

The National Gallery
Financial Plan 2010-11

The Trustees and the Director present the National
Gallery's Financial Plan for the coming year

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Introduction

The National Gallery houses one of the finest collections of Western European paintings in the world. It is open to visitors free of charge all year round. The chief priority of the Gallery is to protect the paintings for future generations. Its activities are divided between care for the collection, access to the collection, interpretation and study of the collection, and additions to the collection.

The Gallery seeks to attract visitors with little or no previous experience of looking at Old Master paintings and helps those who have difficulty visiting the Gallery. Many of its visitors come from abroad and it serves a larger public through publications and information services, including the Gallery's website.

The Gallery promotes understanding of the styles and techniques of painting and the historical study of pictorial imagery by education and academic programmes. The curatorial, conservation and scientific departments provide expert advice to government agencies and to other galleries and cultural institutions in the regions and overseas. Their research informs not only the Gallery's scholarly catalogues but all the published material designed to help visitors discover more about the collection by themselves.

The Gallery aims to amplify the visitor's experience of the permanent collection through special exhibitions, including international loan exhibitions, and through special displays, including some based on works in the Gallery's collection not usually on view. Work in other media may be featured in these exhibitions and displays, which often involve partnerships with other national and international institutions. The National Gallery is concerned to foster an interest in Old Master paintings in regional centres.

The Gallery seeks constantly to improve the ways in which its paintings are presented whilst respecting the needs of the buildings which are of historic and architectural importance. The display is enriched by loans as well as acquisitions.

The Gallery is concerned to ensure that great Old Master paintings threatened with export do not leave the UK, and aims through acquisition to enhance both its own collection and those of other public galleries in the UK.

The Gallery's 2009 Corporate Plan set out in detail the Gallery's medium-term priorities and can be found on its website.

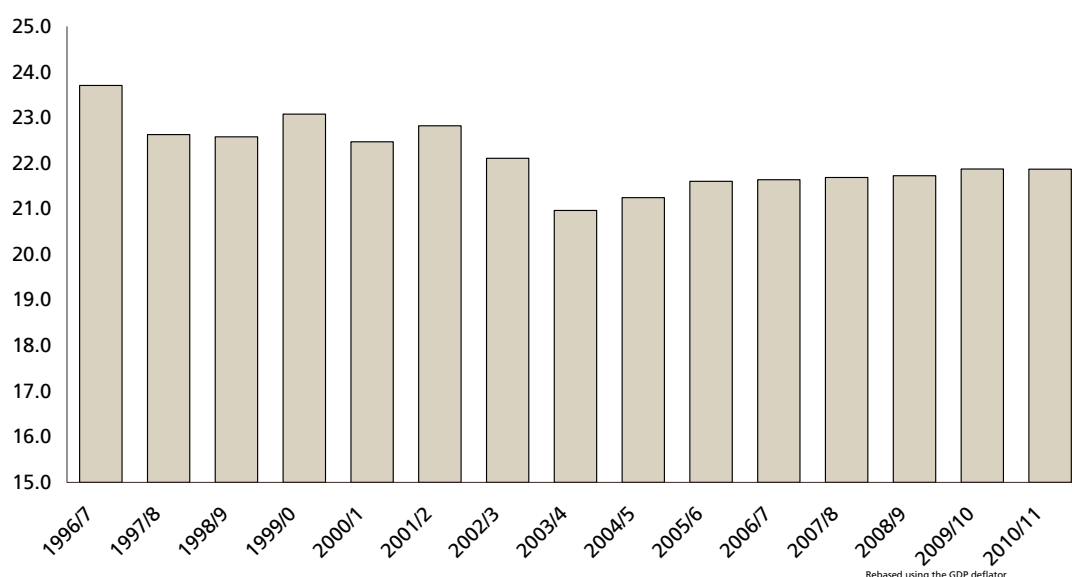
The Financial Plan is supplemental to the 2009 Corporate Plan, and provides financial information about the year ahead. The Gallery is currently undertaking a strategic review, in order to examine and re-focus its strategic direction. The outcome of this review will inform the Gallery's medium-term objectives and financial planning for the next CSR period 2011 – 2014, which will be published early in 2011.

Financial Plan

Grant-in-aid

The Comprehensive Spending Review for the three-year period to March 2011 promised a welcome increase in Grant-in-Aid. A commitment was made to increase Capital Grant-in-Aid significantly over the period, providing the Gallery with a much-needed opportunity to embark on essential capital improvements. Resource Grant-in-Aid, whilst maintained at existing levels, remains essentially flat in real terms (illustrated below) and does not cover all running costs.

Figure 6: Resource Grant in Aid restated in 2008/9 prices to eliminate inflation (£millions)



The Gallery remains dependent on self-generated income to meet the balance of its running costs: income streams which are difficult to predict in times of economic uncertainty. This challenging situation is compounded by the reductions already made to government Grant-in-Aid in 2010/11, and the likelihood of less favourable grant settlements in future years. The Gallery will endeavour to meet these challenges, and is planning over the medium term on the assumption that the contraction of income streams will necessitate a reduction in some Gallery activities.

Self-generated Income

Private income continues to be vital to the future well-being of the Gallery: many of the Gallery's programmes from exhibitions to outreach work are only possible as a result of the support of the corporate sector, trusts and foundations, and private individuals.

In recent years the Gallery has invested in expanding the development team, and it is hoped that this will enable existing levels of donations to be maintained in an extremely challenging environment for fundraising.

Our innovative relationships with a range of organisations provide important support and sponsorship, and we are particularly grateful for our continued partnership with Credit Suisse, which will assist the Gallery in presenting a range of programmes over the medium term. The corporate membership scheme continues to generate income for the Gallery, albeit in an increasingly competitive environment.

Investing in the future

In recent years the Gallery has experienced considerable pressure due to rising costs and, in real-terms, a flat rate government grant. The impact of this on the Gallery's services to the public has been mitigated, so far successfully, by increasing operating income and making efficiency savings where possible. The Gallery continues to make efforts to improve the efficiency of operations but scope for generating significant further savings without compromising the existing services provided is limited.

The current economic climate presents significant challenges for the Gallery in terms of simply maintaining its existing level of activities. In the coming year the Gallery aims to use its capital Grant-in-Aid to improve the presentation of pictures in several important galleries and carry out essential roof repairs, but there are a number of areas where additional investment is needed. Areas which the Gallery struggles to fund include:

- Funding acquisitions to enhance the collection, a fundamental objective of the Gallery;
- Developing the building to:
 - o enhance temporary exhibition space;
 - o increase the provision of education and outreach work; and
 - o expand research facilities for the public.
- Air-conditioning the remaining Galleries to meet full conservation specifications;
- Investing in developments in communications initiatives to attract a broader audience to the National Gallery, and particularly in new media to engage the public interactively in the building and remotely throughout the world via the website; and
- Full digitisation of conservation, scientific and library records.

The National Gallery is committed to integrating environmental considerations into its activities and working towards the goals of sustainable development and pollution prevention through a programme of continuous environmental improvement. We will adopt the best environmental practices, wherever

practicable, in the development, use and management of our buildings and in purchasing services and supplies.

This strong commitment to sustainability, together with unpredictable utility costs, make it essential that the Gallery is able to continue to upgrade its physical plant to take advantage of technological innovations that will improve performance and energy efficiency.

Summary income and expenditure

The table below shows the income and expenditure budgeted for the financial year 2010-11.

		2009/10 Budget £'000	2009/10 Forecast outturn £'000	2010/11 Budget £'000
Operating Activity				
Income	Grant-In-Aid	23,537	23,537	24,051
	Self-generated income	5,970	5,923	4,353
		<u>29,507</u>	<u>29,460</u>	<u>28,404</u>
Expenditure	Operating expenditure	(26,094)	(26,146)	(25,655)
	Exhibitions Programme	(2,114)	(2,132)	(1,780)
		<u>(28,208)</u>	<u>(28,278)</u>	<u>(27,435)</u>
		<u>1,299</u>	<u>1,182</u>	<u>969</u>
Capital Projects				
Income	Capital Grant-In-Aid	3,750	3,750	4,780
	Other	-	250	-
Expenditure		<u>(3,879)</u>	<u>(4,206)</u>	<u>(4,799)</u>
		<u>(129)</u>	<u>(206)</u>	<u>(19)</u>
Picture Purchase				
Income	Capital Grant-In-Aid	-	-	270
	Other income	16,333	16,333	16,333
Expenditure		<u>(16,753)</u>	<u>(16,753)</u>	<u>(16,603)</u>
		<u>(420)</u>	<u>(420)</u>	<u>-</u>
Contingency		(750)	(556)	(950)
Balance		<u>-</u>	<u>-</u>	<u>-</u>

Planned income

	2009/10 Budget £'000	2009/10 Forecast out-turn £'000	2010/11 Budget £'000
Grant-In-Aid			
Operating expenditure	23,537	23,537	24,051
Capital expenditure	3,750	3,750	5,050
	<u>27,287</u>	<u>27,287</u>	<u>29,101</u>
Self-generated Income			
Sponsorship and donations	3,162	3,090	2,000
Exhibitions admission	1,311	1,641	973
Catering and retail rental income	770	365	775
Other operating income	727	827	605
	<u>5,970</u>	<u>5,923</u>	<u>4,353</u>
Capital Projects			
Donations for capital work	-	250	-
	<u>-</u>	<u>250</u>	<u>-</u>
Picture Purchase			
Use of Gallery reserves	5,750	5,750	5,750
Other donors	10,583	10,583	10,583
	<u>16,333</u>	<u>16,333</u>	<u>16,333</u>
Total	<u>49,590</u>	<u>49,793</u>	<u>49,787</u>

Planned expenditure

	2009/10 Budget £'000	2009/10 Forecast Outturn £'000	2010/11 Budget £'000
Operating activity			
Care of the Collection	8,723	8,860	8,669
Interpretation and Study of the Collection	1,840	1,905	1,837
Access to the Collection	12,159	12,186	12,009
Fundraising	1,111	1,073	1,097
Administration and Support	2,261	2,122	2,043
	<u>26,094</u>	<u>26,146</u>	<u>25,655</u>
Exhibitions Programme	2,114	2,132	1,780
	<u>28,208</u>	<u>28,278</u>	<u>27,435</u>
Building Programme	3,879	4,206	4,799
Picture Purchases	16,753	16,753	16,603
Total expenditure	<u>48,840</u>	<u>49,237</u>	<u>48,837</u>

Income and Expenditure analysis

Income

Grant-in-aid to fund running costs has increased from £23.5m in 2009/10 to £24.0m in 2010/11. This will help the Gallery to meet its running costs, but the level of resource grant-in-aid has been cut by 0.5% and this, together with likely reductions in self-generated income means the Gallery faces a challenging year ahead, particularly if it is to sustain and grow its current breadth of activity.

Income from operations is budgeted to fall from £5.9m in 2009/10 to £4.4m in 2010-11, a reduction of 25%. Sponsorship income in 2009/10 was high due to deals secured pre-recession, but this has not been fully sustained into 2010/11, and income from exhibition admissions is also expected to be lower in 2010/11, following the enormous success of the Picasso exhibition this year. The environment for securing and maintaining corporate support remains competitive as corporations look for the best offer and consolidate their hospitality arrangements.

The Gallery has a generous allocation of grant-in-aid for capital projects in 2010/11: £5.1m compared with £3.8m in 2009/10. This will greatly assist in enabling the Gallery to undertake some essential capital works.

The income and expenditure budgets include an amount of £16.3m, representing the second of three equal annual instalments to pay for the acquisition of Titian's *Diana and Actaeon*. Of the £16.3m, £5.75m will be contributed from the Gallery's own reserves, accumulated over many years principally from generous bequests.

Expenditure

The Gallery has budgeted a reduction in running costs of 2% in 2010/11. This has arisen as a result of a comprehensive efficiency programme to drive down costs and consolidate activities where possible.

The exhibitions programme is budgeted to cost £0.3m less than in 2009/10, partly due to efforts to restrict the number of international loans, particularly for exhibitions that have free admission.

The Gallery is planning to invest its capital Grant-in-Aid in a range of essential projects this year. Significant areas of investment include roof work and restoration of the original ceilings in Rooms 6 and 8; repairs to the roof and complete refurbishment of rooms 5 and 10; and spend-to-save measures such as acquisition of a new chiller and design of a new combined heat and power boiler that will yield savings on resource budgets in future years.

There are many areas of the Gallery where expenditure can only be maintained due to the generosity of donors and sponsors. This private income, which enables such diverse activities as the Education department's investment in significant outreach initiatives or a curator's ability to secure a wide range of loans for a major exhibition, is vital to the Gallery's future.

Contingency

Contingency funds are held to cover unforeseen expenditure requirements and shortfalls in income. In order to provide for rising costs and volatile self-generated income streams, the Gallery has incorporated a higher level of contingency into the budget this year.