolation, as well as children and adults in long-term hospital care. Our range of downloadable resources and microsites support self-directed learning in the classroom and at home. We promote equality, diversity and inclusion across all of our programmes.

2022-23 has been an incredibly busy year, with the team expanding to deliver a much bigger programme as the museum continues to recover from the pandemic. In all for the financial year 2022-23, we delivered 932 individual live sessions in the museum and in outreach settings, engaging a total 21,157 people face-to-face. Online, it was 114 sessions, engaging 7,031 people virtually. This represents significant growth on our 2021-22 programme, with a 73% growth in total number of sessions held and more than double the number of individual engagements reached.

Youth engagement is one of the key aims of the Wallace Collection's audience development strategy. As older audiences age, it is crucial for the long-term relevance of the museum that we are able to attract younger visitors to both our temporary exhibitions and the permanent collection. We are very pleased to see that visits from 16-34 year olds are growing year-on-year. In 2021-22, 17% of our audience was 16 – 34; in 2022-23, that figure had increased to 38%. Visits from Families doubled (to 1 in 10 visits) between 2021-22 and 2022-23.

We believe that our temporary exhibition, *Inspiring Walt Disney: The Animation of French Decorative Arts* encouraged both the 16 – 34 demographic and family visitors last year, and it our hope that *Portraits of Dogs from Gainsborough to Hockney*, which opened in the final week of the financial year, will continue that impetus for these audiences in 2023-24.

Digital content is also a crucial way we engage with audiences who cannot travel to Hertford House. Since establishing the capability last year simultaneously to broadcast our onsite learning events to a global audience through hybrid real/virtual programming, we have seen significant growth in participation outside of London. Building on the success of our online courses programme, which we introduced during the pandemic, hybrid talks are helping the Collection to build a majority online audience outside London, with 57% participation coming from across the rest of the UK and worldwide. As London audiences continue to return to onsite participation, our hybrid capability is a crucial achievement in helping us reach a broad audience.

Online participation	London-based	UK, outside London	Outside UK
Hybrid talks	47%	31%	22%
Online courses	39%	36%	25%

Engagement with our digital museum guide on the Bloomberg Connects app - a global app that users can download anywhere - continues to grow; for the first week in March 2023, the Wallace ranked third highest in number of users out of over 170 international organisations on the app, just after MoMA and Central Park in New York. Also, in March 2023, the Wallace recorded the highest ever traffic in one month on our recently relaunched website,

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with 144,000 users. Growth is supported by our range of in-depth collection microsites, the most recent of which will present contextual articles and detailed painting summaries about Joshua Reynolds and the 12 paintings by the artist in our collection. This new microsite launched in July 2023.

There have been 3.7 million page views of the website over the year, by 988,179 users, and there have been more than 86,000 subsequent views of the Collection's online talks and concerts (an increase of 25% from 2021-22).

To build and support a strong exhibition programme

The Collection is committed to building a strong exhibition programme, which seeks to:

- Programme exhibitions that speak to one or many of the following aims:
 - Celebrate, promote and add to the body of research of the Collection's core strengths in Arms and Armour, French 18th-century art or Old Masters;
 - Explore unusual and interesting connections that help visitors see the Collection through new eyes; and
 - Expand audiences by exploring themes related to the Collection that might appeal to individuals outside of the museum's core visitor demographic or 'non-museum goers'.
- Increase visitor numbers and audiences through attracting new types of visitor to the Collection.
- Drive revenue through tickets sales and catalogue purchases, as well as secondary spend in restaurant and retail, and of course, membership.

In 2022-23, the Wallace Collection put on one major exhibition exploring the inspiration Walt Disney took from the museum's works of art, and opened a new display space with a one-room show on Richard III.

Inspiring Walt Disney: The Animation of French Decorative Arts, which displayed American twentieth-century hand-drawn animation alongside French eighteenth-century art to reveal the surprising and enchanting connections between these two artistic movements, opened in April 2022. The show received positive press reviews and glowing visitor feedback, and became our most successful exhibition to date, by both numbers of ticket sold (almost 40,000) and income generated.

The exhibition was curated by Dr Helen Jacobsen, Executive Director of the Attingham Trust and former Curator of French Eighteenth-Century Decorative Arts at the Wallace Collection, with Wolf Burchard, Associate Curator in the Department of European Sculpture and Decorative Arts at The Metropolitan Museum of Art. Before it opened at the Wallace Collection, the exhibition was on show at The Metropolitan Museum of Art, New York (10 December 2021 – 6 March 2022). The Huntington Library, Art Museum, and Botanical Gardens in San Marino, California exhibited the show after it closed at the Collection (10 December 2022 – 17 March 2023).

As part of a new initiative to connect with and understand our visitors, we undertook a post-exhibition digital survey for the first time. This has allowed us to start building a more

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comprehensive profile of our exhibition audiences. Every visitor that booked tickets online to the exhibition received a follow-up email after their visit with a digital questionnaire for them to fill out.

Data from this survey reveals that the exhibition was successful in attracting new visitors to the museum; 45% of those visitors completing the questionnaire following their visit had never previously visited the Wallace Collection before. One of our aims with this show was to use the popular appeal of Disney's blockbuster films to bring new audiences to both the Wallace Collection and the French decorative arts. Such evidence from the survey suggests that we were successful in achieving this aim. Of those visitors who had previously been to the Wallace Collection, most (68%) had not previously visited our temporary exhibitions.

The exhibition received excellent feedback from visitors, with the average rating being 4.5 stars out of 5. 92% of visitors gave the exhibition either 4 or 5 stars, and more than 90% of visitors responded that they would recommend the exhibition to other adults.

From September 2022 to January 2023, the Wallace Collection showed *The Lost King: Imagining Richard III*, a free display curated by Tobias Capwell, former Curator of Arms and Armour at the Wallace Collection, to coincide with the 10th anniversary of the discovery of the remains of Richard III, the last Plantagenet king, in Leicester, by Philippa Langley. The display also coincided with the release of a new film produced by Pathé, *The Lost King*.

The display, which was accompanied by a trail through the galleries, explored the special connection between modern cinematic depictions of Richard III and Wallace Collection Curators. In 1953, Sir Laurence Olivier wore a rubber copy of one of the museum's most famous fifteenth-century armours, following the advice of Sir James Mann, the then Director of the Wallace Collection. More recently, Tobias who was part of the original research team to uncover more information about Richard III after his body was found, acted as an historical advisor for *The Lost King*.

The exhibit was popular with the public with a total of 43,580 visitors going through the display space, a sample of which filled out a survey over the duration of the show. Feedback included the fact that several had come to the Wallace Collection specifically to see the display, which received a rating of 3.7 stars out of 5 from museum-goers.

To lay a strong financial foundation for the future

Although visitor numbers to the Wallace Collection in 2022-23 were still far short of pre-pandemic levels, trading has recovered at a faster rate than might have been anticipated. The success of *Inspiring Walt Disney* led to record ticket income and a strong year for the Retail operations. The Venue Hire team also closed the financial year with an impressive total revenue of more than £1 million, making it the most commercially successful year ever for the department.

Although, overall Fundraising income came in slightly under forecast for the year, the team successfully fully funded the costs of *Inspiring Walt Disney*. Signs of a recovery in the final weeks of the year point to higher fundraising forecast for 2023-24.

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To embark upon a Masterplan programme to transform the museum

As a historic house that has been modified and adapted since it was originally built in 1776, Hertford House has size and layout constraints within which the Wallace Collection must work. As visitor numbers to the Collection have grown (more than doubling between 2000 and 2020), current visitor facilities have proved inadequate and do not provide the best visitor experience possible. Added to this, the West Galleries, the four galleries of Arms and Armour, the Renaissance Gallery and the Smoking Room need to be refurbished to match the high calibre of the other galleries in the museum.

To carry out these works, there will need to be a holistic look at the museum's technical and physical infrastructure, with a particular focus on sustainability and accessibility. It is extremely difficult to regulate the temperature and humidity in the building, and maintaining these at consistent and constant levels is of paramount importance for protecting the works of art we steward for the nation.

In January of 2023, the Director and Senior Management Team, with support from the Board of Trustees, began the first stage in the Masterplan development programme by commissioning a feasibility study. The study is underway and will be completed by Summer 2024.

Alongside this, we began working on a new Audience Development Strategy in February 2023, which will be a key plank in determining the rationale for a business case for our future Masterplan. In order to obtain more qualitative research, we are running a series of focus groups for three key audiences: those who are loyal visitors to the Collection; those who are keen museum goers but who have never visited the Collection; and those who visited the Collection once but have never returned. This data will be synthesised, shared with the Board, and may help to inform decisions about future capital projects.

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Financial Review

Financial results

Net income for the year is £0.269m (2021-22: £0.867m), however this result is after a £0.8m revaluation loss on investments (2021-22 £0.6m gain) as stock market performance fell towards the end of the year. If this amount is excluded the net income/expenditure before gains/losses on investments is £1.069m (2021-22: £0.237m) of which restricted net income is £0.492m (2021-22: £0.034m loss) and unrestricted £0.449m net income (2021-22 £0.271m net income).

Income increased overall by 18.17% to £8.825m (2021-22: £7.468m), driven largely by the success of the commercial departments (other trading activities of £1.749m, compared to £0.832 in 2021-22) and the success of ticketed exhibition programme (other charitable activities of £0.501m compared to £0.343m in 2021-22).

Donations and legacies of £1.734m were £0.231m higher than the £1.503m achieved last year.

Expenditure increased by £0.525m to £7.756m (2021-22: £7.231m) due to the increase in trading costs of £0.365m and the recruitment of a number of posts that were kept vacant throughout the pandemic.

Investment policy and objectives

Following the establishment of the endowment fund, the museum has financial investments. The investment objectives are to achieve a minimum income yield of 3% and capital growth in real terms over the time horizon of the investment portfolio. There are no specific restrictions on asset types and investment structures subject to their suitability to the portfolio objectives. However, investments in hedge funds, derivative strategies, structured products, real estate and other alternative asset classes are to be considered in the context of the portfolio's long-term objectives and agreed in advance with the museum and its investment advisors. No direct investments are permitted in tobacco or armament companies.

Two investment fund managers, Rathbone Investment Management Limited and Troy Asset Management Limited, were appointed in 2015-16, with the guidance of investment advisors. There has been no change in fund managers during the year.

The total return on the portfolio for the year to March 2023 was (4.2%). The income return was 3.4% and the capital return was (7.3%). The total return under performed the target of UK RPI plus 3% which was 16.9% in 2022-3. The 12 month income yield as of March 2023 was 3.5%, which exceeded the income yield target of 3%.

Financial risks

A description of the principal risks and uncertainties facing the museum and its subsidiary undertakings, as identified by the Collection's Trustees, together with a summary of their plans and strategies for managing those risks is shown within the Governance Statement on pages 29-33.

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Reserves policy

The Trustees annually review the level of readily available reserves (those that are not restricted or tied up as fixed assets) appropriate to the risk profile of the Collection. The Grant in Aid received from DCMS represented 51% of the museum's income in the year (2022: 59%). The rest of the operational costs are financed by self-generated funds such as fundraising, trading and exhibition ticket income. These funding streams are volatile, and their associated risks are managed through the museum's policy for maintaining general and designated funds, and providing contingencies for annual budget and exhibition ticket sales. Taking an overall view of the annual operational activities and the level of self-generated income, in light of the higher level of operational risk and uncertainty facing the Collection, the Trustees believe that the minimum level of general reserves should be between two and six months of operating expenditure with a target of no less than three months. The balance at 31 March 2023 of £2.155m (2021-22: £1.485m) represents cover of just three months budgeted expenditure (2021-22: two and a half months).

The Trustees are acutely aware that the current economic climate and future uncertainty in relation to all income streams require this assessment to remain under review; the Audit and Risk Committee reviews the reserves policy and makes recommendations to the Board of Trustees for its consideration when circumstances change significantly and at least annually.

Payment of creditors

During 2022-23, the Wallace Collection paid 90% of undisputed creditors within 30 days of receipt of an invoice (2021-22: 95%).

Sustainability

The Collection is housed in Grade II listed former residence built in the eighteenth and nineteenth centuries. The nature of the collection is such that it requires carefully controlled environmental conditions, and most of the museum's spaces are fully air-conditioned to best preserve the works of art. A high proportion of the Collection's carbon footprint is associated with the energy required to maintain the environmental conditions within the galleries. The Collection is committed to integrating energy saving and carbon reduction measures into its activities and to adopting the best environmental practices, where possible and affordable, into all areas of its operation.

A Sustainability Action Group has been created, and Sustainability policy was approved by the Audit and Risk Committee. A Trustee has been appointed as Sustainability Champion. In early 2023 the Collection launched a masterplan feasibility study, with an architect appointed to develop a RIBA Stage 0 functional design brief for the redevelopment of Hertford House; a key aim of this project is to safeguard both the building and the works of art by upgrading the plant and infrastructure to an environmentally sustainable model. In the meantime, where feasible and affordable the Collections seeks to chose the most sustainable option in its decision making across all departments. During the year the existing halogen lighting in two plant rooms and the Theatre were replaced with energy efficient LED fittings. The *Portrait of Dogs: From Gainsborough to Hockney* exhibition which opened on the 28 March 2023 was designed so that it would reuse the existing temporary build that had been used for *Inspiring Walt Disney*. Furthermore the show was

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curated to ensure that minimal transportation was needed, and used only paintings located in the United Kingdom. Sustainability criteria is embedded in procurement processes.

Immunity from Seizure Report 2021-22

In May 2021 the Collection was granted Approved Status for Immunity from Seizure under Part 6, Section 136 of the Tribunals, Courts and Enforcements Act.

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 Wallace Collection 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 Collection possesses a complete history of ownership between the years 1933 and 1945. The Collection's Due Diligence Policy is also published online. The Collection 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.

Exhibitions including works for which protection under the legislation was sought during 2021-22 are as follows:

Inspiring Walt Disney: The Animation of French Decorative Art (6 April 2022-16 October 2022)

At the balance sheet date, no enquiries and no claims have been received with respect to the objects under section 7 of the Protection of Cultural Objects on Loan (Publication and Provision of Information) Regulations 2008.

Performance

In addition to financial measures, the museum also continues to monitor performance against some key performance indicators, as agreed with its sponsor body DCMS and detailed below:

		2022-23	2021-22
Key performance indicators:			
	Number of visits to the museum	313,573	162,489
	Charitable giving (fundraising)	£1,734,000	£1,503,000
Other performance indicators:			
Access			
	Number of unique website visits	988,000	722,000
Audience profile			
	Number of visits by children under 16	15,678	6,138
	Number of overseas visits	97,208	19,498
Learning			
	Number of facilitated and self-directed visits to the museum by visitors under 18 in formal education	6,965	1,866
	Number of instances of visitors under 18 participating in on site organised activities	1,121	121

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Visitor satisfaction			
	% of visitors who would recommend a visit	100	95
	% of visitors who were very satisfied with their visit	100	95
Self-generated income			
	Trading income (net profit)	£939,000	£358,000

Sources of data

The museum measures these and other performance indicators and returns this data to DCMS periodically.

Visitor numbers are collected through an electronic counting device at the visitor entrance. Child visits are collected by a manual counting system. Learning numbers are kept by the Learning department for the sessions that they run. The website registers the number of visitors to our site. Visitor recommendation and satisfaction percentages are taken from visitor surveys carried out by an independent company. Net income from trading is reported in the accounts of our trading company, Hertford House Marketing Limited. All these sources help the museum to monitor and report on its performance to DCMS on a regular basis.

The Wallace Collection Annual Report and Accounts 2022-23

Reference and Administrative Details of the Charity, its Trustees and Advisors

Preparation of the Accounts

The Accounts have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the consent of HM Treasury in accordance with sections 9(4) and 9(5) of the Museums and Galleries Act 1992. The accounts are compliant with the Charities Statement of Recommended Practice (FRS102), Charities Act 2011 and with Charity Commission guidance.

The consolidated accounts are for the Wallace Collection and Hertford House Marketing Limited; they exclude the accounts for the Wallace Collection in America Inc, as this is an entirely separate organisation over which the Wallace Collection exercises no control.

Audit

Under statute, the Comptroller and Auditor General is the principal auditor of the Wallace Collection's consolidated accounts for the year 2022-23. The audit fee in respect of this work was £23,400 (2021-22: £21,250). External auditors are engaged for the trading subsidiary audit and internal audit services. There were no non-audit services provided by the Comptroller and Auditor General during 2022-23 (2021-22: nil). The auditors of Hertford House Marketing Limited provided services relating to the preparation of the statutory accounts and iXBRL tagging of £1,370 (2021-22: £1,190), group reporting to NAO including confirmations regarding regularity compliance of £2,425 (2021-22: £1,940) and corporation tax return support of £1,550 (2021-22: £1,350).

Fundraising Regulator

The Wallace Collection is registered with the Fundraising Regulator whose key function is to adjudicate on fundraising complaints. Fundraising for the Collection is performed entirely by the in-house development team and no external professional fundraisers are, or were in the past year, involved in any fundraising. There have been no complaints made to either the Collection directly or to the Fundraising Regulator about the Collection's fundraising practices. The Wallace Collection protects vulnerable people and other members of the public from unreasonable intrusion, in that it does not cold call, operate telephone fundraising, street fundraising, undertake direct marketing campaigns or exert pressure on them to give money.

Staff and organisation

The Wallace Collection is an Equal Opportunity Employer and has agreed statements of policy under Section 2(3) of the Health and Safety at Work Act 1974. Senior officers meet weekly and communicate with staff through weekly team briefings, full monthly staff meetings and regular staff notices and other informal meetings. The Wallace Collection follows the policy issued by the Cabinet Office on the employment of disabled people.

Sickness absence

Sickness absence accounted for 3.8% of all staff time during 2022-23 (2021-22: 4.05%), or 7.6 days per staff member (2021-22: 8.3 days)

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Trade Union Facility Time

In accordance with the Trade Union (Facility Time 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.

	2022-23	2021-22
Table 1: Relevant Union Officials		
Number of employees who were relevant union officials during the period	3	4
Full time equivalent employee number	3	4
Table 2: Percentage of time spent on facility time		
	No of Employees	No of Employees
0%	1	2
1-50%	2	2
51-99%	0	0
100%	0	0
Table 3: Percentage of pay bill spent on facility time		
Pay spent on facility time	£659	£484
Total wage bill	£3,766,000	£3,215,000
Percentage of facility time against total pay bill	0%	0%
Table 4: Paid union activities		
Paid union activities	0%	0%

Dr Xavier Bray
Director and Accounting Officer
 26 July 2024

Jessica Pulay
Chair
 26 July 2024

The Wallace Collection Annual Report and Accounts 2022-23

Remuneration Report

In accordance with the Financial Reporting Manual the Wallace Collection has prepared this Remuneration Report containing certain information about directors' remuneration. 'Directors' is interpreted to mean persons in senior positions having authority or responsibility for directing or controlling the major activities of the museum. These members of staff constitute the Senior Management Team (Annex A), however, executive authority over the decisions of the museum as a whole remains in the hands of the Director, guided by the Chair and Board of Trustees.

The Chair and Board of Trustees neither received nor waived any remuneration for their services during the year (2021-22: £Nil).

Remuneration Policy

The Chair assesses the performance of the Director each year. The Director's performance-related bonus of up to 15% of salary is decided by the Remuneration Committee, which consists of the Chair, plus the Trustee members of the Audit and Risk Committee (Annex A), and is based on the restrictions of the Director's contract and against achievement of annual objectives and targets. Any bonus payment is not pensionable and is non-consolidated. The performance of all other staff is formally appraised annually, with the Director conducting the appraisals of members of the Senior Management Team.

The Collection complies as appropriate with the Civil Service pay guidance, as modified by the Museum Freedoms.

Service Contracts

The officials covered by this report all have open-ended appointments. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. The current Director's contract commenced in October 2016 and is open-ended, with a notice period of thirteen weeks. All other senior managers are on permanent contracts with three-month notice periods. No senior managers were employed through an agency in 2022-23 or 2021-22.

The majority of staff members are employed on permanent contracts. Some individuals working on discrete short-term projects are employed on contracts which match the duration of the projects concerned. Staff are paid according to the nature of the role they perform and each job is graded and included in one of eleven salary bands. There were no off-payroll arrangements during the year.

Remuneration (salary, benefits in kind and pensions)

The emoluments and pension details of the Director are disclosed below, together with the rest of the Senior Management Team.

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	Salary		Bonus		Pension benefits		Total	
	2022-23 £000	2021-22 £000	2022-23 £000	2021-22 £000	2022-23 £000	2021-22 £000	2022-23 £000	2021-22 £000
Dr Xavier Bray Director	125-130	115-120	15-20	-	50	46	190-195	160-165
Sarah Harmer Director of Development and Audiences (Director of Development in 2021-22)	85-90	75-80	-	-	-	-	85-90	75-80
Melanie Newlands Director of Finance and Resources (Director of Finance and Commerce in 2021-22)	85-90	70-75	-	-	32	28	115-120	95-100

The value of pension benefits is calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual. The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Total remuneration includes salary, performance-related pay and benefits in kind. It does not include employer pension contributions or the cash equivalent transfer values of pensions.

No benefits in kind or non-cash benefits of value were received by senior managers (2021-22:nil) and no redundancy, severance or compensation payments were made to senior managers during the year (2021-22:nil).

The above information has been subject to audit

Fair Pay Disclosures

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid employee in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

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Fair pay bandings and ratios table:

	2022-23	2021-22
	£000	
Highest paid executive salary plus bonuses	140-145	115-120
Lowest paid staff member remuneration	20-25	20-25
	£	
Lower quartile salary	£24,856	£22,607
Lower quartile total remuneration	£25,356	£22,607
Median quartile salary	£25,289	£23,726
Median quartile total remuneration	£25,789	£23,726
Upper quartile salary	£31,244	£28,000
Upper quartile total remuneration	£31,744	£28,000
	Ratio	
Lower quartile	5.62	5.20
Median quartile	5.53	4.95
Upper quartile	4.49	4.20

¹Ratio between the highest-paid director's banded mid-point remuneration and the lower quartile, median and upper quartile remuneration of the workforce.

In 2022-23 and in 2021-22, no employees received remuneration in excess of the highest paid director. The FTE remuneration bands ranged from £25,000 to £145,000 (2021-22: £20,000-£120,000). Total remuneration includes salary, non-consolidated performance-related pay as well as benefits-in-kind received in the year. It does not include severance payments, employer pension contributions and the cash equivalent transfer values of pensions.

The average salary (excluding the highest paid Director) increased by 8.2% due to the fact a number of vacant positions at the Manager and Head of Department level at March 2022 were filled during the year, and that staff pay rises of a minimum of 4.8% were awarded.

There were no performance pay or bonuses paid in the prior year, while in 2022-23 the majority of staff, including the highest-paid director, received a non-consolidated bonus. (2021-22: nil).

Percentage change in the total salary and bonuses of the highest-paid director and the workforce average:

	Highest-paid director	Workforce average	Highest-paid director	Workforce average
	2022-23 % change		2021-22 % change	
Salary and allowances	8.5%	8.2%	4.4%	-1.7%
Bonuses	100%	100%	-100%	-100%

The above information has been subject to audit

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Exit Packages

There were no redundancies during the year (2021-22: nil).

For employees of the museum, redundancy and other departure costs are payable in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Where the museum has agreed early retirements, the additional costs are met by the museum and not the Civil Service pension scheme.

The information above has been subject to audit

Pension Benefits

	Accrued pension at pension age as at 31 March 2023	Real increase in pension at pension age	Cash equivalent transfer value at 31 March 2023 ¹	Cash equivalent transfer value at 31 March 2022 ¹	Real increase in CETV ¹	Employer's contribution to partnership pension account (nearest £100)
	£000	£000	£000	£000	£000	£000
Dr Xavier Bray Director	15-20	2.5-5	201	158	26	
Sarah Harmer Director of Development and Audiences						9.9
Melanie Newlands Director of Finance and Resources	5-10	0-2.5	107	79	17	

¹CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023–24 CETV figures.

The table above has been subject to audit

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 member's 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 pension 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 member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in CETV reflects the increase in CETV 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.

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Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, 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.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switch into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3%

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of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

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

Dr Xavier Bray
Director and Accounting Officer
26 July 2024

Jessica Pulay
Chair
26 July 2024

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Statement of Trustees' and Accounting Officer's Responsibilities

Under Sections 9(4) and 9(5) of the Museums and Galleries Act 1992, the Board of Trustees is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, Media and Sport with the consent of HM Treasury. The accounts are prepared on an accruals basis to show a true and fair view of the Wallace Collection's financial activities during the year, of its financial position at the end of the year, and changes in funds and cash flows in the financial year.

In preparing the Wallace Collection's accounts, the Trustees and Accounting Officer are required to:

- observe the Accounts Direction* issued by the Secretary of State including the relevant accounting and disclosure requirements, and apply them on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards and statements of recommended practices 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 Wallace Collection will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director as the Accounting Officer for the Collection. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records and for safeguarding the Wallace Collection's assets, are set out in *Managing Public Money*, issued by HM Treasury.

So far as the Accounting Officer, and each person who was a Trustee at the date of approving this report, are aware, there is no relevant audit information, being information needed by the external auditor in connection with preparing his report, of which he is unaware. Having made enquiries of the Board of Trustees and museum's internal auditor, the Accounting Officer has taken all the steps that he is obliged to take as Accounting Officer in order to make himself aware of any relevant audit information and to establish that the external auditor is aware of that information. Having made enquiries of the Accounting Officer, fellow Trustees and the museum's internal auditor, each Trustee has taken all the steps that he/she is obliged to take as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the external auditor is aware of that information.

The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Dr. Xavier Bray
Director and Accounting Officer
26 July 2024

Jessica Pulay
Chair
26 July 2024

*A copy of which is available from the Wallace Collection, Manchester Square, London, W1U 3BN

The Wallace Collection Annual Report and Accounts 2022-23

Governance Statement

The Wallace Collection is governed by a Declaration of Trust dated 27 July 1899, and the Museums and Galleries Act 1992. The Wallace Collection is a non-departmental public body sponsored by the Department for Culture, Media and Sport (DCMS), and is a charity exempt from registration under the Charities Act 2011. As an exempt charity, it is regulated by DCMS, rather than the Charity Commission.

The Wallace Collection is governed by a Board of Trustees answerable to the Secretary of State for Culture, Media and Sport. The Minister is, in turn, answerable to Parliament. The Director of the Wallace Collection is accountable both to the Board as Chief Executive and to the Permanent Secretary of DCMS as Accounting Officer. Further detail is given in the Statement of Trustees' and Accounting Officer's Responsibilities above.

The Board of Trustees

The Board of Trustees of the Wallace Collection is responsible for the overall management and direction of the Wallace Collection. The Director of the Wallace Collection is responsible to the Board of Trustees and is accountable to the Permanent Secretary of DCMS for compliance with the Management Statement and Financial Memorandum. Within the framework of their statutory duties as stated under the Museums and Galleries Act 1992, the role of the Trustees is generally concerned with policy and strategy, leaving operational issues to the Director. The Board is chiefly responsible for:

- The setting of key strategic objectives;
- Reviewing overall performance;
- Appointing the Director (in consultation with the Prime Minister);
- Endorsing appointments to key management positions; and
- Considering the remuneration of senior staff.

There are two sub committees of the Board: the Audit and Risk Committee and the Investment Committee.

The Board of Trustees meets not less than four times a year, as does the Audit and Risk Committee, and details of attendance are shown at Annex A. The Audit and Risk Committee, together with the Chair, fulfil the role of a Remuneration Committee. Other committees on which Trustees are invited to serve include the Development Board (concerned with fundraising for future capital projects). The Investment Committee was created following the setting up of the Endowment Fund and meets as necessary to appoint investment managers and review the performance of the investment funds and managers. It receives professional advice in support of its work.

Both the main Board and the Audit and Risk Committee receive detailed reports ahead of each meeting compiled by the Director and his staff. These reports cover every aspect of Wallace Collection work over the previous quarter, and form a useful basis for Trustee discussions. The Trustees are happy with the quality and layout of these reports and provide feedback to ensure that they remain an excellent source of information and data.

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The Trustees believe that they have complied with their duty in section 11 of the Charities Act 2011 to have due regard to guidance published by the Charity Commission.

Board effectiveness

The Board keeps its effectiveness under review. This includes appraisals of each Trustee by the Chair and an appraisal of the Chair by another member of the Board. The most recent assessment of Board effectiveness through a questionnaire concluded that the Board overall felt its effectiveness was either fully satisfactory or exceeded expectations.

Wallace Collection Staff

The Director is responsible for resource allocation, leading strategic management, developing the cultural agenda and sustaining the values of the Wallace Collection. He is assisted by the other members of the Senior Management Team who are the Director of Finance and Resources and Director of Development and Audiences. Each is supported by a number of department heads who are responsible for specific areas of activity within the museum. The Senior Management Team meets weekly and there is a monthly full staff meeting. The Director meets both members of the Senior Management Team on a regular basis. In this way the Director can satisfy himself that he is informed on all operational issues in order that he can report to the Board of Trustees.

Trustee appointments

The Trustees are appointed by the Prime Minister. The minimum number of Trustees is set at six, and there is no maximum. At 31 March 2023, there were nine in post (Annex A). Following a competitive process, and consultation with other Trustees and with the Director, the Chair recommends nominees (no fewer than two for each Trusteeship at a time) to DCMS who in turn recommend names to the Prime Minister. Traditionally, the Prime Minister chooses from among the names put forward, and appointments are apolitical. The procedure is subject to the recommendations of the Nolan report. Usually appointments are for not more than four years in the first instance, but with the option of reappointment. Trustees can resign by notice in writing to the Prime Minister.

The Trustees appoint their own Chair, who normally serves until retirement from the Board. The Chair can resign as Chair by notice in writing to the Board. António Horta-Osório's term as Chair of the Board of Trustees came to an end on the 31 December 2021. Eric Ellul was elected Acting Chair by the Board until Jessica Pulay was appointed in September 2022.

Trustees receive appropriate training on appointment, primarily through a programme of department visits and meetings with the Director and Senior Management Team. An introductory Trustees' Handbook of key documents and publications including the Corporate Plan, the Annual Report and Accounts, and the organisation chart is provided.

A register of Trustees' interests is maintained and is available for public inspection on request; this is reviewed by all Trustees at least once a year. Trustees are required to declare any conflicts or potential conflicts of interest at Board and committee meetings, and these are recorded in the minutes. Depending on the nature of the conflict or potential conflict, the Chair may require a

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Trustee to leave the meeting, or not take part in a discussion or decision on a particular issue. There were no declared potential conflicts of interest in relation to items discussed during the year.

Compliance with Corporate Governance Code

The Wallace Collection is a non-departmental public body and a charity. It is mindful of the Corporate Governance Code for central government departments and the Trustees are content that the museum complies as appropriate for a non-departmental public body.

Report from Audit and Risk Committee

The Audit and Risk Committee is responsible for reviewing the museum's key risks, and the controls in place to manage them, and monitoring its compliance with statutory requirements – including the Annual Report and Accounts. The Committee reports on its work at each Board meeting. During the year, it received and considered management accounts at each meeting. It received reports from external auditors on the accounts for 2021-22 and on planning for the 2022-23 audit. The internal auditor reported to the Committee on his findings and was able to provide the Committee and Trustees with significant assurance that the Collection generally has good controls; however, recommendations were made for a number of areas reviewed, with some controls requiring attention. The risk register was received and reviewed in its entirety during the course of the year.

Report from Investment Committee

The Investment Committee kept the performance of the fund managers that it had appointed in 2015-16 under review. In carrying out its work, it received professional advice from investment advisors.

Risk

Risk is unavoidable and the resources available for managing risk are finite. The aim of risk management within the museum is, therefore, to achieve an optimum response to risk, prioritised in accordance with an evaluation of the risks. The approach adopted takes into account the HM Treasury guidance on management of risk ("The Orange Book") with reference as appropriate to best practice guidance from the National Audit Office and risk management standards. The museum assesses risk through consideration of the likelihood of something happening, and the impact that would arise if the risk were actually to occur.

The Senior Management Team (SMT), including the Director, is responsible for the strategic management of the Wallace Collection, and as part of this set the tone for the museum's approach to, and appetite for, risk. This varies depending upon the specific issue. This approach is considered to be appropriate to the Wallace Collection given its size and enables it to maintain a flexible approach to risk.

The museum works to meet the objectives set in the Aims, Objectives and Priorities section of this report and monitors progress against these objectives. The day-to-day risks associated with these activities are managed, challenged and updated through the meetings of staff set out under the Wallace Collection Staff section above.

These risks, financial, reputational or otherwise, are recorded on, and managed, through a Risk Register. This was created by the SMT who also ensure it is regularly updated. The register is reviewed by the Audit and Risk Committee and considered by the Board. It covers the key risks that

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the Wallace Collection faces and assigns a key individual to manage each risk.

Risk management is therefore a part of the everyday decision-making process at the Wallace Collection. Given the tight financial constraints that the Wallace Collection has operated under for many years, it is only natural that risk is considered as part of management and Trustee decisions.

Risk is not only limited to financial risk, where every new project is carefully costed, budgeted for and monitored, but also includes the risk to the fragile Collection and the fabric of Hertford House that is entrusted to the Trustees' care. The risk assessment and monitoring process is engendered in all staff through the discipline of the budgeting round, plus consideration in meetings with relevant staff throughout the year. For major projects a Steering Group is established, headed by a senior staff member, and they are charged with ensuring that the project operates to set parameters and budgets. Thus the risks inherent in any new venture are weighed up carefully in advance and are monitored throughout the duration of the project.

Over the course of 2022-23 the major risks identified for the museum were:

- Pandemic recovery – there remains a risk that the recovery is slower than anticipated, including the pace of recovery for inbound tourism. Lower footfall will lead to lower commercial income. This will be mitigated to some extent by a strong exhibition schedule and a focus on generating income from events.
- Increasing operational and financial risks relating to inflationary pressures – continue to present a risk to financial sustainability and operational effectiveness. Some mitigation is in place through the level of general reserves held to manage unexpected cost volatility as well as robust budgeting and forecasting processes. A consolidated pay award was made for the first time since 2020-21, with some market adjustments to mitigate risk in areas falling particularly below the market. It remains challenging to keep pace in certain areas.
- Ensuring the security of visitors, staff, volunteers and collections at a time of global instability. The museum has a thorough and flexible security strategy that responds to changes in risk.
- Balancing appropriately financial constraints and increasing pressure to expand services and maintain and improve the fabric of a Grade II listed building. This has been mitigated, to some extent, by successful applications to private funders as well as to the Public Bodies Infrastructure Fund. Funding has been secured for the Masterplan feasibility study.

Both the Board of Trustees and the Audit and Risk Committee play a key role in the monitoring of these risks and the internal controls in place to mitigate them.

The Board brings wide-ranging experience and a fresh perspective to key decision-making discussions, and all key issues are brought to the Trustee Board's notice for discussion and ratification. The Audit and Risk Committee supports the main Trustee Board and the Accounting Officer by questioning senior management and the internal and external audit functions to satisfy themselves that the Wallace Collection has an adequate system of internal controls in order to adequately manage key risks. It has done this by inviting designated responsible risk holders within the museum to report on their work on a regular basis, and has also received assurance from the internal auditor that the internal controls in place are sound.

The Board consider this to be an effective risk management strategy, and is confident that the Wallace Collection is successfully managing the key risk priorities noted above.

The Wallace Collection Annual Report and Accounts 2022-23

Whistleblowing Arrangements

The Collection upholds the core values detailed in the code of Professional Ethics of the Museums Association and actively promotes their implementation. In line with these commitments, the Collection encourages employees and others with serious concerns on any aspect of the Collection to come forward and voice those concerns, and expects its managers to encourage employees to express their views openly.

Data quality

The Board of Trustees have gained assurance that the data quality of the information it receives is sound through a mix of both internal and external audit work and its own challenge of the data presented.

Data handling

The Wallace Collection maintains a record of incidents involving the loss, unauthorised disclosure or unsecure disposal of personal data, the release of which risks causing harm or distress to the individuals concerned. The incident record includes the nature of the incident, the nature of the data involved, the number of people potentially affected and the steps taken to notify the individual concerned. Based on severity, these incidents are reported to the Information Commissioner's Office. There were no incidents during the year reported to the ICO.

Dr Xavier Bray
Director and Accounting Officer
26 July 2024

Jessica Pulay
Chair
26 July 2024

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Annex A - Trustees

The Trustees of the Wallace Collection are appointed by the Prime Minister. The members of the Board of Trustees during the year were:

Board Member	Appointed	Further notes	Attendance at quarterly meetings
Jessica Pulay	19 September 2022	Chair	2/2
Marilyn Berk	9 January 2017 - reappointed 9 January 2021	Member of the Audit and Risk Committee Member of the Investment Committee	4/4
James Barnard	1 December 2021	Member of the Investment Committee	4/4
Sophie Birshan	1 December 2021	-	4/4
Eric Ellul	9 January 2017- reappointed 9 January 2021	Acting Chair of the Board of Trustees from January 2022 – September 2022. Chair of the Investment Committee. Member of the Audit and Risk Committee	4/4
Kate de Rothschild Agius	6 January 2013 - reappointed 6 January 2018	-	4/4
Dr Ashok Roy	6 January 2013 - reappointed 6 January 2018	-	3/4
Timothy Schroder	6 January 2013 - reappointed 6 January 2018	-	4/4
Alison Taylor	1 December 2021	Chair of Audit and Risk Committee	4/4

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In addition, the Board of Trustees may appoint honorary trustees, who do not share the statutory duties of Board members.

Mrs Jane Lewis	appointed January 1998
Mr Pierre Arizzoli-Clementel	appointed August 2007
The Marquess of Hertford DL	appointed July 2008; reappointed January 2015

HRH Duchess of Edinburgh, GCVO, GCStJ, CD Royal Patron

The Audit and Risk Committee has two external independent members, Jim Close and Martin James, in addition to the Trustees who are members.

A register of interests for all Trustees is held at Hertford House.

Principal Officers of the Wallace Collection (the Senior Management Team)

Dr Xavier Bray	Director
Sarah Harmer	Director of Development and Audiences
Melanie Newlands	Director of Finance and Resources

Directors of Hertford House Marketing Limited during the year

Dr Xavier Bray
Melanie Newlands

Bankers

Lloyds Banking Group
25 Gresham Street
London EC2V 7HN

Auditors

The Wallace Collection (<i>Consolidated Accounts</i>)	Comptroller and Auditor General National Audit Office 157–197 Buckingham Palace Road London SW1W 9SP
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Hertford House Marketing Limited
(*Trading Company*)

haysmacintyre
10 Queen Street Place
London EC4R 1AG

Investment advisors

Alti Global (formerly Alvarium Investment Advisors)
(UK) Limited
10 Old Burlington Street
London W1S 3AG

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Annex B - Wallace Collection Endowment Donors and Benefactors 2022-23

The list below gratefully acknowledges all of the Donors to the Wallace Collection Endowment since its inception and all of those who have generously supported the Wallace Collection from 1 April 2022 to 31 March 2023.

Donors to the Wallace Collection Endowment

£1 million and above

The Monument Trust

£500,000 and above

Lionel and Ariane Sauvage

£100,000 and above

Mr Stanley Gordon Clarke
Sir Siegmund Warburg's Voluntary
Settlement

£10,000 and above

Kate de Rothschild Agius and Marcus Agius
Lady Alexander of Weedon
Alexis and Anne-Marie Habib Foundation
Mr Omar Ali & Mrs Saira Ali
Alvarium Guggenheim
Nada Bayoud and Andrew Wynn
Marilyn Berk
The Boston Consulting Group
Sir Francis Brooke Bt. & The Hon. Lady
Brooke
Timothy and Andrea Collins
Michael and Angela Cronk
Mr and Mrs Michel David-Weill
Mr and Mrs Deschamps
The Desmond Foundation
Eric and Virginie Ellul
Mme Alice Goldet
António and Ana Horta-Osório
The John Armitage Charitable Trust
Christian and Florence Levett
The Lord Leonard and Lady Estelle Wolfson
Foundation

£10,000 and above (continued)

Lord and Lady Lupton
The Michael and Nicola Sacher Charitable
Trust
Albéric and Audrey de Montgolfier
Mr and Mrs Nadar
Sir John and Lady Ritblat
Robert de Rothschild
Sir Hugh and Lady Stevenson
and
Aberdeen Asset Management
Prince Ayn Aga Khan
Mr and Mrs Nicolas Cattelain
Mr and Mrs R. J. Elliott
Lt Cdr Paul Fletcher
The Geoffrey and Julian Agnew Charitable
Trust
David and Janice Gu
J.P. Morgan
Annika Lejeune
Lloyds Banking Group
Mrs Clare McKeon
Morgan Stanley
In memory of the late A.V.B. (Nick) Norman
Roslyn Packer AC
Jessica Pulay
Röbbig München
Richard Sachs
Adrian Sassoon
Timothy and Ellen Schroder
The Tavolozza Foundation
UBS Group AG
Arend and Cecilia Versteegh
The Wallace Collection in America
Andy Xue

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Benefactors of the Wallace Collection

Director's Circle (£5,000 per annum)

Kate de Rothschild Agius and Marcus Agius
CBE
Lady Alexander of Weedon
Nada Bayoud and Andrew Wynn
Marilyn Berk
Sophie & Michael Birshan
Sir Bruce Bossom, Bt
The Deborah Loeb Brice Foundation
Michael and Angela Cronk
Dame Vivien Duffield
Mr and Mrs R. J. Elliott
Thomas and Elsebeth Gatacre
Mr and Mrs William Iselin
Russell and Irina Jacobs
James and Clare Kirkman
Béatrice and James Lupton
Roslyn Packer AC
Jake and Hélène Marie Shafran
Dasha Shenkman OBE
Sir Hugh and Lady Stevenson
Rijnhard & Elsbeth van Tets

Conservator's Circle (£2,500 per annum)

Mr James and Lady Emma Barnard (The
Barness Trust)
Mr and Mrs Nick Barton
Christopher Clarke
David Kempton
Lady Lowther
Mrs Annie Mackeson-Sandbach
Paul Rivlin
Timothy and Ellen Schroder
Thomas and Catrin Treadwell

Curator's Circle (£1,500 per annum)

Julian Agnew
Stephen Alcock
Peter Belchamber
Nicholas Berwin
Mrs Charles H. Brown
Ian Butchoff
Peter H G Cadbury
Charles Cator
Oliver and Cynthia Colman

Curator's Circle (£1,500 per annum)- continued

Sir Alan and Lady Ros Cox
Mrs M. David-Weill
Bernard Dewe Mathews
Patrick K. F. Donlea
Dame Jennifer Eady
Eliane Fattal
Sam Fogg Esq.
Paul Gallois
John and Patricia Glasswell
Mme Alice Goldet
Charlotte and Roger ter Haar
Katrin Henkel
Philip Hudson
Hugh Hudson-Davies
David Lawson
Richard Mansell-Jones
Clare McKeon
Jackie Mountain
Tessa Nicholson
Simon and Midge Palley
Lord and Lady Phillimore
Jessica Pulay
Jonathan Refoy
Leila Russack /Miss Zagato
Richard Sachs
Jennifer Stern
Alison Taylor
Anthony and Jacqueline Todd
Kathryn Uhde
Alan and Sue Warner

Young Benefactors (£750 per annum)

Quaid Childers
Phoebus Istavrioglu
Hutton McRoberts
Sebastien Paraskevas
The Hon Clarence Tan

Companions (£600 per annum)

Viscountess Bridgeman, The Bridgeman Art
Library
Mr Charles Cator
Lord Cholmondeley
Dee Singh Datta
Giles Ellwood and Philippe Sacerdot

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Annex C - Wallace Collection Donors 2022-23

Donors

Kate de Rothschild Agius and Marcus Agius CBE
The A&O New Change Group
The Alexander P.S. McKeon Charitable Foundation
ARTscapades
Richard and Mara Aylmer
Chris and Cynthia Bake
Guy Beringer
Bloomberg L.P.
David and Molly Lowell Borthwick
Sir Francis Brooke Bt. & The Hon. Lady Brooke
Rosamond Brown
The Bruno Schroder Trust
Däna Burstow
Peter H G Cadbury
Capital Group
The Clare McKeon Charitable Trust
Michael and Angela Cronk
Patrick K. F. Donlea
Giles Ellwood and Philippe Sacerdot
Thomas and Elsebeth Gatacre
Mme Alice Goldet
Matthew Hartley
Susan Hazledine
Amanda Hole
Regina Jaglom Wachter
Danny and Gry Katz
Colleen Keck
The Lady R Foundation
Christian Levett
Richard Mansell-Jones
Don and Lisa McGown
Patrick Mears
Mervyn and Jill Parry
David Pike
Jessica Pulay
Sotheby's
Alison Wells

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Trusts and Foundations

The Adrian Swire Charitable Trust
The Anson Charitable Trust
The Barakat Trust
Belvedere Trust
Centro de Estudios Europa Hispánica (CEEH)
The Clore Duffield Foundation
The John S Cohen Foundation
The Elizabeth Cayzer Charitable Trust
The Excel Fund
The Goldsmiths' Company
The John Armitage Charitable Trust
John Lyon's Charity
The Kirby Laing Foundation
The Lord Leonard and Lady Estelle Wolfson Foundation
The Loveday Charitable Trust
The Ofenheim Charitable Trust
The Rose Foundation
The Rothschild Foundation
The Tavolozza Foundation

And all those who wish to remain anonymous

**THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND
AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT**

Opinion on financial statements

I certify that I have audited the financial statements of the Wallace Collection and its Group for the year ended 31 March 2023 under the Museums and Galleries Act 1992.

The financial statements comprise the Wallace Collection and its Group's:

- Consolidated and Collection Balance Sheets as at 31 March 2023;
- Consolidated Statement of Financial Activities and Consolidated Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom accounting standards including Financial Reporting Standards (FRS) 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice). In my opinion, the financial statements:

- give a true and fair view of the state of the Wallace Collection and its Group's affairs as at 31 March 2023 and its net income for the year then ended; and
- have been properly prepared in accordance with the Museum 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. 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 2019*. I am independent of the Wallace Collection and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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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

In auditing the financial statements, I have concluded that the Wallace Collection and its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Wallace Collection and its Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Trustees and Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

Other Information

The other information comprises information included in the Annual Report and Trustees' Report, but does not include the financial statements nor my auditor's certificate and report. The Trustees and Accounting Officer are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 issued under the Museums and Galleries Act 1992.

In my opinion, based on the work undertaken in the course of the audit:

The Wallace Collection Annual Report and Accounts 2022-23

- those parts of the Annual Report and Trustees' Report subject to audit have been properly prepared in accordance with Secretary of State directions issued under the Museums and Galleries Act 1992; and
- the information given in the Annual Report and Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Wallace Collection and its Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Annual Report and Trustees' Report.

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 by the Wallace Collection and its Group or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Annual Report and Trustees' Report, subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by the Secretary of State directions issued under the Museum and Galleries Act 1992 have not been made or parts of the Remuneration Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Trustees and Accounting Officer for the financial statements

As explained more fully in the Statement of Trustees' and Accounting Officer's Responsibilities, the Trustees and the Accounting Officer are responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Trustees and the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Wallace Collection and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

The Wallace Collection Annual Report and Accounts 2022-23

going concern basis of accounting unless the Trustees and the Accounting Officer either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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 Museum and Galleries Act 1992.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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. Misstatements 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud:

- considered the nature of the sector, control environment and operational performance including the design of the Wallace Collection and its Group's accounting policies and key performance indicators.
- inquired of management, internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Wallace Collection and its Group's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Wallace Collection and its Group's controls relating to the Wallace Collection's compliance with the Museum and Galleries Act 1992, the Charities Act 2011, and Managing Public Money,
- inquired of management, internal audit and those charged with governance whether:

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- they were aware of any instances of non-compliance with laws and regulations;
- they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team including significant component audit teams and where relevant the relevant internal specialists including IT auditors and external specialists including land and building valuation experts, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Wallace Collection and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I obtained an understanding of the Wallace Collection and Group's framework of authority and other legal and regulatory frameworks in which the Wallace Collection and Group operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Wallace Collection and its Group. The key laws and regulations I considered in this context included the Museum and Galleries Act 1992, the Charities Act 2011, Managing Public Money, employment law and tax legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management and the Audit Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I addressed the risk of fraud through revenue recognition by, evaluating the design and implementation of controls; testing income to corroborating evidence; assessing the completeness of income streams; and testing the appropriateness of significant estimates made at year-end.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including, where relevant, internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance

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with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

29 July 2024

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

The Wallace Collection Annual Report and Accounts 2022-23

Consolidated Statement of Financial Activities for the year ended 31 March 2023

	Notes	Unrestricted Funds £000	Restricted Funds £000	Endowment Fund £000	2022-23 £000	Unrestricted Funds £000	Restricted Funds £000	Endowment Fund £000	2021-22 £000
Income and endowment funds from:									
Donations and legacies	2	950	656	128	1,734	637	866	-	1,503
Grant-in-Aid	2	3,395	1,097	-	4,492	3,706	687	-	4,393
Furlough income	2	-	-	-	-	-	103	-	103
Charitable activities	3	501	-	-	501	343	-	-	343
Other trading activities	14	1,749	-	-	1,749	832	-	-	832
Investments	4	190	159	-	349	159	135	-	294
Total		6,785	1,912	128	8,825	5,677	1,791	-	7,468
Expenditure on:									
Raising funds									
Fundraising	5	522	20	-	542	423	45	-	468
Marketing and design	5	226	9	-	235	160	39	-	199
Trading: cost of goods sold and other costs		865	-	-	865	500	-	-	500
Charitable activities									
Conservation	5	402	52	-	454	302	105	-	407
Collections		857	583	-	1,440	1,013	700	-	1,713
Security		1,851	-	-	1,851	1,542	103	-	1,645
Building and maintenance		1,613	758	-	2,369	1,466	833	-	2,299
Total		6,336	1,420	-	7,756	5,406	1,825	-	7,231
Net gains/(losses) on investments	8c	-	-	(800)	(800)	-	-	630	630
Net income/(expenditure)	7	449	492	(672)	269	271	(34)	630	867
Transfers between funds	12	-	-	-	-	-	-	-	-
		449	492	(672)	269	271	(34)	630	867
Other recognised gains/(losses):									
Gains/(losses) on revaluation of fixed assets		75	3,278	-	3,353	75	836	-	911
Net movement in funds		524	3,770	(672)	3,622	346	802	630	1,778
Reconciliation of funds									
Total funds brought forward		6,441	43,755	11,010	61,206	6,095	42,953	10,380	59,428
Total funds carried forward	12	6,965	47,525	10,338	64,828	6,441	43,755	11,010	61,206

All operations of the Group continued throughout both periods and no operations were acquired or discontinued in either period.

The Group has no recognised gains or losses other than those shown above and therefore no separate statement of total recognised gains or losses has been presented.

The notes on pages 49 to 61 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2022-23

Consolidated and Collection Balance Sheet at 31 March 2023

	Notes	Group 2023 £000	Group 2022 £000	Collection 2023 £000	Collection 2022 £000
Fixed assets					
Tangible assets	8a	50,429	47,349	50,422	47,344
Heritage assets	8b	86	86	86	86
Investments	8c	10,077	10,877	10,077	10,877
		<u>60,592</u>	<u>58,312</u>	<u>60,585</u>	<u>58,307</u>
Current assets					
Stock		162	203	-	17
Debtors	9	945	791	1,855	1,240
Cash at bank and in hand	13	3,843	2,673	2,898	2,097
		<u>4,950</u>	<u>3,667</u>	<u>4,753</u>	<u>3,354</u>
Liabilities					
Creditors					
Amounts falling due within one year	10a	(714)	(759)	(558)	(510)
Net current assets		<u>4,236</u>	<u>2,908</u>	<u>4,195</u>	<u>2,844</u>
Total assets less current liabilities		64,828	61,220	64,780	61,151
Creditors					
Amounts falling due after more than one year	10b	-	(14)	-	-
Net assets	11	<u>64,828</u>	<u>61,206</u>	<u>64,780</u>	<u>61,151</u>
Represented by:					
Unrestricted funds					
Designated funds	12	3,321	3,542	3,319	3,538
Unrestricted revaluation reserve	12	1,489	1,414	1,508	1,432
General funds	12	2,155	1,485	2,091	1,419
		<u>6,965</u>	<u>6,441</u>	<u>6,918</u>	<u>6,389</u>
Restricted funds					
Restricted income funds	12	36,890	36,399	36,845	36,351
Restricted revaluation reserve	12	10,635	7,356	10,679	7,401
		<u>47,525</u>	<u>43,755</u>	<u>47,524</u>	<u>43,752</u>
Total income funds		54,490	50,196	54,442	50,141
Endowment fund	12	10,338	11,010	10,338	11,010
Total funds	12	<u>64,828</u>	<u>61,206</u>	<u>64,780</u>	<u>61,151</u>

The notes on pages 49 to 61 form part of these financial statements.

Dr Xavier Bray
Director and Accounting Officer

26 July 2024

Jessica Pulay
Chair

26 July 2024

The Wallace Collection Annual Report and Accounts 2022-23

Consolidated Statement of Cash Flows for the year ended 31 March 2023

	Notes	2023	2022
Cash flows from operating activities:		£000	£000
Net cash provided by (used in) operating activities	13	1,478	984
Cash inflows from investing activities:			
Dividends and interest from investments	4	349	294
Purchase of property, plant and equipment		(785)	(1,368)
Net cash provided by (used in) investing activities		(436)	(1,074)
Cash flows from financing activities:			
Receipt of endowment	2	128	-
Net cash provided by (used in) financing activities		128	-
Change in cash and cash equivalents in the year		1,170	(89)
Cash and cash equivalents at beginning of the year		2,673	2,762
Cash and cash equivalents at end of the year		3,843	2,673

The notes on pages 49 to 61 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2022-23

Notes to the financial statements for the year ended 31 March 2023

1. Accounting policies

a) Basis of accounting

The accounts are prepared with regard to the requirements of the Government Financial Reporting Manual, and are compliant with the Financial Reporting Standard Applicable in the UK and Republic of Ireland issued by the Financial Reporting Council (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), and applicable accounting standards as modified by the Accounts Direction given by the Secretary of State for Culture, Media and Sport (DCMS), with the approval of H.M.Treasury in accordance with the Museums and Galleries Act 1992.

The accounts are consolidated and include Hertford House Marketing Limited, a trading subsidiary, in which the Wallace Collection owns the whole of the issued share capital of two shares of £1 nominal each.

b) Going concern

The accounts have been prepared on the going concern basis. Under Section 2 of the Museums and Galleries Act 1992, the Museum has a statutory responsibility to care and preserve the objects in its collection and make them available to the public, and the Trustees and Accounting Officer have assumed in making the going concern assessment that sufficient Government funding support will continue to be made available to fulfil this responsibility. Together with Government support, the Museum has adequate remaining reserves and sufficient cash, and a history of success in generating income which is expected to continue and recover. The Trustees are satisfied that the Museum will continue to operate for the foreseeable future, being a minimum of twelve months from when these accounts were approved, and accordingly have applied the going concern basis for preparing its accounts. The Trustees continue to monitor the situation closely, including the financial impact of cost pressures.

c) Income

Income is recognised when the museum becomes entitled to it, its receipt is probable and the amount can be measured reliably.

Grants for fixed assets are recognised in the Statement of Financial Activities when they are receivable.

Grant-in-aid from the Department for Culture, Media and Sport allocated to general purposes is taken to the Statement of Financial Activities in the year to which it relates.

The museum has made use of the Coronavirus Job Retention Scheme, with approval from DCMS. This was used to contribute to the cost of furloughing staff where work could not be found for them in the year and is showed gross in the accounts. Staff costs are shown in full within expenditure and are not net of this income. Income is accounted for when staff have been furloughed.

Sponsorship for specific projects and donations are recognised when the museum becomes entitled to the income, there is probability of receipt and the amount is quantifiable. Amounts received in advance are recognised as deferred income, and transferred to the Statement of Financial Activities in the year in which the respective conditions are fulfilled.

Legacies are credited to income when the museum becomes entitled to the income, receipt is probable and the amount is quantifiable.

Investment income is recognised as an addition to unrestricted funds unless there is a restriction as to the use of the income. Restricted income is allocated to the restricted fund to which the income relates. Net gains or losses in the market value of investments are allocated to the endowment fund.

Included in other trading activities is income from sales which is included in the financial statements in the year in which the goods or services are supplied. Charitable activities income includes ticket sales for exhibitions and these are recognised in the statement of financial activities when the ticket holders attend the respective exhibitions. All other income is accounted for on a receivable basis.

Donated services and goods are recognised as income and expenditure when the museum becomes entitled to them, receipt is probable and the amount can be measured reliably. The services and goods are valued at the price that the museum would have paid in the open market for services or goods of equivalent value.

d) Expenditure

Expenditure is recognised on an accruals basis and classified under the principal categories of charitable and other expenditure rather than the type of expense, in order to provide more useful information to users of the financial statements.

Costs of generating funds includes fund raising and publicity costs incurred in seeking voluntary contributions for the museum, and in publicising the museum.

Support costs are apportioned between activities on the basis that are most appropriate to each category of support cost. These bases include the expenditure for each activity, the number of staff involved in each activity, and analyses of use by each activity.

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e) Fund accounting

Designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes. The purpose and use of the designated funds are set out in the notes to the financial statements.

The endowment fund comprises donations made on condition that the capital value of the donation is held in perpetuity. The income is allocated to the unrestricted or restricted funds in accordance with the wishes of the donor.

f) Tangible fixed assets

Tangible fixed assets with a cost of £3,500 and above are capitalised and stated at their current cost. Where appropriate, assets of a lower value, but over £1,000 and purchased in bulk are grouped and capitalised when the combined total exceeds £3,500. This avoids the unnecessary capitalisation of comparatively low value items.

The property, Hertford House, was transferred to the Trustees of the museum by the Secretary of State for the Environment on 22 December 1993. The basis for the valuation for this property is stated in note 8(a).

Depreciation is provided on all tangible fixed assets, except land and heritage assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold land	- not depreciated
Freehold buildings	- the structure is depreciated over 95 years; the fit out over 25 years and the associated plant over 20 years. The refurbishment of the Great Gallery is depreciated over 95 years.
Office equipment	- over four years (except Wallace Live which is depreciated over the expected remaining life of seven years)
Fixtures and fittings	- over four years (electrical equipment), ten years (other fixtures and fittings and security equipment) and 25 years (refurbishment projects).

Depreciation on additions is charged from the date of purchase. When the acquisition date is not identifiable a full year's depreciation is charged.

Assets under construction are capitalised and not depreciated until they come into use. At that point they are transferred into other categories of asset and depreciated accordingly.

All material classes of fixed assets are revalued to current costs. A quinquennial valuation of land and buildings is carried out by a professional valuer. In the years between quinquennial valuations, a desk top valuation is performed. Impairment reviews are carried out where fixed assets show indications of potential impairments.

g) Stock

Stock comprises goods for resale, and is stated at the lower of cost and net realisable value.

h) Heritage assets

Formed by four generations of Marquesses of Hertford and by Sir Richard Wallace, the Wallace Collection was bequeathed to the nation by Lady Wallace in 1897. Her bequest stipulated that it should be preserved as a national museum 'unmixed with other works of art'. Owing to this stipulation the Wallace Collection neither acquires nor disposes of works of art.

In the Trustees' opinion, appropriate and relevant information on cost or value is not available for the museum's collections for assets purchased before 2001. This is owing to the lack of information on purchase cost, the diverse nature of the objects, and the volume of items held.

In the Trustees' opinion, conventional valuation approaches lack sufficient reliability and any valuation is likely to incur significant cost that is likely to be onerous. Even if valuations could be obtained the costs would not be at commensurate with any benefits to the museum management, curatorial staff, the public, or users of the financial statements. For this reason the Collections are not recognised as assets in the museum's balance sheet. 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.

There is no separate accession register as such for the Wallace Bequest since this function is deemed to be fulfilled by the original bequest documentation and subsequent catalogues.

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h) Heritage assets (continued)

Since the Wallace Collection is prohibited by the terms of Lady Wallace's bequest and subsequent statute from adding to or disposing of its permanent collection, objects and archival material relevant to the Collection and the family history are occasionally acquired for the Hertford House Historic Collection subsequent to the 1897 bequest. An accession register has been implemented for the Hertford House Historic Collection. Additions with a cost price in excess of £2,000 are capitalised and recognised in the balance sheet at the cost or value of the acquisition. Such items are not depreciated as they are deemed to have indefinite lives. Items are not revalued as a matter of course unless significantly impaired. To date no impairments have occurred of capitalised items.

i) Pension costs

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme which is an unfunded, multi-employer, defined-benefit scheme. The Wallace Collection is unable to identify its share of the underlying liabilities. Additional details of the scheme are in Note 6b.

j) Financial instruments

Financial assets

The museum's financial assets include trade and other debtors which have fixed or determinable payments that are not quoted in an active market. The museum has no intention of trading these. Subsequent to initial recognition at fair value, these assets are carried at amortised cost, less impairment, using the effective interest method.

The museum also holds investments purchased using donations to its permanent endowment fund. These are included at market valuation.

Financial liabilities

Trade, other creditors and accruals are recorded at their carrying value, in recognition that these liabilities fall due within one year.

Impairment 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 financial assets 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. Any 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.

k) Taxation

The Wallace Collection 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 trading subsidiary, Hertford House Marketing Limited, distributes its profit to the Wallace Collection at the year end, so no tax is due on this.

l) Key source of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Valuation of property, plant and equipment (PPE)

Property, plant and equipment represent a significant proportion of the asset base and therefore the estimates and assumptions such as the treatment of the Collection's property as specialised and the specification of modern replacements for historical buildings, have been made to determine their carrying value and related depreciation which are critical to the reported financial position and expenditure. Revaluation of PPE requires management to rely on the expertise of professional surveyors. The land and buildings were valued as at 31 March 2022 and 2023 by an external valuer, Gerald Eve LLP, a regulated firm of chartered surveyors. The valuation was prepared in accordance with the requirements of the RICS Valuation – Global Standards January 2022 and UK national standards (November 2018), the Charities SORP and FRS 102. Further detail is provided in Note 8a.

Valuation of investments

While the majority of investments held are quoted and their valuations are derived using observable prevailing market prices, there is a portion of the portfolio that is unquoted and whose valuations are derived from significant unobservable inputs. These investments are held through third party managers who will make judgements as to what valuation methodology to use.

m) Public benefit entity

The Wallace Collection is a public benefit entity and meets the public benefit requirement in the Charities Act 2011.

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2. Donations and legacies, and Grant in Aid

	Unrestricted £000	Restricted £000	Endow- ment £000	2022-23 £000	Unrestricted £000	Restricted £000	Endow- ment £000	2021-22
Donations	919	656	128	1,703	587	866	-	1,453
Legacies	31	-	-	31	50	-	-	50
Grant in Aid	3,395	1,097	-	4,492	3,706	687	-	4,393
Coronavirus Job Retention Scheme	-	-	-	-	-	103	-	103
	<u>4,345</u>	<u>1,753</u>	<u>128</u>	<u>6,226</u>	<u>4,343</u>	<u>1,656</u>	<u>0</u>	<u>5,999</u>

Unrestricted donations include £20,000 of pro bono investment support (2021-22 £22,000). The matching expenditure has been included in fundraising costs.

Grant-in-Aid of £4,492,000 (2021-22 £4,393,000) was received from the Department for Culture, Media and Sport of which £1,097,000 (2021-22 £977,000) was for capital projects.

In 2021-22 The Collection claimed £103,000 from HMRC towards the cost of furloughing staff, with approval from DCMS. The museum was closed in April and May 2021 in line with Government guidance.

3. Income from charitable activities

	2022-23 Unrestricted £000	2021-22 Unrestricted £000
Ticket Income	364	190
Study days and art activities	51	44
Tours and filming	26	5
Miscellaneous other income	<u>60</u>	<u>104</u>
	<u>501</u>	<u>343</u>

4. Income from investments

	Unrestricted £000	Restricted £000	2022-23 £000	Unrestricted £000	Restricted £000	2021-22 £000
UK investment funds	36	30	66	31	26	57
Fixed interest bonds	25	21	46	18	16	34
UK equities	67	56	123	69	59	128
Overseas equities	29	24	53	24	20	44
Infrastructure and property	32	27	59	16	14	30
Interest receivable	<u>2</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>-</u>	<u>1</u>
	<u>191</u>	<u>158</u>	<u>349</u>	<u>159</u>	<u>135</u>	<u>294</u>

5. Expenditure

	Direct costs	Support costs	Deprec- iation	2022-23	Direct costs	Support costs	Deprec- iation	2021-22
Raising funds								
Fundraising	432	110	-	542	373	95	-	468
Marketing and design	158	77	-	235	133	66	-	199
Trading	781	82	2	865	442	56	2	500
Charitable Activities								
Conservation	409	45	-	454	368	39	-	407
Collections	1,314	126	-	1,440	1,572	141	-	1,713
Security	1,691	160	-	1,851	1,505	140	-	1,645
Building and maintenance	1,081	169	1,119	2,369	1,043	168	1,088	2,299
	<u>5,866</u>	<u>769</u>	<u>1,121</u>	<u>7,756</u>	<u>5,436</u>	<u>705</u>	<u>1,090</u>	<u>7,231</u>

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5b) Support costs breakdown by activity

	Governance £000	Human Resources £000	Finance & IT £000	Office Supplies £000	Director's Office £000	2022-23 £000	2021-22 £000
Raising funds							
Fundraising	2	3	26	8	71	110	95
Marketing and design	1	1	10	7	58	77	66
Trading	4	5	49	1	23	82	56
Charitable activities							
Conservation	2	3	25	3	12	45	39
Collections	6	10	78	6	26	126	141
Security	8	25	102	1	24	160	140
Building and maintenance	10	1	133	1	24	169	168
	<u>32</u>	<u>46</u>	<u>423</u>	<u>27</u>	<u>238</u>	<u>769</u>	<u>705</u>

Basis of allocation of support costs Expenditure Staff numbers Expenditure Estimated use Estimated use

6. Staff costs

6a)	2022-23 £000	2021-22 £000
Wages and salaries	2,935	2,523
Social security costs	256	214
Pension costs	<u>575</u>	<u>478</u>
	3,766	3,215
Temporary staff	<u>53</u>	<u>38</u>
	<u>3,819</u>	<u>3,253</u>
Redundancy Costs	<u>-</u>	<u>-</u>
	<u>3,819</u>	<u>3,253</u>

No staff costs were capitalised (2021-22: £nil).

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

	2022-23	2021-22
£60,001 – £70,000	-	-
£70,001 – £80,000	-	2
£80,001 – £90,001	2	-
£120,001 – £130,000	-	1
£140,001 – £150,000	<u>1</u>	<u>1</u>
	<u>3</u>	<u>3</u>

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6b) Pension costs

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS). The PCSPS and CSOPS - known as 'alpha' - are non-contributory and unfunded multi-employer defined benefit schemes but the Wallace Collection is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (<https://www.civilservicepensionscheme.org.uk/about-us/scheme-valuations/>).

For 2022-23, employers' contributions of £515,945 were payable to the PCSPS (2021-22: £430,183) at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands. The Scheme 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 2022-23 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 £59,264 (2021-22: £69,569) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% of pensionable earnings. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions equivalent to 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 due to the partnership pension providers at the balance sheet date were £5,092 (2021-22: £4,722). No contributions were prepaid at that date.

6c) Average number of employees

The average number of employees, across the reporting period and analysed by function, was:

	2022-23	2022-23	2021-22	2021-22
	Headcount	Full-time equivalent	Headcount	Full-time equivalent
Director's Office	1.9	1.9	2.0	2.0
Conservation	6.0	5.8	4.3	3.9
Collections	17.6	15.9	19.8	18.0
Security and Gallery	51.8	41.4	50.5	40.1
Building and Maintenance	1.0	1.0	1.5	1.3
Fundraising	5.8	5.2	5.0	4.9
Marketing and Design	1.0	1.0	1.3	1.3
Trading	7.8	7.5	6.8	6.6
Finance, HR and IT	4.1	3.9	3.9	3.7
	<u>97.0</u>	<u>83.6</u>	<u>95.1</u>	<u>81.8</u>

6d) Trustees

The Trustees neither received nor waived any emoluments during the year (2021-22: £nil). No expenses were reimbursed to any Trustee (2021-22: £nil).

7. Net income/(expenditure)

Net income/(expenditure) is stated after charging:

	2022-23	2021-22
	£000	£000
External audit fees: NAO	23	21
External audit fees: trading subsidiary auditors	13	7
Other fees: trading subsidiary auditors	3	4
Internal Audit Fees	6	6
Operating lease rentals for the hire of plant and machinery	8	9

No fees were paid to the NAO for non-audit work.

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8a) Tangible fixed assets Group

	Freehold land and buildings £000	Fixtures and fittings £000	Office equip- ment £000	Assets under construction £000	Total £000
Cost or valuation					
Balance at 1 April 2022	43,825	7,346	1,065	18	52,254
Additions	243	97	266	241	847
Transfers	-	-	-	-	-
Disposals	-	-	(148)	-	(148)
Revaluation	1,995	557	-	-	2,552
Balance at 31 March 2023	46,063	8,000	1,183	259	55,505
Depreciation					
Balance at 1 April 2022	-	3,976	928	-	4,904
Charge for the year	727	320	74	-	1,121
Disposals	-	-	(148)	-	(148)
Revaluation	(727)	(74)	-	-	(801)
Balance at 31 March 2023	-	4,222	854	-	5,076
Net book value					
Balance at 31 March 2023	46,063	3,778	329	259	50,429
Balance at 31 March 2022	43,825	3,370	136	18	47,349

The net book value at 31 March 2023 represents tangible fixed assets used for:

	Freehold land and buildings £000	Fixtures and fittings £000	Office equip- ment £000	Assets under construction £000	Total £000
Charitable purposes	46,063	3,771	329	259	50,422
Trading activities	-	7	-	-	7
	46,063	3,778	329	259	50,429

The Wallace Collection

	Freehold land and buildings £000	Fixtures and fittings £000	Office equip- ment £000	Assets under construction £000	Total £000
Cost or valuation					
Balance at 1 April 2022	43,825	7,309	1,063	18	52,215
Additions	243	97	266	241	847
Transfers	-	-	-	-	-
Disposals	-	-	(148)	-	(148)
Revaluation	1,995	557	-	-	2,552
Balance at 31 March 2023	46,063	7,963	1,181	259	55,466
Depreciation					
Balance at 1 April 2022	-	3,947	928	-	4,875
Charge for the year	727	320	72	-	1,119
Disposals	-	-	(148)	-	(148)
Revaluation	(727)	(75)	-	-	(802)
Balance at 31 March 2023	-	4,192	852	-	5,044
Net book value					
Balance at 31 March 2023	46,063	3,771	329	259	50,422
Balance at 31 March 2022	43,825	3,362	137	20	47,344

The Wallace Collection is housed in Hertford House, Manchester Square, London, W1U 3BN. The freehold title to this property was transferred to the Trustees of the Wallace Collection from the Secretary of State for the Environment on 22 December 1993 at its then net book value.

The freehold property comprising the Wallace Collection is valued every five years by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors. The last full valuation was performed at 31 March 2020 and the valuation was prepared in accordance with the requirements of the RICS Valuation - Professional Standards, January 2014 amendment and Financial Reporting Standard (FRS) 15 (UK GAAP). The property was categorised as specialised and consequently valued on a Depreciated Replacement Cost (DRC) basis. A desk top valuation is performed by Gerald Eve in the years in between a full valuation.

The Collection does not hold sufficient data to show the historical cost of the museum's land and buildings.

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8 b) Heritage assets

	2022-23 £000	2021-22 £000	2020-21 £000	2019-20 £000	2018-19 £000
Balance at 1 April	86	86	82	82	82
Additions	-	-	4	-	-
Balance at 31 March	<u>86</u>	<u>86</u>	<u>86</u>	<u>82</u>	<u>82</u>

The table above relates to objects and archival material relevant to the Collection and the family history which are occasionally acquired for the Hertford House Historic Collection subsequent to the 1897 bequest.

In addition, but not capitalised on the balance sheet (see note 1h), the museum contains a range of Old Master paintings, miniatures, sculpture, furniture, porcelain and goldsmiths' work, European, African and Asian arms and armour, and medieval and Renaissance works of art from the fifteenth to the nineteenth centuries. Items in the Collection are of significant artistic and historical importance. Its holdings of French eighteenth-century art, European princely arms and armour, and Old Master paintings are internationally acclaimed.

8 c) Investments

	Group 2023 £000	Group 2022 £000	Collection 2023 £000	Collection 2022 £000
Market value at 1 April 2022	10,877	10,247	10,877	10,247
Additions	-	-	-	-
Disposals	-	-	-	-
Net gain/(loss) on revaluation	(800)	630	(800)	630
Market value at 31 March 2023	<u>10,077</u>	<u>10,877</u>	<u>10,077</u>	<u>10,877</u>
	Group 2023 £000	Group 2022 £000	Collection 2023 £000	Collection 2022 £000
At market value:				
UK investment funds	2,084	2,212	2,084	2,212
Fixed interest bonds	822	681	822	681
UK equities	3,724	4,197	3,724	4,197
Overseas equities	2,401	2,457	2,401	2,457
Infrastructure and property	860	1,100	860	1,100
Cash	186	230	186	230
	<u>10,077</u>	<u>10,877</u>	<u>10,077</u>	<u>10,877</u>
At cost	<u>8,608</u>	<u>8,608</u>	<u>8,608</u>	<u>8,608</u>

All investments are stated at fair value at 31 March 2023. Valuations for investments with an active market are based on published quoted prices at or close to the balance sheet date. Valuations for other investments are based on recent valuation reports. Fixed asset investments are held for the purposes of producing a long-term return and are not intended to be spent within the next 12 months.

Cash held in investments is not available for use to further charitable activities as it forms part of the permanent endowment fund from which only the income is available for charitable activities.

9) Debtors

	Group 2023 £000	Group 2022 £000	Collection 2023 £000	Collection 2022 £000
Trade debtors	81	167	9	111
Other debtors	49	50	49	50
VAT debtors	274	155	274	155
Amount due from subsidiary	-	-	1,005	557
Prepayments and accrued income	541	419	518	367
	<u>945</u>	<u>791</u>	<u>1,855</u>	<u>1,240</u>

None of the above is expected to be received after more than one year.

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10a) Creditors: amounts falling due within one year

	Group 2023 £000	Group 2022 £000	Collection 2023 £000	Collection 2022 £000
Trade creditors	98	249	84	179
Taxation and Social Security	167	115	122	116
Accruals	322	216	333	207
Deferred income	127	179	19	8
	<u>714</u>	<u>759</u>	<u>558</u>	<u>510</u>

10b) Creditors: amounts falling due after more than one year

	Group 2023 £000	Group 2022 £000	Collection 2023 £000	Collection 2022 £000
Deferred income	<u>-</u>	<u>14</u>	<u>-</u>	<u>-</u>

The movement on the deferred income account (in total for amounts due within and in more than one year) is as follows:

	Group 2023 £000	Group 2022 £000	Collection 2023 £000	Collection 2022 £000
Deferred income at 1 April	193	141	7	-
Released from previous year	(178)	(82)	(7)	-
Deferred in current year	112	134	19	7
Deferred income at 31 March	<u>127</u>	<u>193</u>	<u>19</u>	<u>7</u>

Collection deferred income relates to ticket income relating to events in 2023-24. Group deferred income also includes income relating to events taking place in subsequent periods.

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11. Analysis of consolidated net assets between funds

	Unrestricted funds £000	Restricted funds £000	Endowment fund £000	Total 2023 £000
Fixed assets	5,158	45,357	10,077	60,592
Current assets	2,521	2,168	261	4,950
Current liabilities	(714)	-	-	(714)
Liabilities due after one year	-	-	-	-
Total net assets	6,965	47,525	10,338	64,828

12. Consolidated statement of funds

	Balance at 1 April 2022 £000	Income £000	Expenditure £000	Revaluation £000	Transfers £000	Balance at 31 March 2023 £000
Unrestricted funds						
Designated funds:						
Capital projects (a)	3,530	-	(381)	-	160	3,309
Heritage assets (b)	12	-	-	-	-	12
Revaluation reserve	1,414	-	-	75	-	1,489
General funds	1,485	6,785	(5,955)	-	(160)	2,155
Total unrestricted funds	6,441	6,785	(6,336)	75	-	6,965
Restricted funds						
Capital reserve (c)	34,760	-	(739)	-	629	34,650
Heritage assets (d)	72	-	-	-	-	72
Revaluation reserve	7,357	-	-	3,278	-	10,635
Conservation projects (e)	248	48	(75)	-	-	221
Education fund (f)	216	90	(143)	-	(34)	129
Infrastructure fund (g)	407	892	(27)	-	(413)	859
Archive and library fund (h)	140	(1)	(8)	-	-	131
Curatorial projects (i)	204	212	(52)	-	-	364
Collection Services fund (j)	180	277	(368)	-	-	89
Gallery refurbishment (k)	93	394	5	-	(182)	310
Temporary Exhibition infrastructure (l)	78	-	(13)	-	-	65
Total restricted funds	43,755	1,912	(1,420)	3,278	-	47,525
Endowment fund	11,010	128	-	(800)	-	10,338
Total funds	61,206	8,825	(7,756)	2,553	-	64,828

a) The capital projects fund comprises the net book value of the museum's tangible fixed assets purchased using unrestricted funds.

b) The heritage assets fund represents the value of heritage assets held by the Hertford House Historic Collection which have been purchased using unrestricted funds.

c) The capital reserve fund represents the net book value of the museum's tangible fixed assets purchased using restricted funds.

d) The heritage assets restricted fund represents the value of heritage assets held by the Hertford House Historic Collection which have been purchased using restricted funds given for this purpose.

e) The conservation projects fund includes funds specifically for conservation projects from various donors.

f) The education fund assists with the cost of the museum's education department.

g) The infrastructure fund represents those restricted funds specifically raised for infrastructure projects.

h) The archive and library fund holds income from the endowment fund restricted to that work and other donations for archival work.

i) The curatorial fund is for donations towards curatorial purchases and activities.

j) The Collection Services fund is for donations for exhibitions and other work by the department.

k) The gallery refurbishment fund represents those restricted funds specifically raised for that purpose. The transfer relates to the restricted element of the works under construction during the year.

l) The temporary exhibition infrastructure fund is for the ticketing and other infrastructure costs associated with starting a paid exhibition programme.

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13. Reconciliation of consolidated net (expenditure)/income to net cash inflow from operating activities

	Notes	2022-23 £000	2021-22 £000 (restated)
Net income/(expenditure) for the year (as per the statement of financial activities)		269	867
Adjustments for:			
Depreciation charges	8a)	1,121	1,090
Dividends and interest from investments	4	(349)	(294)
(Increase)/decrease in stock		41	(17)
Decrease/(increase) in debtors	9	(154)	85
(Decrease)/increase in creditors due within one year		(108)	(87)
(Decrease)/increase in creditors due after one year	10 b)	(14)	(30)
(Gain)/Loss on investments		800	(630)
Endowment Fund		(128)	-
Net cash provided by (used in) operating activities		<u>1,478</u>	<u>984</u>
		Group	Group
		2023	2022
		£000	£000

Analysis of cash and cash equivalents

Cash held in commercial banks		3,841	2,671
Cash in hand		<u>2</u>	<u>2</u>
		<u>3,843</u>	<u>2,673</u>

2021-22 figures have been restated to disaggregate the endowment fund of £630k from net income. Creditors has been represented to separately show the movement of creditors due within, and due after, one year.

14. Hertford House Marketing Limited

The Wallace Collection owns the whole of the issued share capital of two shares of £1 nominal value of Hertford House Marketing Limited, a company registered in England and Wales (company number 3183595). The company's principal activities are corporate event hire, retail, image licensing and the running of the Wallace Restaurant franchise. The museum's Director was a director throughout the year.

Statement of comprehensive income

	2022-23 £000	2021-22 £000
Turnover	1,749	832
Cost of sales	<u>(256)</u>	<u>(165)</u>
Trading: cost of goods sold and other costs	1,493	667
Administrative expenses	<u>(554)</u>	<u>(309)</u>
Operating profit	939	358
Interest receivable	-	-
Profit on ordinary activities before gift aid payment	<u>939</u>	<u>358</u>

Profit of £939,000 (2021-22 £360,000) was distributed under gift aid to the Wallace Collection.

Consolidated Statement of Financial Activities

	2022-23 £000	2021-22 £000
Cost of sales	256	165
Administrative expenses	<u>554</u>	<u>309</u>
Gross Profit	810	474

Balance sheet

	2023 £000	2022 £000
Tangible fixed assets	7	9
Current assets	1,203	868
Current liabilities	(1,190)	(841)
Liabilities due after one year	<u>0</u>	<u>(14)</u>
Net assets	<u>20</u>	<u>22</u>
Share capital	-	-
Reserves	<u>20</u>	<u>22</u>
Net assets	<u>20</u>	<u>22</u>

The Current Assets include stock of £162,000 (2021-22 £186,546).

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15. Financial commitments

At 31 March 2023, the museum had total future minimum lease payments under non-cancellable operating leases for equipment as follows:

	2023 £000	2022 £000
Not later than one year	-	8
Later than one year and not later than five years	-	-
Later than five years	-	-
Total	<u>-</u>	<u>8</u>

Hertford House Marketing Limited has no such financial commitments.

16. Financial instruments

FRS 102 requires 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 the period.

Many of the museum's financial instruments relate to contracts to buy non-financial items in line with the museum's expected purchase and usage requirements and the museum is therefore exposed to little credit, liquidity or market risk. However, the museum holds fixed asset investments following the establishment of its permanent endowment fund in 2015-16 and is exposed to market risk on these. It seeks to manage this risk through the use of professional investment advisors and fund managers.

Liquidity Risk

Approximately 54% (2021-22: 61%) of the museum's non-endowment income was provided as Grant-in-Aid from the Department for Culture, Media and Sport. The remaining proportion is self-generated income. The risk is managed by the reserves policy for general funds which seeks to build these funds to three months expenditure. As the cash requirements of the museum are met largely through Grant-in-Aid received from the Department of Culture, Media and Sport, financial instruments play a more limited role in managing risk than would apply to a non-public sector body of a similar size.

Foreign Currency Risk

As the museum's policy is to convert foreign currency into sterling on receipt, the museum's exposure to foreign currency risk is not significant.

Interest Rate Risk

The museum draws down its annual Grant-in-Aid allocation according to its monthly cash flow requirements. The museum's current financial assets represents cash held for these short term requirements and therefore earns interest at a floating rate. None of the museum's financial assets carry fixed rates of interest. As only a relatively small proportion of income £2,000 (2021-22: £1,000) is generated from interest earned, the museum is not exposed to significant interest rate risk.

17. Related party transactions

The Wallace Collection is a Non-Departmental Public Body whose sponsoring body is the Department for Digital, Culture, Media and Sport (DCMS). Other bodies sponsored by DCMS are regarded as related parties, as are organisations in which Trustees or key members of management (or their connected persons) have an interest. During the year, the Wallace Collection only entered into transactions with related parties under normal business terms.

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17. Related party transactions (continued)

Related party	Nature of relationship	Grants, donations or income	Purchases	Outstanding balance at 31 March 2023
		£000	£000	£000
British Museum	DCMS funded body	-	2	-
National Museums Liverpool	DCMS funded body		1	
Sir John Soane	DCMS funded body		1	
Tate	DCMS funded body		1	1
National Maritime Museum	DCMS funded body	2		
Goldsmiths' Company	Tim Schroder is a Trustee of the Goldsmiths' Company	5		

Wallace Collection in America, Inc

The Wallace Collection in America, Inc (WCiA) is a US tax-exempt organisation under section 501(c) (3) of the US Internal Revenue Code. It is incorporated in the State of Delaware. The objectives of the WCiA are to educate the public about art in general and to raise awareness among Americans and others about the activities and collections of the Wallace Collection. It is able to make grants to the Wallace Collection and other organisations in pursuit of these objectives.

The WCiA has a board of three directors. No Trustees of the Wallace Collection currently sit on the Board.

During the year grants of £368,000 (2021-22 £nil) were made to the Wallace Collection. At 31 March 2023, the WCiA had net assets of £340,000 in the form of cash at bank (2021-22 £506,000)

The WCiA has not been consolidated in the group accounts of the Wallace Collection as the Wallace Collection did not exercise control during the period.

No Trustees or staff member obtained any personal benefit from the transactions disclosed above and no Trustee and or staff member had any other material transactions with the museum in the year. No Trustees held any significant interests which would conflict with their management responsibilities of the museum. Several Trustees are also supporters of the museum, and they are shown in Annex B to the Annual Report. Donations received from Trustees and their close family members in the year were £71,738 including gift aid (2021-22: £121,639). Donations received without conditions from Trustees and other related parties totalled £73,573 (2021-22: £113,649).

Compensation for key management personnel has been disclosed in the remuneration report.

18. Capital Commitments

	2023 £000	2022 £000
Authorised by the Trustees and contracted for	931	-

The Capital Commitment relates to the repair and refurbishment of the North, West and East facades of Hertford House. Work was started in January 2023 and is due to be completed in January 2024.

19. Contingent liabilities

There were no contingent liabilities as at 31 March 2023 (2022: Nil).

20. Post balance sheet events

The accounts were authorised for issue on the date of the Comptroller and Auditor General's certification. There were no reportable events between the balance sheet date and the date the accounts were authorised for issue.

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