

The National Gallery Annual Report and Accounts for the year ended 31 March 2015

The National Gallery Annual Report and Accounts for the year ended 31 March 2015

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

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 14 JULY 2015

© The National Gallery (2015)

The text of this document (this excludes, where present, the Royal Arms and all departmental and agency logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not in a misleading context

The material must be acknowledged as The National Gallery copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries regarding this publication should be sent to us at The National Gallery, Trafalgar Square, London WC2N 5DN.

ISBN: Print 9781474119573

Web 9781474119580

Printed in the UK by the Williams Lea Group
on behalf of the Controller of Her Majesty's Stationery Office

ID 21051504 50353 07/15

Printed on paper containing 75% recycled fibre content minimum

Contents

Objectives and activities	2
Preserve, enhance and develop the potential of our collections for our public	2
Broaden our appeal and provide an exceptional visitor experience	6
Inspire learning and engagement	7
Invest in our staff, increase income and care for our physical facilities	8
Plans for the future	9
DCMS Key performance indicators	10
Financial Review	11
Financial position	11
Fundraising and resources	11
Investment policy	12
Reserves policy	13
The Trust Funds of the National Gallery	13
Reference and Administrative Details	14
Remuneration report	18
Statement of Trustees' and Director's responsibilities	21
Governance Statement	22
The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament	28
Statement of Financial Activities	30
Balance Sheet as at 31 March 2015	32
Cash Flow Statement	33
Notes to the Financial Statements	34

Objectives and activities

The National Gallery's foremost aim is to establish a central role for Old Master paintings in modern cultural life.

Our strategy to support this aim is built on the distinctiveness of the National Gallery and its work. We have one of the finest collections of paintings in the world that tells a coherent story about the development of Western European art over seven centuries, and the majority of our collection is continuously on display to the public, both in Trafalgar Square and on-line.

Our strategic objectives, set out below, presuppose our statutory responsibility to acquire pre-eminent works of art and our duty to preserve the collection and make it accessible to the public.

The programmes to realise these strategic objectives include an ambitious digital strategy, better public communication, academic initiatives and improvements to display. We are also undertaking a number of initiatives to enhance our welcome to visitors.

The National Gallery's strategic objectives are to:

- Preserve, enhance and develop the potential of our collections for our public; and
- Broaden our appeal and provide an exceptional visitor experience; and
- Inspire learning and engagement; and
- Invest in our staff, increase income and care for our physical facilities.

Review of achievements and performance in 2014-15

Preserve, enhance and develop the potential of our collections for our public¹

Increase the depth and range of our collections

Jean-Baptiste-Camille Corot's *The Four Times of Day* were acquired by the National Gallery in December 2014 with support from the Art Fund. They were painted as decorations for the studio of the Fontainebleau house belonging to Corot's friend and fellow artist, Alexandre-Gabriel Decamps, and were reportedly completed in just one week. They trace the day's progress from glowing dawn to starry night, each scene, framed by graceful trees, is painted in broad brushstrokes, the *ébauche* (underpaint) visible throughout. It is the only decorative cycle on public display in the UK by one of the most influential artists in the development of landscape painting and a key inspiration to the Impressionists.

Christ carrying the Cross was kindly gifted to the National Gallery by Angus Neill. It is a rare, early Italian Renaissance painting that has never been publicly exhibited. The work is attributed to Giovanni Bellini's workshop and is the first Venetian version of this composition known in the UK. It was made as a private devotional work, as an aid for prayer and contemplation and the unflinching depiction of Christ's misery is an emotionally powerful image.

Another significant acquisition this year was Sir David Wilkie's *A Young Woman kneeling at a Prayer Desk*. The painting was discovered in the USA after last being heard of in 1872, when it was put for sale by a relative of the 1st Earl Mulgrave. It is thought his daughter – Lady Augusta Phipps, who died in 1813 aged just 12 – is the subject of the painting. The National Gallery was able to purchase the painting thanks to Marcia Lay leaving a generous gift in her will.

The Gallery has continued to work with collectors and other institutions to take on a range of loans to the permanent collection, both on a long and short-term basis. These included Walter Sickert's *Interior of St Mark's, Venice* which came at an opportune moment, coinciding with both the exhibition *Inventing Impressionism* and the special display *Monet: The Water Garden at Giverny*. It continues a series of exchanges with Tate Britain that commenced in 2013.

A temporary display in Room 30 (26 February to 2 August 2015) was arranged around the exceptional loan of El Greco's altarpiece, *The Crucifixion with Two Donors* (Musée du Louvre, Paris), alongside the National Gallery's paintings by El Greco. Through the six paintings on display, visitors could follow El Greco's stylistic evolution and

¹ Objective supports the requirement of the Museums and Galleries Act 1992 s2(1)(a) and (b) that the Board shall "care for, preserve and add to the works of art and documents in their collection" and "secure that the works of art are exhibited to the public".

appreciate the full range of works he produced; from small-scale paintings aimed at a learned public, to works intended for private devotion, or the great altarpieces destined for religious settings.

The year also saw the unprecedented popularity of a reciprocal loans arrangement between the National Gallery and the Van Gogh Museum in Amsterdam when the institutions' respective versions of Van Gogh's *Sunflowers* were hung side by side in Room 46. Being part of the suite of the main floor galleries dedicated to 19th-century pictures, this temporary display (24 January to 27 April 2014) was free to the public visiting the Gallery and proved to be extremely popular with visitor numbers exceeding 200,000. It drew new and regular visitors alike, all eager for the chance to see one of the most famous pictures in the National Gallery in a new context.

Maintain a full programme for conservation, supported by objective scientific study

The Gallery has a permanent policy of maintaining the highest standards of preservation of paintings by means of preventive and remedial conservation, supported by pre-eminent scientific research and analysis. The Gallery undertakes regular reviews of measures to ensure the safety of the collection within the building, and when paintings travel on loan, as well as collaborative research between Conservation and Scientific staff on the longer-term performance of microclimate displays.

Several notable restorations were completed during the year. These include: *Saint Gregory the Great with Jesuit Saints*; NG6622 Guercino, *Portrait of a Man holding Gloves*; NG2528 Hals, *Portrait of a Woman*; NG6413 Hals, *The Dead Christ supported by Angels*; NG219 Italian, *Portrait of Hermine Gallia*; NG6434 Klimt and *The Raising of Lazarus*; L1171 Wtewael. *The Raising of Lazarus* arrived at the National Gallery in a particularly fragile state. As well as a large tear in the canvas just to the right of centre there were several large holes and the edges of the old nineteenth-century lining canvas had split. The whole painting was in danger of detaching from the stretcher. It is now on display in a new frame made in the style of early seventeenth-century frames to be seen on pictures by Wtewael and other Utrecht artists of the period.

The Gallery has undertaken scientific study in four main areas: research in, and refinement of, measures for preventive conservation of Old Master paintings; technical study (largely analysis) of paintings proposed for, or undergoing, conservation treatment; long-term studies with curators of the technical and material history of the collection for systematic catalogues; and R&D in imaging technology, procedures and documentation for archival and research project purposes.

New technical documentation and image viewing systems continue to be developed for specific interdisciplinary research projects, including those involving conservation treatments. Work has also continued on implementing these systems more widely for general use, with the aim of making these processes more effective and efficient.

Create public programmes that enhance and illuminate the collection

The following temporary exhibitions were open during the year. “(£)” denotes a ticketed exhibition:

Exhibition	Attendance	Venue
<i>Van Gogh's Sunflowers</i> 24 January 2014 – 27 April 2014	53,709 (from 1 April 2014)	Room 46
<i>Strange Beauty: Masters of the German Renaissance</i> 19 February 2014 – 11 May 2014 (£)	13,144 (from 1 April 2014)	Sainsbury Wing
<i>Veronese: Magnificence in Renaissance Venice</i> 19 March 2014 – 15 June 2014 (£)	82,892 (from 1 April 2014)	East Wing Exhibition
<i>Building the Picture: Architecture in Italian Renaissance Painting</i> 30 April 2014 – 21 September 2014	180,892	Sunley Room
<i>Making Colour</i> 18 June 2014 – 7 September 2014 (£)	65,537	Sainsbury Wing
<i>Rembrandt: The Late Works</i> 15 October 2014 – 18 January 2015 (£)	264,488	Sainsbury Wing
<i>Peder Balke</i> 12 November 2014 – 12 April 2015	219,629 (to 31 March 2015)	Sunley Room
<i>Maggi Hambling: Walls of Water</i> 26 November 2014 – 15 February 2015	95,994	Room 1
<i>Inventing Impressionism</i> 4 March 2015 – 31 May 2015 (£)	53,500 (to 31 March 2015)	Sainsbury Wing

Building the Picture: Architecture in Italian Renaissance Painting explored why artists incorporate architecture in their paintings and what it means for a painting to be architectural. It examined the roles architecture played within Italian paintings from the Late Middle Ages until the High Renaissance.

Making Colour was the first exhibition of its kind in the UK to explore comprehensively the material history of colour in paintings. It offered visitors an exceptional opportunity to discover the wide-ranging substances used to create colour in paintings and other works of art. Based on the Gallery's own spectacular collection, the exhibition traced the history of use of colour in Western paintings, from the Middle Ages to the end of the nineteenth century. It examined how all the possibilities offered by the natural world – mineral, vegetable and animal – were exploited in order to find dramatic and reliable colours for painting, along with those artificial forms that were the products of human ingenuity.

Rembrandt: The Late Works was the first exhibition devoted specifically to the paintings, drawings and prints made in the final years of the artist's life (1652-69), arguably the most radical, inventive and intensely creative phase of his career. The thematic (rather than chronological) arrangement of the exhibition encouraged visitors to consider the defining stylistic and iconographic characteristics of Rembrandt's late works.

The exhibition *Peder Balke* was the first monographic Balke display in the English-speaking world and only the second outside Scandinavia. Peder Balke is, in the words of leading expert Marit Ingeborg Lange, 'the most original and most puzzling Norwegian painter of the nineteenth century'. The exhibition included 61 paintings many from private collections as well as leading Nordic museums.

Maggi Hambling: Walls of Water was conceived as a contemporary response to the concurrent exhibition of paintings by Peder Balke. Although Hambling was initially unaware of Balke, it was felt that there were fascinating similarities between the two artists' work, both in terms of subject matter and technique, and it was an ideal opportunity to demonstrate how a contemporary painter can be seen in a direct line of descent from the little known yet radical Norwegian painter of the mid-nineteenth century.

Inventing Impressionism was a pioneering exhibition tracing the career, collection and business innovations of Paul Durand-Ruel. It was a collaboration of the National Gallery, the Musée d'Orsay and Réunion des musées nationaux, Paris and the Philadelphia Museum of Art. It was based on extensive research in the Archives Durand-Ruel, maintained by the dealer's descendants who also lent generously. The story of how the Impressionists evolved from Paris opprobrium to international acclaim was told from a surprising and important new angle.

Maintain and develop a coherent display of the collections

Room A reopened to the public, providing visitors with the opportunity to experience the full chronological range of the National Gallery's collection in a single space.

As ever, the Gallery's exhibition programme has led to substantial movements in the permanent collection displays. This year substantial parts of the Dutch 17th-century collection were rehung when many of the Gallery's later paintings by Rembrandt were included in the exhibition *Rembrandt: The Late Works*. Room 24 was used for two temporary displays: *the Art of Frans Hals*, and *Northern Mannerism*. The latter display was centred round the new loan into the collection of Wtewael's *The Raising of Lazarus*, a painting which the conservation department had restored as part of the Gallery's National Programmes. Several paintings by Northern followers of Caravaggio were hung in Room 33, in the context of Caravaggio's *Supper at Emmaus*, *a Boy bitten by a Lizard* and *Salome*. Many changes were made to the Sainsbury Wing displays, permitting more pictures than usual from the Gallery's fifteenth-century Italian collection to be displayed in the main galleries, while the collection-based exhibition 'Building the Picture' took place in the Sunley Room.

In Room 32, our public have enjoyed a display of the Gallery's El Grecos, centred around the exceptional loan of El Greco's *Crucifixion* from the Louvre. The return of Monet's *Waterlilies* to the National Gallery for the first time in seventeen years has resulted in a display of Monet's *Garden at Giverny* (in Room 43), which has been extremely popular.

At the end of the financial year, the scheduled closure of Rooms 41-46 began. These galleries will be completely refurbished in the next two years, to provide a fitting home for the National Gallery's post-1800 paintings. In the meantime, some of the earlier nineteenth-century collections will be hung in the Cruciform Galleries.

A number of new framing projects involving traditional and early frames, and adaptation of existing frames, were carried out to improve the appearance and appeal of pictures on display:

Bellini	<i>Saint Jerome reading in a Landscape</i>	NG281
Elsheimer	<i>Saint Lawrence prepared for Martyrdom</i>	NG1014
Gaudenzio Ferrari	<i>Christ rising from the Tomb</i>	NG1465
Liss	<i>Judith in the Tent of Holofernes</i>	NG4597
Mantegna	<i>The Introduction of the Cult of Cybele at Rome</i>	NG902
Montagna	<i>The Virgin and Child</i>	NG1098
Rembrandt	<i>The Lamentation over the Dead Christ</i>	NG43
Ercole de' Roberti	<i>The Adoration of the Shepherds</i>	NG1411.1
Ercole de' Roberti	<i>The Dead Christ</i>	NG1411.2
Rubens	<i>A Landscape with a Shepherd and his Flock</i>	NG157
Andrea del Sarto	<i>The Madonna and Child, Saint Elizabeth and the Baptist</i>	NG17
Signorelli	<i>The Adoration of the Shepherds</i>	NG1133
Costa	<i>The Virgin and Child</i>	NG629.1
Costa	<i>Saint Peter</i>	NG629.2
Costa	<i>Saint Philip</i>	NG629.3
Costa	<i>Saint John the Evangelist</i>	NG629.4
Costa	<i>Saint John the Baptist</i>	NG629.5
Gaudenzio Ferrari	<i>Saint Andrew (?)</i>	NG3925
Rembrandt	<i>Portrait of Jacob Trip</i>	NG1674
Rembrandt	<i>Portrait of Margaretha de Geer, Wife of Jacob Trip</i>	NG1675
Wtewael	<i>The Raising of Lazarus</i>	L1171

Broaden our appeal and provide an exceptional visitor experience²

Strengthen public awareness of the National Gallery

We have seen significant growth in public awareness and engagement with the National Gallery in the past year, with over 6.5 million visitors supported by 8.5 million visits to our digital estate the highest it has ever been.

In August we launched free in-Gallery Wifi and allowed photography for the first time. We see an average of 10,000 Wifi users a week and hundreds of thousands of photos taken within the Gallery shared online.

We launched our first ever Membership scheme in September which reached over 18,000 Members by April 2015. The overwhelming success of Membership enables the Gallery to foster deeper engagement and cultivate philanthropic ties with our core audience, as well as drive revenue.

Making Colour was the first exhibition of its kind in the UK, focusing on the history of making colour in Western paintings, from the Middle Ages to the end of the 19th century. The exhibition attracted a broad audience, including families and the scientific community and 65,537 visitors. Press coverage was very positive, with an impressive overall estimated readership of 34,145,705 and the content online continues to attract thousands of engagements.

Rembrandt: The Late Works was one of the Gallery's most successful exhibitions ever, attracting 264,488 visitors and engaging art lovers and the curious alike. Due to the sellout nature of the exhibition, the Gallery implemented both extended opening hours and special evening views, which were attended by well over 10,000 additional visitors. Press coverage was prolific, and extremely positive, with a national and international readership of approx. 115 million. In addition, there were over 17,000 direct mentions on social media and people continue to engage with the content online.

Peder Balke was a free entry, monographic exhibition of works by Norwegian landscape artist Peder Balke. With a total of 237,157 visitors, there was a 31% increase to the exhibition that was held in the Sunley Room over a similar period last year. UK print coverage of the exhibition had a readership of 6.5 million and overall coverage of the exhibition very positive.

Due to a new customer relationship management (CRM) strategy, the National Gallery's subscriber database has grown by 105% over the last year and our media communities have experienced significant growth, with a 78% increase in followers on Twitter and a 28% increase on Facebook and engagement growing by over 100%. Greater dialogue has been created, with bespoke campaigns – such as the launch of Membership – encouraging social media users to share their positive personal stories concerning the Gallery, helping to build strong online communities of National Gallery advocates.

The Gallery's national strategy promotes the understanding, knowledge and appreciation of Old Master paintings throughout the UK. All our resources – the collection, exhibitions, staff expertise, educational activities and research resources in the library and archives – are available to museum professionals and to the wider public. We work in partnership and collaboration with museums and institutions throughout the UK to support public learning and enjoyment for all levels and ages. A key part of our national strategy is the Masterpiece Tour, sponsored by Christie's, which will see three major National Gallery paintings tour the UK, one per year between 2014 and 2016. Each annual touring exhibition will run from January to July at three different regional museums for about six weeks per venue, reaching nine museums in total. For 2014, 'The Execution of Maximilian' by Edouard Manet visited:

- The Beane House of Art & Knowledge, Canterbury Museums and Galleries (17 January – 16 March 2014);
- The Bowes Museum, Barnard Castle (22 March - 18 May 2014);
- Mead Gallery, Warwick Arts Centre, The University of Warwick, Coventry (4 October – 6 December 2014).

The 2015 Masterpiece Tour started in March 2015 and features 'A Regatta on the Grand Canal' by Canaletto.

² Objective supports the requirement of the Museums and Galleries Act 1992 s2(1)(b) and (d) that the Board shall "secure that the works of art are exhibited to the public" and "generally promote the public's enjoyment and understanding of painting and other fine art both by means of the Board's collection and by such other means as they consider appropriate".

Inspire learning and engagement³

Promote new ways of exploring the collection and learning about it

The *Making Colour* summer exhibition provided the theme for a holistically devised education programme for all ages. Events were incorporated into a broader interpretation plan, including the in-exhibition text, films and family trail. Activities included taster sessions on how artists have used colour and family workshops themed around the colour wheel, to lectures by experts from a wide range of disciplines including optometry and neuroscience.

In October 2014, the National Gallery launched a new programme of two-phase *Explore It!* workshops, tailored for students with diverse and complex educational needs, based on a multi-sensory exploration of Bartolomé Bermejo's *Saint Michael Triumphs over the Devil* (NG6553).

Getting to know the children at their school and prior to their gallery visit meant that staff could learn about their individual requirements and abilities in the pupils' own familiar surroundings.

The Rembrandt Online Resource for Teachers inspired by the National Gallery's exhibition *Rembrandt: The Late Works* explores how secondary school teachers can use Rembrandt's paintings and research undertaken by the Gallery's Scientific Department as part of the curriculum for art and science Key Stages 3 to 5.

The resource will be a permanent addition to the Gallery's website with a legacy beyond the exhibition and it is the first to be launched in a new range of self-guided and digital learning resources for teachers and students, which will be developed over the coming year. The art and design and science curricula will continue to form a strategic focus of future work with secondary schools.

Develop the Gallery as a centre of excellence for academic research

A vital element in the National Gallery's ability to promote the study and appreciation of Old Master paintings is the fruitfulness of its research partnerships. This year it has been involved in more collaborations than ever before with museums, universities and research organisations worldwide. The Gallery co-organised several international conferences, two of which tied in with the exhibitions *Strange Beauty: Masters of the German Renaissance* and *Rembrandt: The Late Works*.

The Gallery continues its commitment to the teaching of post-graduate students. Both the MA in 'Art History, Curatorship and Renaissance Culture' run with the Warburg Institute, and the MA in 'Christianity and the Arts', co-taught with King's College, London, had intakes of students in October 2014. The Gallery has expanded its Collaborative Doctoral Partnership scheme, funded by the Arts and Humanities Research Council, which offers PhD studentships on topics relevant to the Gallery's collection and its research themes.

The National Gallery's scholarly catalogues form important reference works, and the long-term programme for their revision generates new research that adds to the body of knowledge on the collection. This year the contribution from technical research towards these catalogues has focused on the volume on sixteenth-century paintings from Ferrara and Bologna, co-authored by Nicholas Penny and Giorgia Mancini, and that on nineteenth-century paintings of the Barbizon school, led by Sarah Herring. Each painting in the catalogues has been examined in the Conservation Department to describe its support, structure and state of conservation. Infrared and X-ray imaging were used to investigate the production and development of the works, and analysis of samples in the Scientific Department has identified pigments and binding media, usually on existing paint fragments from earlier examinations, but using new techniques.

The current year also saw the publication of a special issue of the National Gallery Technical Bulletin on the materials and technique of Sir Joshua Reynolds.

Agnew's archive was purchased by the National Gallery Trust and donated to the Gallery in February 2014. An archivist was appointed in October 2014 to start the cataloguing process, with funding provided by the John Murray Trust and the National Cataloguing Grants Programme for Archives. By the end of this eighteen-month project the whole archive will be searchable online through the Gallery's website. A PhD student has started to research the history of the Gallery's engagement with Agnew's, investigating the impact of the latter on the Gallery's formation as a national collection and its operation within the art market.

In 2012, the National Gallery completed a collaboration with the Getty Research Institute, California, to transcribe and index British art sales from the period 1780–1800 when Britain consolidated its primacy in the international art market. Phase II, which started in August 2014, will trace approximately 1,100 catalogues for the period

³ Objective supports the requirement of the Museums and Galleries Act 1992 s2(1)(b), (c) and (d) that the Board shall "secure that the works of art are exhibited to the public"; "secure that the works of art and documents are available to persons seeking to inspect them in connection with study and research" and "generally promote the public's enjoyment and understanding of painting and other fine art both by means of the Board's collection and by such other means as they consider appropriate".

1680–1780. With the successful completion of this twenty-two month project, the databases will cover a continuous span of British sales from 1680 to 1840.

As part of the Gallery's national strategy we run the Subject Specialist Network: European Paintings pre-1900 supported by The Pilgrim Trust, which is a free network for museum professionals around the UK to exchange knowledge, experiences and new ideas about Old Master paintings. We also run the National Gallery Curatorial Traineeship programme, supported by the Art Fund, with the assistance of the Vivmar Foundation. Two trainees will spend time at the National Gallery and at a UK regional museum as part of their 22 month appointment. They will research and redisplay a major collection project at two different regional museums. We are in the process of appointing the partner museums and hiring the two trainees for 2015-2017.

Invest in our staff, increase income and care for our physical facilities⁴

Invest in our staff

During 2014-15 the Gallery began an extensive programme of development for senior and middle managers, as well as invested in other development to support organisational change planned for 2015-16. In addition, the previous programmes of job-related training have continued, including external career development opportunities and the provision of quality in-house programmes. Organisational communication processes have become embedded.

An internal communications strategy to support change has been developed and rolled out to key leaders and managed through a regular Partnering Programme Committee. Whilst we acknowledge that there are continued challenges in delivering development and key corporate messages on a consistent basis throughout the Gallery, these are currently mitigated through a more centralised series of interventions. A programme of improvements (through induction, management induction, leadership development) has been approved and will begin throughout the summer of 2015.

Increase income

The National Gallery is becoming more reliant on multi-year gifts from donors, corporate members, sponsors and Patrons, which the new supporter groups established during the year recognise. The Director's Circle underpins the work of the curatorial department, while the Benefactors' Circle supports core areas of the Gallery's work.

The Membership Programme was launched in September 2014 and the first six months have been very encouraging. Members benefit from free, unlimited entry to all exhibitions, invitations to a programme of after-hours events and access to an exclusive online magazine featuring unique, behind-the-scenes features. Members are also able to enjoy a range of special offers and are kept up to date through the Membership e-newsletter.

There was strong external support in the last year for the exhibition programme with Royal Dutch Shell plc supporting *Rembrandt: The Late Works*, the Art Mentor Foundation supported *Making Colour* while the Sunley Room exhibition *Peder Balke* received lead support from Aud Jebsen. The Gallery has continued its major partnership with Credit Suisse. Its support provides the foundation for the exhibitions programme and provides the Gallery with the security to plan forthcoming seasons, as well as contributing to the wider work of the Gallery.

The impact of leaving gifts in wills was underlined in November 2014 with a legacy gift from art teacher Marcia Lay, enabling the Gallery to purchase the rediscovered painting by Sir David Wilkie: *A Young Woman kneeling at a Prayer Desk*.

The Gallery saw an exceptional year for exhibition ticketing income, with a £2.7 million increase in turnover compared with the last year, due mainly to the extraordinary success of the *Rembrandt: the Late Works* exhibition. Press reviews for *Rembrandt: The Late Works* were excellent and demand for tickets was high throughout the exhibition with regular queues in the Sainsbury Wing foyer. A series of well attended late openings and premium events generated over £100,000 of additional income for the Gallery.

We continue to work closely with the National Gallery Company (NGC) to encourage the generation of income from its publications, shops and agreements with concession holders. 2014-15 saw the completion of a significant programme of work to move electronic ticket sales for exhibitions across to NGC's e-commerce site, with an emphasis on maximising donation income received alongside tickets sales. We have also been working closely with NGC to implement our ambitious strategy for Customer Relationship Management (CRM).

⁴ Objective supports the requirement of the Museums and Galleries Act 1992 s2(1)(a) that the Board shall "care for, preserve and add to the works of art and documents in their collection".

Care for our physical facilities

In caring for and maintaining its physical estate, the Gallery makes an effort to implement energy efficiency technologies whenever it can. We have recently undertaken a complete replacement of our lighting within our galleries, in addition to moving to LED technology we have upgraded the system to allow dimming control, this enables the lighting to complement the natural daylight via external blinds all controlled via the Building Management System (BMS). We are also replacing energy efficient lighting in other parts of the facility such as the Retail spaces, back-of-house corridors and in our restaurants to further reduce our carbon footprint.

The installation of a new combined heat and power plant unit has been completed and this now generates our own base load electrical requirements through the 850 Kw engine whilst the waste heat from the engine provides a substantial proportion of our heating requirements, thereby reducing demand on our existing boilers. This system saves the gallery around £27 per hour and is saving the gallery around 1000 tCO₂ per annum.

The boiler replacement project was completed in October 2014. We are now benefiting from running high efficiency gas boilers in conjunction with waste heat from our CHP plant to provide the heating requirements in the most efficient way through variable speed dedicated secondary pumps matching the load requirements to reduce total volume of the heating circuits.

We have completed the external glazing to room 15 by replacing the frame and glazing to improve its thermal performance and hence reduce energy losses and prevent condensation forming.

We are currently refurbishing room 33, the project aims include: improving natural daylight control working with an automated LED lighting system to control the internal Lux level; reducing the amount of artificial lighting component through replacement of the external glazing; and the addition of solar blinds, all of which will be controlled through the BMS.

Plans for the future

In 2012 the Gallery's Board of Trustees set out a three year strategic framework, with the overarching mission to establish a central role for Old Master paintings in modern cultural life. This mission was underpinned by more detailed aims and objectives, which have been discussed throughout the Annual Report.

2015 -16 will see the retirement of the current Director of the National Gallery, Dr Nicholas Penny. In August 2015 Dr Gabriele Finaldi will take over as Director of the National Gallery. Dr Finaldi is currently Deputy Director for Collections and Research at the Museo Nacional del Prado, Madrid where he has been since 2002. He was formerly a curator at the National Gallery, London, between 1992 and 2002 where he was responsible for the later Italian paintings in the collection (Caravaggio to Canaletto) and the Spanish collection (Bermejo to Goya).

In December 2014 the Board of Trustees announced the appointment of Hannah Rothschild as Chair of the Board, having been a Trustee since March 2009. Hannah Rothschild will take over as Chair from Mark Getty, who will step down from the role when his current term comes to an end on 10 August 2015. Hannah Rothschild's experience of the Gallery will build on the successes achieved under the chairmanship of Mark Getty; and she plans to work with fellow Trustees to ensure that the collection is protected, that general access remains open to all and that the National Gallery's exhibition, education, science, academic and conservation programmes continue to be internationally respected and challenging.

With a new Director and Chair both taking up their posts, 2015-16 will be a period of change for the Gallery; it plans to draw on this fresh view as it looks to refresh its strategic framework and ensure that it is well equipped as a museum of the future, having built on the strong foundation of past successes. We also anticipate that this may be a period of further challenges for the sector as a whole, as we await the outcome of the upcoming government Spending Review, which will determine funding allocations for the next three to five years.

For some time now, the Gallery has been attempting to reconcile a number of ambitions which are vital for its future. We wanted to ensure that the entire workforce is paid the London Living Wage as a minimum: and to ensure that benefits are fairly distributed. We need to obtain more flexibility to ensure that we can provide an enhanced service to the public and provide more access to the Gallery outside of public opening times. The Executive Committee, supported by the Board of Trustees, confirmed in July 2014 that the Gallery will be seeking a partner to manage the provision of some of our visitor-facing and security services. The pre-qualification stage of the procurement process took place in March 2015, with the five shortlisted suppliers being issued with an invitation to tender in early May 2015. We expect the contract award recommendation to be approved in late July or early August, with the contract starting in late August or early September.

During 2014-15 the Gallery launched new strategies in a number of its key areas of activity: education, exhibitions, conservation, and science. The Board of Trustees also agreed new strategies for development, communications and employee engagement. Each of these strategies will feed in to the Board and Executive's deliberations on an updated strategic framework. Key aspects include:

- **Education:** programmes that deliver for a broader range of learning needs; enhancing public dialogue about relationships between contemporary and historical art; and provoke new responses to art and ensure excellence through partnership work.
- **Conservation:** a continuous and ongoing process of invigilation, monitoring, and application of continuously reviewed 'best practice' processes and procedures; combined with a programme of major conservation treatments that accord with wider Gallery activity and some of its other key strategic objectives.
- **Exhibitions:** engage our audiences in a strategic and sustainable manner; maintain and enhance our scholarly and creative reputation; and maximise our resources and contribute to the Gallery's income.
- **Science:** scientific analysis and technical research in support of conservation of the Collection; technical investigation of the NG Collection – for historical research on materials and techniques; research and development on imaging and digital documentation/presentation of the collection.
- **Development:** launch of venue hire offer; development of strategies around in-Gallery giving and lower level donations; and look at further opportunities for US fundraising.
- **Employee engagement:** having reached a potential solution to the issues of the lower paid, with the commitment to introducing the London Living Wage as a minimum, the Gallery will now review how this sits within a modernised pay and reward framework for the Gallery as a whole; continue the recently launched Leadership Development programme, as a means of developing all Gallery managers.
- **Communications:** understand the behaviours, motivations and value of our existing and *potential* audience to increase engagement and drive revenue; develop a unified culture and structure that puts our audience at the heart of all our activity; create inspiring content; and ensure our communication activities are efficiently focused on driving engagement, reputation and revenue.
- **Buildings:** we will continue to develop and care for our physical estate and in the year ahead will focus particularly on managing the Gallery's external space to create a pleasant and hospitable environment and on advancing our carbon management plan through continued investment in energy efficient plant and technology.

DCMS Key performance indicators

Specific information relevant to the Gallery's contribution to DCMS's performance indicators for 2014-15 as set out in the Funding Agreement agreed with DCMS:

	Performance in 2014-15	Performance in 2013-14
1. Number of visits to the Gallery (excluding virtual visitors)	6.3m	5.9m
2. Number of unique users visiting the website	4.5m	3.8m
3. Number of visits by children under 16	0.5m	0.4m
4. Number of overseas visits	4.1m	3.6m
5. (a) Number of facilitated and self-directed visits to the Gallery by visitors under 18 in formal education	146k	164k
5. (b) Instances of visitors under 18 participating in on-site organised activities	11k	10k
6. % of visitors who would recommend a visit	99%	99%
7. Number of UK loan venues	29	25
8. (a) Self-generated income – admissions	£4.2m	£1.4m
8. (b) Self-generated income – trading	£5.0m	£3.8m
8. (c) Self-generated income – fundraising	£7.0m	£21.1m ⁵

Financial Review

Financial position

The Statement of Financial Activities is set out on pages 30 – 31 of this document. Incoming resources for 2015 amounted to £42.1 million (2014: £51.9 million); total resources expended amounted to £36.6 million (2014: £33.3 million), resulting in net incoming resources (before unrealised investment gains and revaluations) of £5.5 million (2014: £18.6 million).

Incoming resources from generated funds for the year totalled £37.9 million (2014: £50.4 million). This figure includes incoming resources relating to picture acquisitions, Government Grant-in-Aid and other donations, legacies and income from corporate supporters. Incoming resources relating to picture acquisitions were mainly attributable to grants of £2.4 million to fund the purchase of Corot's *Four Times of Day* (in the prior year the Gallery received an exceptional grant of £15.5 million to fund the purchase of *Men of the Docks* by George Bellows). Incoming resources from charitable activities for the year totalled £4.2 million (2014: £1.5 million), with the increase in the prior year largely attributed to fundraising for specific exhibitions.

The Gallery's total expenditure for the year was £36.6 million. More was spent on exhibitions and broadening our appeal and providing an exceptional visitor experience compared with 2013-14, due to a number of significant exhibitions in 2014-15 that led to increased costs (e.g. transportation and insurance costs associated with picture loans). Spend on inspiring learning and engagement decreased, partly because of the cancellation of some education activities while parts of the Gallery were closed due to trade union action.

The net movement in funds for the year amounted to £36.4 million (2014: £43.2 million). The net movement includes any gain or loss on the value of the Gallery's land and buildings, any gain or loss on its investments and the value of donated works of art capitalised as collection acquisitions. This year the movement includes a surplus on revaluation of £29.3 million (2014: £24.0 million) and investment gains of £1.5 million (2014: £0.7 million).

In accordance with the Government Financial Reporting Manual (FRM) – which reflects the requirements of Financial Reporting Standard (FRS) 30 – works of art are capitalised and recognised in the Balance Sheet at their cost or value at the date of acquisition, where such a cost or value is reasonably obtainable.

The Trustees consider that the cost of valuing pictures in the collection, where cost or valuation information is not available but would be possible to obtain, would not be commensurate with any benefit that could be derived by the user of the financial statements from the inclusion of part of the collection on the Balance Sheet.

The treatment required by FRS 30 results in a partial capitalisation of heritage assets on the arbitrary basis of the date of acquisition. Trustees accept that under the terms of the Museums and Galleries Act 1992 they have no option but to comply with this accounting treatment, but remain very concerned that continuing to capitalise what will always be a very small portion of the collection will mislead readers of the accounts as to the nature and value of the collection as a whole. Further information on the nature and scale of the Gallery's collection can be found in note 13 and on the Gallery's website.

Details of the treatment of pension liabilities are disclosed in the Remuneration Report and the effect of the revaluation of land, buildings, and plant and machinery is disclosed in note 12. The National Gallery's auditors neither undertook nor received any remuneration for non-audit work during the year.

Fundraising and resources

Grant-in-Aid from the Department of Culture, Media and Sport (DCMS) amounted to £25.9 million for the year ended 31 March 2015. The Gallery generated additional income as a result of its exhibitions, educational activities and fundraising programme.

Fundraising success at the National Gallery relies on the giving environment, the culture of the organisation and the attitude to fundraising from the Gallery as a whole. Attitudes across the Gallery are supportive of fundraising and recognise the kind of investment necessary to build a robust foundation of regular, committed donors and sponsors. This is aided by the Gallery's clear mission and plans to realise it.

The Gallery's Development Office focused on raising charitable income from individuals, grant making trusts and companies and on generating other income through corporate sponsorship and membership. Charitable support, largely from individuals and grant making trusts, made an important contribution to the Gallery's operational activity and capital development. Our education work benefited significantly as a result of major donations and grants from individual donors and charitable trusts. Our exhibition programme has continued to

see an increase in charitable support, including a generous donation from the Art Mentor Foundation in support of *Making Colour*; and donations from the Aud Jebsen Private Trust in support of the *Peder Balke* exhibition.

The Gallery attracted private support for curatorial assistant posts, academic colloquia and the publication of catalogues. Charitable income also supported the work of the framing, scientific and conservation departments. One significant event for the Gallery during the year was the acquisition of Corot's *Four Times of Day*, which had previously been on loan to the Gallery. The only decorative cycle on public display in the UK by one of the most influential artists in the development of landscape painting and a key inspiration to the Impressionists, will remain on view for future generations to enjoy after being purchased with the support of the Art Fund.

On the commercial side, the Gallery's partnership with Credit Suisse continued to play a vital role in contributing to the Gallery's activities as a whole and in sponsoring the major exhibition: *Veronese: Magnificence in Renaissance Venice*, we also received sponsorship from Royal Dutch Shell plc for the *Rembrandt: Late Works* exhibition. Corporate Membership continues to provide a stable source of unrestricted income (in excess of £600,000 per annum.).

Philanthropic support and corporate sponsorship continued to make an essential contribution to the Gallery's capacity to preserve, enhance and display its collection for public enjoyment. The Gallery remains indebted to every individual, trust and company for their support during the course of this year.

Investment policy

Scope of investment powers and power to delegate management of investments

The Trustees, in respect of their general funds, including assets given to them without restriction by donors or testators, rely for their investment powers on the general power in section 2(6) of the Museums and Galleries Act 1992, which permits them to do such things as they may think necessary or expedient for the purpose of fulfilling their functions under the Act. This implies a wide power of investment. In respect of general funds, the Board may delegate investment decisions to a committee of the Board, under the powers in the 1992 Act, but have no power to delegate investment decisions to third parties.

Funds held on trust ('trust funds') are governed by a Charities Act Scheme varied by resolution of the Board in March 2013 to provide wide powers of investment similar to those available under the Trustee Act 2000. In respect of these funds, the Board has a power to delegate investment decisions to a committee of the Board and also has an express power to delegate the management of investments to financial experts, subject to the restrictions laid out in the Scheme.

Investment objectives

The Gallery's reserves policy sets out the level of general funds required to meet working capital needs and to provide a safeguard against volatile and unpredictable income streams. General funds are held with a view to maximising return within the constraint of ensuring adequate liquidity to meet working capital needs.

Trust funds represent funds held on trust for particular purposes. Some trust funds are expendable within the short-term, but many are not immediately expendable and some are permanent endowments, where the capital cannot be spent. To the extent that trust funds are not expendable over the medium term, these are invested with a view to maximising long-term total return.

Trust funds that may be expended over the short to medium term are invested with a view to maximising return whilst retaining appropriate levels of liquidity, subject to other constraints set out in this policy. Such trust funds are separately identifiable from general funds.

Attitude to risk

The Trustees recognise that risk is part of the investment process. Trust funds held for the long-term are invested with a view to maximising total return over time and Trustees accept the capital and market risks inherent in this type of investment. Capital and market risks are mitigated to some extent by diversification of investments, for example through the use of cash deposits for remaining funds.

All the Gallery's investments are held with institutions of the highest quality to combat counterparty risk. Funds may only be placed with a new institution with the approval of the Finance Committee.

Types of investment

Suitable investments include equities, bonds and cash deposits. The Gallery will not usually hold any derivative instruments, options, futures, forward contracts or foreign currency, except where there is a specific need for such an instrument or where it is held as part of a defined investment strategy.

Investment management

The Board delegates investment of trust funds to the Finance Committee. The Finance Committee monitors the performance of investments and ensures compliance with the investment policy. The Finance Committee considers the investment objectives annually and recommends any changes to the Board.

The Finance Committee is able to appoint investment managers, and where they choose to do so the performance of investment managers is reviewed at least annually and is reported to the Board.

Investments are measured against an appropriate benchmark. Equity investments are measured against a suitable index. The return on cash deposits is measured against the UK bank base rate.

Investment performance

The funds invested represent permanent endowments or restricted funds held for the longer term and are invested in a developed market equities total return fund. The return on this fund during the financial year was 6.12%. The benchmark for this fund is the MSCI World Net TR Index, which returned 6.03% during the year ended 31 March 2015.

The Gallery holds other private funds in money market deposits and fixed rate interest accounts. Performance is measured against the UK bank base rate and in 2014-15 the fixed rate weighted average interest rate was 0.39% compared with the base rate of 0.5%.

Details on the movement of investments during the year can be found in note 14.

Reserves policy

The Gallery seeks to maintain unrestricted general funds not committed or invested in tangible fixed assets at a level equivalent to six-months' worth of non-guaranteed (i.e. non-contractual) income, as a safeguard against volatile and unpredictable income streams.

However, given that Grant-in-Aid is not drawn down in advance of need and that significant funds may be required for picture purchases, the level of unrestricted general funds may exceed this level at any point in time. Grant-in-Aid should not be held in reserves and will therefore normally be expended in the month it is received.

Restricted funds represent funds held for specific purposes as specified by the donor. These are separately recorded and invested until they can be expended in accordance with the restriction in place. Some restricted funds are held for the long-term due to the nature of the restriction.

Permanent endowments represent funds that cannot be expended. These are separately recorded and invested for the long-term in accordance with the investment policy.

The reserves policy is reviewed by the Audit Committee annually and where appropriate changes are made to reflect likely funding requirements in the coming year.

The aggregate value of reserves is £579.5 million. A breakdown of these is shown in the Balance Sheet and in the Statement of Funds (note 20). A significant proportion of the funds (£270.6 million) are represented by the Gallery's land and buildings, being the Trafalgar Square site, plant and machinery and equipment. These funds are therefore effectively inalienable. A further £290.2 million is represented by the value at the date of acquisition of donations to the collection and pictures acquired since 1 April 2001, and £2.1 million relates to funds restricted for future acquisitions.

Of the remaining £16.6 million, £6.8 million is in permanent endowments (where the capital cannot be touched) and £6.3 million represents other restricted funds. A further £1.9 million is private income (mainly from bequests), which, because of the nature of the income, the Trustees have designated for picture purchases. The remaining balance of £1.6 million represents undesignated general funds of private income, which the Audit Committee agreed at their meeting in March 2015 was an appropriate level to maintain, in accordance with this policy.

The Trust Funds of the National Gallery

The Trust Funds of the National Gallery are made up of a number of bequests, which were constituted as a pool for investment purposes by a scheme approved by the Secretary of State for Education and Science in 1972. The Trust Funds are controlled by the National Gallery Trustees and included within these financial statements.

Reference and Administrative Details

These accounts have been prepared in a form directed by the Secretary of State with the consent of Treasury in accordance with Sections 9(4) and 9(5) of the Museums and Galleries Act 1992, the Government's Financial Reporting Manual and the Accounting and Reporting by Charities: Statement of Recommended Practice (2005).

So far as the Accounting Officer and the Trustees are aware, there is no relevant audit information of which the entity's auditors are unaware, and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

History

The National Gallery was established in 1824 when Parliament voted £60,000 for the purchase, presentation and display of a group of 38 paintings, part of the collection of the late John Julius Angerstein.

Organisation

The Gallery is a Non-Departmental Public Body, whose sponsor department is the Department for Culture, Media and Sport (DCMS). The Gallery is exempt from the need to register with the Charity Commission.

Further information about Trustees and senior management, together with information on structure, governance and management can be found in the Governance Statement.

The principal address of the charity is:

The National Gallery
Trafalgar Square
London WC2N 5DN

The National Gallery website address is: www.nationalgallery.org.uk.

Advisors

Banking Services	Government Banking Service (GBS) Southern House 7 th Floor Wellesley Road Wellesley Croydon CR9 1WW	Coutts & Co. 440 Strand London WC2R 0QS
Auditors	The Comptroller and Auditor General National Audit Office 157-197 Buckingham Palace Road Victoria London SW1W 9SP	
Solicitors	Farrer & Co 66 Lincoln's Inn Fields London WC2A 3LH	Various other solicitors are used as required.
Investment Managers	BlackRock Investment Management (UK) Ltd 33 King William Street London EC4R 9AS	

Payment policy

The Gallery aims to settle all bills either within the period stated by the supplier or within 30 days. The year-end creditor day ratio was 44 days (2014: 30 days). The trade creditor balance includes amounts relating to goods or services provided after the year end of £596k, if these are excluded the creditor day ratio was 33 days.

Equal opportunities

The Gallery remains an equal opportunities employer and recent analysis of pay has demonstrated that all base pay rates are equal across genders for similar work performed. The leadership profile of the organisation has changed over the past two years with the appointment of a number of women to senior management posts. Over half of our Head of Department posts are now held by women. The Gallery continues to explore additional access to work methods for employees by increasing flexible working practices in the office and access to work from home.

Sickness absence management

The average number of days of employee absence due to sickness was 10.5 days (2014: 9.5 days). Excluding long term sickness, the average number of days of absence was 4.8 days (2014: 4.4 days).

It is recognised that the level of sickness absence at the National Gallery is higher than the Civil Service average. A targeted approach in key areas of the Gallery was implemented in the year and has had some success in those areas. Work continues to reduce this further by coaching line managers to deal with absence, within the appropriate procedures, in a professional and timely manner.

Immunity from Seizure Report 2014-15

This report applies to the sixth successive year of the application of the legislation passed in 2007 (under Part 6 of the Tribunals, Courts and Enforcement Act 2007) to provide Immunity from Seizure for objects from abroad lent to temporary exhibitions. The National Gallery gained approval in 2008 to apply for protection for specific loans to exhibitions under the provisions of the Act.

The Gallery has continued to apply the necessary processes developed in the first year following its approval under the Act. These involve compiling details of provenance for each exhibition loan, researching and recording further information and carefully considering any gaps in provenance. Details of the objects requiring Immunity from Seizure, together with details of the research undertaken, are published on the National Gallery website at least four weeks and one day before the objects are imported into the UK.

Exhibitions including works for which protection under the legislation was sought during 2014-2015 are as follows:

Paolo Veronese: Magnificence in Renaissance Venice
19 March – 15 June 2014

Rembrandt: The Late Works
15 October 2014 – 18 January 2015

Inventing Impressionism
4 March – 31 May 2015

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.

Sustainability report

Our sustainability aim is to save energy and reduce our carbon footprint. We are committed to integrating environmental considerations into our activities and working towards the goals of sustainable development and pollution prevention through a programme of continuous environmental improvement.

We have prepared this Sustainability Report in order to provide information on the plans we have in place for reducing carbon emissions. The report has been prepared in accordance with HM Treasury Public Sector Annual Reports: Sustainability Reporting.

Summary of performance

We have a fully documented Carbon Management Plan (<http://www.nationalgallery.org.uk/about-us/organisation/policies/carbon-management-plan>) and during 2014-15 we have undertaken a number of projects as set out in our existing 5 year plan, to improve sustainability and to lay the foundations for significant reductions in emissions in future years through developing a draft further 5 year plan. These included:

- Continuing of our lighting upgrade to energy efficient LED lighting in back of house areas;
- Introducing energy saving plant strategies to reduce air volumes to match room load requirements;
- Completion of our Boiler Upgrade project;
- Replacement LED lighting to our temporary exhibition Galleries;
- Continued benefit of our CHP unit.

Our performance is summarised in the table below:

Area		2014-15 performance		2013-14 performance	
		Actual	Target	Actual	Target
Greenhouse Gas Emissions (Scopes 1, 2 & 3) tCO ₂		6,006	5,258	6,051	5,626
Estate energy	Consumption (million KWh)	24.8	–	25.4	–
	Expenditure (£ million)	1.1	–	0.858	–
Estate waste	Amount (tonnes)	606	–	747	–
	Expenditure (£'000)	58.3	–	54	–
Estate water	Consumption ('000 m ³)	37.3 ⁶	–	35.5	–
	Expenditure (£'000)	82	–	71	–

Summary of future strategy

Our Carbon Management Plan outlines our sustainability strategy and the specific measures we taken to reduce our carbon dioxide emissions that have equated to 36% (2005 baseline). The key strategy is to reduce greenhouse gas emissions through the installation of energy-efficient plant and equipment. Key projects for achieving this included the installation of a combined heat and power unit and the installation of energy-efficient LED lighting throughout the galleries.

We are developing a further 5 year plan to further reduce our emissions and to demonstrate our commitment to our sustainability management.

Greenhouse Gas Emissions

The National Gallery's collection is predominately housed in a grade 1 listed nineteenth century building which accommodates over 6 million visitors a year. The nature of the collection is such that it requires carefully controlled environmental conditions, and most of our spaces are fully air-conditioned to best preserve the paintings. A high proportion of our carbon footprint is associated with the energy required to maintain the environmental conditions within the galleries.

Our Carbon Management Plan sets out the direction we are taking to reduce our GHG emissions. A fundamental strategy for reduction is the installation of a combined heat and power unit. This was constructed during 2011-12 and was installed and commissioned in September 2012. We have realised some of the benefits of this energy saving plant in 2012-13 but now have the full benefit in 2013-15 through a reduction in emissions.

We have completed our 5 year carbon plan and have reduced our emissions by 4,600tCO₂ during this period equating to an overall saving of some £968,000.

⁶ At the time of publication March 2015 invoice was not available – it has been assumed that the consumption for this month was the same as in March 2014.

Greenhouse Gas Emissions		2014-15	2013-14
Non-financial indicators (tCO ₂ e)	Total gross emissions	6,023 ⁷	5,868
	Gross emissions Scope 1 (direct)	3,928	4,028
	Gross emissions Scope 2 (indirect)	1,838	1,604
	Gross emissions Scope 3 (indirect)	257	236
Related energy consumption (million KWh)	Grid Electricity	3.7	3.6
	Electricity Generated on Site	6.7	7.2
	Natural Gas	21.1	21.8
Financial indicators (£ million)	Expenditure on energy	1.1	0.858
	CRC License Expenditure	0.098	0.087
	Expenditure on accredited offsets	–	–
	Expenditure on official business travel	0.1	0.1

Scope 1 emissions are reduced due to CHP hour run being less than previous year, Scope 2 emissions increased due to increased Grid electricity used. (CHP having a major service within 2014-15) this is confirmed by reduced electricity generated on site figure.

Waste

We aim to reduce waste and to ensure as much waste as possible is reused or recycled. Our performance with respect to waste can be seen in the following table:

Waste		2014-15	2013-14	
Non-financial indicators (tonnes)	Total waste	606	747	
	Hazardous waste	Total	–	–
		Non-hazardous waste		
		Landfill	–	–
		Reused/recycled	390	451
		Composted	–	–
	Incinerated with energy recovery	216	296	
	Incinerated without energy recovery	–	–	
Financial indicators (£k)	Total disposal cost	58.3	54	

Use of resources

Finite resource consumption		2014-15	2013-14
Non-financial indicators ('000m ³)	Water consumption	37.3 ⁸	35.5
Financial indicators (£k)	Water supply costs	82	71

⁷ The table on the previous page draws data from the Carbon Plan, which uses the emission factors that were provided by Carbon Trust from 2010/11. While the official figures are the DEFRA figures used in table above, we have continued to report those from the Carbon Plan so that performance can be tracked. This is the reason why there is an emissions reduction in the Carbon Plan whilst there is an increase in the table above. Furthermore, when comparing the emissions to last year's, the increase of the electricity emission factor needs to be taken into account.

⁸ At the time of publication March 2015 invoice was not available – it has been assumed that the consumption for this month was the same as in March 2014.

Remuneration report

The figures in this report have been subject to audit

The remuneration report includes salary and pension details of National Gallery staff defined as “directors” of functional areas. These members of staff are considered to constitute senior management, however executive authority over the decisions of the Gallery as a whole remains solely in the hands of the Director, guided by the Chairman and Board of Trustees. For the purposes of this report directors of functional areas are described as “senior managers”.

The Chairman and Board of Trustees neither received nor waived any remuneration for their services during the year (2014: £nil).

Director's remuneration and benefits

The salary and performance award details for the Director are as follows:

	2015				2014			
	Salary	Performance related pay	Pension benefits (to nearest £1,000)	Total (to nearest £1,000)	Salary	Performance related pay	Pension benefits (to nearest £1,000)	Total (to nearest £1,000)
	£	£			£	£		
Nicholas Penny	147,113	–	– ¹	147,000	148,456²	25,200²	57,000	231,000

¹ The Director opted out of the pension scheme as of 31 March 2014 so accrued no related benefits in the year ended 31 March 2015.

² The Director's emoluments for 2013-14 includes unconsolidated performance-related pay reflecting performance in the year 2011-12. The Director's salary for 2013-14 also includes salary arrears of £2,800 relating to 2012-13.

Dr Penny is eligible for a performance-related bonus in the range of 0% to 20%. A consolidated bonus of 1%, reflecting performance during the year to 31 March 2014, was offered and accepted by the Director. Additionally, an offer was made to Dr Penny of a nonconsolidated bonus of £10,000, reflecting performance during the year to 31 March 2014, which was not accepted.

No provision is made within the Director's contract for non-cash benefits and none were paid. The notice period of the Director is six months.

The Director's performance-related bonus is determined by the Remuneration Committee. The Remuneration Committee (comprising Mark Getty and Caroline Thomson and was attended by RoseMarie Loft in an advisory capacity during the year) reviews the Director's performance annually, taking account of the achievement of the Gallery's objectives as set out in the funding agreement between the Department for Culture, Media and Sport and the National Gallery.

The Director's appointment is for an indefinite period. In accordance with the provisions of the nuvos occupational defined benefit pension scheme the Director may retire at 65. The Director's contract of employment determines the circumstances in which a compensation payment may be made. The compensation provisions are no more advantageous than those set out in the Civil Service Compensation Scheme.

Senior managers' salary, performance award and benefits (including any compensation payments)

	Salary		Pension benefits		Total	
	2015	2014	2015	2014	2015	2014
	£'000	£'000	£'000	£'000	£'000	£'000
Susan Foister <i>Director of Public Engagement</i>	85 – 90	80 – 85	32	89	115 – 120	170 – 175
Ashok Roy <i>Director of Collections</i>	85 – 90	80 – 85	19	37	100 – 105	120 – 125
Chris Walker <i>Director of Finance and Operations</i> <i>(from 30 August 2013)</i>	90 – 95	50 – 55 ¹	34	20 ²	120 – 125	70 – 75

¹ Full year equivalent is £85,000 – £90,000.

² This figure has been restated from the prior year accounts as new information has now been received.

The Gallery's remuneration policy applies to all staff, including senior management. Members of staff are paid according to the nature of the role they perform and each job is graded and included in a salary band. There are ten salary bands and the senior managers covered by this report are all in salary band one.

No provision is made within the contracts of the above individuals for non-cash benefits, and there is no entitlement to performance-related awards. None of the individuals mentioned above received any benefits in kind nor any bonus. The notice period for the above individuals is three months. The appointment of the above individuals is for an indefinite period and the compensation provisions are no more advantageous than those set out in the Civil Service Compensation Scheme.

Pensions

The Director's pension is covered by the same scheme as other employees. His contract is for no fixed term, in common with other members of staff at the Gallery.

The accrued pension and lump sum payments as at 31 March 2015 for senior managers and the Director are as follows:

Pension	Accrued pension at pension age as at 31 March 2015 and related lump sum	Real increase (decrease) in pension and related lump sum at pension age	CETV at 31 March 2015	CETV at 31 March 2014	Real increase (decrease) in CETV⁹
	£'000	£'000	£'000	£'000	£'000
Susan Foister	35 – 40	0 – 2.5	864	792	31
	plus 110 – 115 lump sum	plus 0 - 5 lump sum			
Ashok Roy	45 – 50	0 – 2.5	861	846	16
	plus 80 – 85 lump sum	plus 0 - (5) lump sum			
Chris Walker	5 – 10	0 – 5	65	38	17

Dr Penny opted out of the Civil Service pension arrangements on 31 March 2014.

Cash Equivalent Transfer Value

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 CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the Cabinet Office's Civil Superannuation Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include an additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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 drawn.

Real increase in CETV

This reflects the increase in CETV effectively 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.

Calculation of Pay Differentials

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

⁹ Taking account of inflation, the CETV funded by the employer may have decreased in real terms.

The remuneration of the highest-paid director at the National Gallery in 2014-15 was in the range £145,000 – £150,000 (2013-14: £170,000 – £175,000). This was 7.8 times (2013-14: 9.8¹⁰ times) the median remuneration of the workforce, which was £18,800 (2013-14: £17,600¹⁰). Remuneration ranged from £15,623 to £147,113 (2013-14: £15,468 to £173,656) on a full year basis.

The remuneration of the director in 2013-14 includes a performance related bonus relating to a prior year without which the ratio would have been 8.4¹⁰ times the median remuneration of the workforce in the period. In 2013-14 the Director received two performance related consolidated bonuses of 2%, one of which related to the prior period, the receipt of which had the effect of increasing the pay differential in that year.

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

In 2014-15, no employees (2013-14 no employees) received remuneration in excess of the highest-paid director.

Signed:
Nicholas Penny
Director and Accounting Officer

Dated: 2 July 2015

Signed:
Gautam Dalal
On behalf of the Board of Trustees

Dated: 2 July 2015

Statement of Trustees' and Director's responsibilities

Under the Section 9(4) of the Museums and Galleries Act 1992 the Secretary of State for Culture, Media and Sport, with the consent of the Treasury has directed the National Gallery to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the National Gallery and of its incoming and outgoing resources, changes in funds and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction¹¹ issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Secretary of State for Culture, Media and Sport has designated the Director as Accounting Officer of the National Gallery. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the National Gallery's assets, are set out in *Managing Public Money* published by the HM Treasury.

Signed:
Nicholas Penny
Director and Accounting Officer

Dated: 2 July 2015

Signed:
Gautam Dalal
On behalf of the Board of Trustees

Dated: 2 July 2015

¹¹ a copy of which is available from the National Gallery, Trafalgar Square, London, WC2N 5DN.

Governance Statement

This statement sets out the Gallery's corporate governance and risk management framework, which provides the structure within which resources are managed and controlled.

Governance framework

The Gallery is governed by the Museums and Galleries Act 1992, under which a body corporate known as the Board of Trustees of the National Gallery was established. The Charities Act 2011 confirms the charitable status of the Board of Trustees of the National Gallery and its exemption from the need to register with the Charity Commission. Both acts can be viewed at www.legislation.gov.uk.

The Gallery is governed by a Board of Trustees, who are non-Executive and unpaid. The establishment, constitution, functions, property and powers of the Board of Trustees are dealt with in Sections 1-8 of the Museums and Galleries Act 1992; Schedule 1 to the Act deals with membership and proceedings of the Board.

The Gallery has no fewer than 12 and no more than 14 Trustees at any time. All Trustees except one are appointed by the Prime Minister, currently for a period of four or five years with the possibility of renewal. In addition, Tate appoints one Trustee from its own Board.

The Board usually meets 6 times a year (in the year to 31 March 2015, there were six regular Board meetings and one extraordinary meeting) and also convenes annually for a strategy weekend. Minutes of Board meetings are published on the Gallery's website.

The following is a list of the Trustees of the National Gallery who served for all or part of the year to 31 March 2015, together with a summary of their attendance at meetings which they were eligible to attend. The strategy weekend is treated as a Board meeting for the purpose of calculating attendance. Overall, attendance by Board members at meetings they were eligible to attend during the year averaged over 88%.

Attendance at Board meetings

Mr Mark Getty (Chairman)	8/8
Lady Heseltine	7/8
Sir Michael Hintze	5/8
Ms Caroline Thomson	8/8
Ms Hannah Rothschild	8/8
Mr Gautam Dalal	8/8
Professor Anya Hurlbert	7/8
Mr John Nelson	6/8
Mr Lance Batchelor	6/8
Mr Dexter Dalwood	8/8
Mr John Singer	8/8
Mr Charles Sebag- Montefiore	7/8
Ms Monisha Shah	7/8
Lord King of Lothbury (appointed 22 September 2014)	3/5

The Chairman of the Board is responsible for approving adequate arrangements for induction and training for new Board members. New Trustees are:

- given the Trustee Handbook, which sets out the structure, role and responsibilities of the Board (including the scheme of delegation to management), and includes detailed information about standards, accountability and governance, including the Code of Best Practice for individual Trustees, and the Board's Conflicts of Interest Policy;
- given copies of the latest Corporate Plan, Funding Agreement, Annual Review and Financial Statements and key strategy documents; and
- given the equivalent of about 2 days' worth of induction, which includes meeting members of the senior management team to learn about the work of the Gallery.

The Gallery follows governance best practice for public service and charitable bodies, and insofar as it applies, the Gallery complies with the principles of the *Corporate governance in central government departments: code of good practice 2011*.

The Board has a Code of Best Practice for individual Trustees, which sets out the responsibilities of individual Trustees and also the Board's Conflicts of Interest Policy. This provides that Trustees must avoid conflicts of interest wherever possible; discuss any difficulty with the Chairman; agree the right course of action; and record the decision. Actual or potential conflicts of interest are formally identified at the start of each meeting of the Board and the manner in which the conflict is dealt with is minuted.

The Board maintains a Register of Trustees' Interests which is updated twice a year and is reviewed once a year by the Board's Audit Committee. The Register is available for inspection on application to the Secretary to the Board.

The Board collectively is responsible for the Gallery's statements of values, aims and strategy; statements of required governance, procedures, standards and structures; specific decisions which are not delegated to the Executive and the holding of management to account for implementation and performance.

The Board delegates operational responsibility to management within an agreed framework. The Director and Accounting Officer as at 31 March 2015 is Dr Nicholas Penny. The Accounting Officer is responsible for accounting to Parliament, DCMS, the Board of Trustees and other stakeholders. The Accounting Officer has personal responsibility for ensuring propriety and regularity in the management of public funds and for the day-to-day management of the National Gallery.

The Director has appointed a number of senior staff to act as executive directors of certain functional areas. These individuals are considered senior managers for the purposes of the Remuneration Report. The individuals defined as senior managers at some point during the year ended 31 March 2015 were:

Susan Foister
Ashok Roy
Chris Walker

Senior management take decisions through the mechanism of an Executive Committee, whose members are responsible for the main departments in the Gallery. Management communicates with staff through meetings, the intranet, e-mail and staff notices. The three unions representing a number of members of staff meet regularly with senior management.

Committees of the Board

The Board delegates some of its responsibilities to a number of formal sub-committees of the Board, the membership of which is determined by the Board. The remit and membership of formal sub-committees operating during the year is set out below, and external committee members are indicated with an asterisk*. Attendance by committee members during the year is also shown.

Committee	Key responsibilities	Membership	Number of meetings attended	Number of meetings eligible to attend
Audit	To support the Board and Accounting Officer in their responsibilities for issues of risk, control and governance, by reviewing the reliability and integrity of assurances provided.	Gautam Dalal (Chair)	4	4
		Mark Getty	2	4
		Hannah Rothschild	2	2
		John Singer	4	4
		Sir Colin Southgate*	4	4
Finance	To support the Board and Accounting Officer in their responsibilities for effective financial management of the Gallery and to invest funds in the National Gallery's Trust Funds Pool.	Gautam Dalal (Chair)	4	4
		Mark Getty	2	4
		Hannah Rothschild	2	2
		John Singer	4	4
		Sir Colin Southgate*	4	4
Governance	To support the Board in its responsibilities for governance procedures and standards.	Charles Sebag-Montefiore (Chair)	2	2
		Gautam Dalal	2	2
		John Singer	2	2
		Caroline Thomson	2	2
Nominations	To keep under review the balance of skills on the Board and make recommendations to the Board as to ensure that the Board has the range of diverse skills, backgrounds and experience it requires for the achievement of its statutory, charitable and financial objectives; to liaise with DCMS in the management of the process of new appointments to the Board of Trustees of the National Gallery.	Mark Getty (Chair)	0	0
		Anne Heseltine	0	0
		Hannah Rothschild	0	0
		Caroline Thomson	0	0
Remuneration	To advise the Board on the terms of appointment for the Director and on his remuneration; to recommend to the Board objectives for the Director and review performance of the Director for the preceding year and to propose to the Board a bonus based on the performance against objectives.	Mark Getty (Chair)	2	2
		Caroline Thomson	2	2
		Hannah Rothschild	0	0
		(from 12 March 2015)		

*Independent Committee Member.

The Committees of the Board reported the following during the year:

The Audit Committee provided assurance to the Board in the form of its Annual Report, which covered the work of external and internal auditors during the year as well as the overall risk management framework. The Audit Committee monitored changes to policy during the year and of particular note was the Gallery's ongoing work to enhance its approach towards social media, which was the subject of an Internal Audit review during the year. It also considered the risks and challenges specifically around information security at the Gallery and the steps taken to mitigate these risks.

The Finance Committee has monitored the finances of the Gallery during the year and in particular the measures being put in place to deal with changes to funding. The Committee recommended the adoption of the budget set out within the corporate plan for 2015-18 and also recommended to the Board the payment of a grant to the National Gallery Trust to further the charitable objects of the Gallery. This recommendation was adopted by the Board at its meeting in March 2015. The Corporate Plan was reviewed and approved by the Board in March 2015.

The Governance Committee met twice during the year to recommend to the Board a process for the selection of the next Chair; to recommend to the Board role descriptions for the Chair and Deputy Chair; to agree the form of a Board effectiveness survey to be completed by all Board members; to review responses by the Board to the Board effectiveness survey and to make recommendations to the Board arising out of those responses.

The Nominations Committee did not meet during the year. At the beginning of the year there was one vacancy on the Board and the Nominations Committee had already recommended to the Board and to Ministers a proposed role and person specification in connection with the filling of that vacancy. The proposed role and person specification was approved by Ministers during the year and following such approval a search for a new Trustee was conducted in accordance with OCPA rules. Two members of the Committee sat on the panel which conducted the sift and interviews and made the recommendation to the Prime Minister for a new appointment to the Board; a new appointment was made in September 2014 and at the end of the year there were no vacancies on the Board.

The Remuneration Committee met twice during the year to discuss the Director's performance in the year to 31 March 2014, his pay award for the year to 31 March 2015 and his performance objectives for the year to 31 March 2015. The Committee recommended payment to the Director of a bonus (details of which are set out in the Remuneration Report) for the year to 31 March 2015 and the Board accepted this recommendation. The Committee recommended performance objectives for the Director for the year to 31 March 2015 which the Board also accepted.

Achievements and Effectiveness of the Board

Significant achievements of the Gallery during 2014-15 are recorded under the heading of '*review of achievements, performance and plans for the future*', within the Annual Report.

In addition, the Board during the year conducted a search for a new Director, following the announcement in June 2014 of Dr Penny's intended retirement. The Board appointed a panel (Chaired by Caroline Thomson) to lead the search for a new Director. The panel comprised six Trustees and a representative of DCMS; two independent art experts advised the panel. The panel appointed search consultants to assist with the international search. Final interviews were conducted by the full Board and the appointment of Dr Gabriele Finaldi as the next Director was announced in March 2015, following approval by the Prime Minister. Dr Finaldi will take up the role with effect from August 2015.

The Board reviewed its own effectiveness in September 2014. Board members were asked to rate the Board's effectiveness ("How well does the Board do what it is supposed to do?") by responding to questions relating to the following areas namely: vision, mission and strategy; Governance; financial stability; protection of assets; fundraising; mentoring/advisory; and management of risk. Board members were also asked to assess how well equipped the Board is to be effective in its responsibilities, by responding to questions relating to the following areas namely: skills on the Board; knowledge of the organisation and its people; induction; environment for team working; Board process management and follow up; interaction with the Executive.

In relation to all these areas, the Board overall rated effectiveness highly or very highly.

In relation to the quality of information provided to the Board, Board members were specifically asked to confirm whether they feel adequately briefed in advance of Board meetings; whether Board papers are of an appropriate length and quality; and whether the Board receives adequate reporting on key risks (including conservation, security and loans out) and on financial progress during the year. They agreed or agreed strongly with all these statements. The quality of information provided is of a high quality and is subject to continuing review and improvement.

Risk Management

The National Gallery recognises that the effective management of risk and uncertainty is core to its ability to achieve its objectives.

The Board of Trustees (assisted by the Audit Committee) sets risk management standards and the degree of risk aversion for the Gallery, and reviews the major risks to the Gallery.

The Accounting Officer is responsible for managing risk and ensuring an effective system of internal control is in place. The Accounting Officer places assurance on the work of the Internal Controls Committee, an executive committee which meets 4-5 times a year (6 in 2014-15) to review actively the risk environment, to monitor the adequacy of controls and to assess emerging risks. The Committee's membership includes the Director of Finance and Operations, a number of Heads of Department responsible for areas of the Gallery's activity with high risk exposure, as well as the Head of Internal Audit, Secretary to the Board and the Senior Collection Registrar.

The Internal Controls Committee uses a comprehensive risk register as a tool for managing risk, and recommends areas for internal audit based on the analysis of risks in the register. The Internal Controls Committee also reviews and is informed by the work of Internal Audit. The minutes of the Internal Controls Committee, together with its assessment of key risks, are reviewed by the Audit Committee at each meeting.

In 2013-14 the Internal Controls Committee led in the introduction of a new intranet-based version of the risk register, which can now be more easily accessed by risk owners and control owners. As part of the rollout the Committee undertook a full review, which was completed in 2014-15, of all risks in the existing register, to ensure that they were complete and accurately reflected the core risks to the Gallery. The review resulted in several new action points for enhancing controls around the Gallery.

The Committee's review of the risk register led to the inclusion of some new risks around change and the process of change management. The Committee sought to include a generic risk that recognises the impact of change, including disruption arising from proposals for outsourcing services; recent completion of a restructure of the Public Engagement Directorate; and the appointment of a new Director and Chair. There was also the addition of two more specific risks tied to the Change Programme launched at the start of 2014-15; one of which ties to the risk that outsourcing may not realise the full benefits being sought, while the second relates to the planned upgrade of security infrastructure.

The restructure of the Public Engagement Directorate was completed early in 2014-15, but there has been a continuing transition to the new roles and teams, which meant that some departments were unable to deliver all of their planned activities during 2014-15; but with limited impact on the Gallery's overall control framework. The Gallery was pleased to note that September 2014 saw the successful launch of the Gallery's first Membership scheme, led by the new CRM and Membership team within Public Engagement; while other Public Engagement teams were heavily involved in the successful *Rembrandt: the Late Works* exhibition in the latter half of the year.

As discussed in *'Future plans'*, the Executive Committee, supported by the Board of Trustees, confirmed in July 2014 that we will be seeking a partner to manage the provision of some of our visitor-facing and security services. The proposed outsourcing has led to industrial action across the year, with many staff periodically withdrawing their services. The Gallery has remained open, albeit with a number of room closures on each occasion. There has also been an impact on the Gallery's education activities, with many courses and school visits having to be cancelled on strike days. However, the implementation of contingency plans, along with the continued commitment of security shift teams to working throughout, has resulted in departmental working being largely unaffected.

This year has also seen, for the first time, the engagement by the Gallery of a contractor to provide visitor services and security, which has proven to be an overall success. Their adoption of the Gallery's 'Guardian, Host, Ambassador' induction model has proven to be valuable and together with their security experience has maintained a high quality of customer service, understanding of the Gallery's requirements and professional response.

The financial risk arising from the continued pressure on public sector expenditure and uncertainty over future reductions in Grant-in-Aid continued to be a key focus area. Further action was taken to ensure the budgeting process was conducted to maintain a downward pressure on costs and a review of income generation activities. The Gallery also continued to take a more long term view, with the introduction of a rolling three year corporate plan.

Internal Audit reviewed a number of areas of the Gallery's work during 2014-15, many of which were areas where policy has recently been established or enhanced, including Project Management and the recently revised Conservation Strategy. The majority of these reviews provided 'substantial' or 'reasonable' assurance, with just one review on Social Media providing 'limited' assurance. The Social Media review identified particular concerns around the administration of the Gallery's social media platforms. However, Internal Audit has subsequently noted that Management responded quickly to address the issues identified, as reported by the Head of CRM & Membership at the Trustees' Audit Committee meeting in February 2015.

The Internal Audit plan also included follow-up reviews to assess whether recommendations made in the prior year had been implemented effectively. The September 2013 Internal Audit report of Safeguarding concluded that the absence of a Safeguarding Policy left the Gallery vulnerable to potentially serious reputational and financial risks and this was reflected in the assurance level of 'no assurance'; which also led to the limitation of Internal Audit's opinion for 2013-14. An in-depth follow-up review, undertaken in October 2014, has confirmed that the key issues highlighted in the original report have been addressed. The Head of Programmes for Children

and Young People has done much to make stakeholders aware of the new Safeguarding Policy and associated procedures; and suitable induction and training on safeguarding is now being provided.

Internal Audit's primary role is to give the Accounting Officer and the Trustees an independent and objective opinion on the Gallery's risk management, internal control and governance. Internal Audit issues an Annual Report to the Accounting Officer, which is reviewed by the Accounting Officer and the Audit Committee and which includes Internal Audit's opinion of risk management in the Gallery and a Statement of Assurance on Internal Control.

The Audit Committee provides an annual report to the Board, which includes its opinion on the comprehensiveness, reliability and integrity of assurances received for the purpose of supporting the Board in their overall management of risk. The Audit Committee is of the opinion that the Gallery is responding appropriately to the risks around certain management processes and the documentation of controls.

All Budget Holders provide the Accounting Officer with annual Assurance Statements, and these are subject to Internal Audit review.

Risk assessment

The Accounting Officer and Board of Trustees consider the framework of internal controls and risk management to be effective. The Internal Auditor's assurance to the Accounting Officer and the Audit Committee on the National Gallery's risk management, control and governance processes was that they are generally adequate and effective, with no specific limitations noted. Audit recommendations have been accepted and corrective action is being taken.

The Gallery has suffered no protected personal data incident during 2014-15 and has made no report on such a loss to the Information Commissioner's office.

Signed:
Nicholas Penny
Director and Accounting Officer

Dated: 2 July 2015

Signed:
Gautam Dalal
On behalf of the Board of Trustees

Dated: 2 July 2015

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the National Gallery for the year ended 31 March 2015 under the Museums and Galleries Act 1992. The financial statements comprise: the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Trustees/Board, Accounting Officer and auditor

As explained more fully in the Statement of Trustees' and Director's responsibilities, the Trustees and the Director as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Museums and Galleries Act 1992. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Gallery's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National Gallery; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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.

Opinion on regularity

In my opinion, in all material respects 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the National Gallery's affairs as at 31 March 2015 and of its incoming resources and application of resources, for the year then ended; and
- the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Museums and Galleries Act 1992; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

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

Date 8 July 2015

Statement of Financial Activities

for the year ended 31 March 2015

	OPERATING INCOME AND EXPENDITURE		Funded capital projects and revaluations (a)		Acquisitions for the collection (b)			TOTAL 2015			TOTAL 2014
	Unrestricted funds	Restricted funds	Unrestricted funds	Total capital projects and revaluations	Unrestricted funds	Restricted funds	Total collection funds	Unrestricted funds	Restricted funds	Permanent endowment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Incoming resources											
Incoming resources from generated funds											
Voluntary income											
2 Grant-in-Aid	21,202	-	21,202	-	-	-	-	21,202	4,685	-	25,887
3 Other government grants	175	40	215	-	1	1	1	175	41	-	216
4 Donations	918	2,303	3,221	300	3,034	3,034	3,034	918	5,637	-	6,555
4 Legacies	204	-	204	-	-	-	-	204	-	-	204
5 Activities for generating funds	4,763	39	4,802	-	-	-	-	4,763	39	-	4,802
6 Investment income	36	74	110	-	89	127	127	74	163	-	237
Incoming resources from charitable activities											
Exhibitions	3,928	-	3,928	-	-	-	-	3,928	-	-	3,928
Educational activities	214	19	233	-	-	-	-	214	19	-	233
Total incoming resources	31,440	2,475	33,915	4,985	38	3,124	3,162	31,478	10,584	-	42,062
Resources expended											
Costs of generating funds											
8 Fundraising costs	(1,395)	-	(1,395)	-	-	-	-	(1,395)	-	-	(1,395)
8 Investment management costs	-	-	-	-	-	-	-	-	-	-	-
Charitable activities											
8 Exhibitions	(2,520)	(528)	(3,048)	(366)	(366)	-	-	(2,520)	(894)	-	(3,414)
Broaden our appeal and provide an exceptional visitor experience	(10,575)	(374)	(10,949)	(1,318)	(1,318)	-	-	(10,575)	(1,692)	-	(12,267)
Preserve, enhance and develop the potential of our collections	(7,577)	(35)	(7,612)	(915)	(915)	-	-	(7,577)	(950)	-	(8,527)
Inspire learning and engagement	(1,764)	(764)	(2,528)	(304)	(304)	-	-	(1,764)	(1,068)	-	(2,832)
Invest in our staff, increase income and care for our physical activities	(6,556)	(3)	(6,559)	(788)	(788)	-	-	(6,556)	(791)	-	(7,347)
Governance costs											
8 Governance costs	(28,992)	(1,704)	(30,696)	(3,691)	(3,691)	-	-	(28,992)	(5,395)	-	(34,387)
10 Restructuring costs	(311)	-	(311)	-	-	-	-	(311)	-	-	(311)
Total resources expended before exceptional items	(30,698)	(1,704)	(32,402)	(3,691)	-	-	-	(30,698)	(5,395)	-	(36,093)
Total resources expended after exceptional items	(31,182)	(1,704)	(32,886)	(3,691)	-	-	-	(31,182)	(5,395)	-	(36,577)

Statement of Financial Activities for the year ended 31 March 2015 (continued)

	OPERATING INCOME AND EXPENDITURE		Funded capital projects and revaluations (a)		Acquisitions for the collection (b)			TOTAL 2015		TOTAL 2014		
	Unrestricted funds	Restricted funds	Unrestricted funds	Restricted funds	Total capital projects and revaluations	Unrestricted funds	Restricted funds	Total collection funds	Unrestricted funds	Restricted funds	Permanent endowment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Note												
Net incoming/(outgoing) resources before transfers and other recognised gains and losses	258	771	1,029	1,294	1,294	38	3,124	3,162	296	5,189	-	18,553
Transfers	(287)	-	(287)	(851)	(851)	-	1,138	1,138	(287)	287	-	-
Net incoming/(outgoing) resources before other recognised gains and losses	(29)	771	742	443	443	38	4,262	4,300	9	5,476	-	18,553
(Loss)/gain on revaluation of fixed assets for charity's own use	-	-	-	29,322	29,322	-	-	-	-	29,322	-	23,970
Realised and unrealised investment gains/(losses)	-	374	374	-	-	61	249	310	61	623	863	1,547
Net movement in funds	(29)	1,145	1,116	29,765	29,765	99	4,511	4,610	70	35,421	863	43,198
Opening funds	1,644	4,987	6,631	241,077	241,077	1,770	287,758	289,528	3,414	533,822	5,959	499,997
Closing funds	1,615	6,132	7,747	270,842	270,842	1,869	292,269	294,138	3,484	569,243	6,822	543,195

(a) representing the value of capital assets, excluding the collection, and any restricted funds for future additions.

(b) representing the value, at the date of acquisition, of donations to the collection and picture acquisitions since 1 April 2001, and restricted and designated funds for future acquisitions.

All operations continued throughout the period.

There are no recognised gains and losses other than those shown above.

For an explanation of transfers please see note 20.

This Statement of Financial Activities is shown in this expanded format to enable a reader of the accounts to distinguish between the Gallery's operating activities and those activities relating to capital projects and acquisitions, which due to their high value could otherwise have a distorting effect on the overall presentation of incoming and outgoing resources.

The notes on pages 34 to 54 form part of these accounts.

Balance Sheet as at 31 March 2015

	Note	2015		2014	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible Assets	12	270,583		241,065	
Heritage Assets	13	290,204		286,059	
Investments	14a	11,886		10,183	
			572,673		537,307
Current Assets					
Stock		29		3	
Debtors	15	5,644		4,139	
Investments	14b	7,695		4,175	
Cash at bank and in hand	22	4,008		3,786	
		17,376		12,103	
Creditors					
Amounts falling due within one year	16a	(10,387)		(6,073)	
Provisions					
Amounts falling due within one year	16b	(5)		(6)	
Net current assets			6,984		6,024
Total assets less current liabilities			579,657		543,331
Creditors:					
Amounts falling due in more than one year	16a		(108)		(136)
Net assets			579,549		543,195
Represented by:					
Restricted funds					
Restricted funds (excluding revaluation reserves)		481,572		475,473	
Revaluation reserves		87,671		58,349	
	20		569,243		533,822
Unrestricted funds					
Designated		1,869		1,770	
General funds		1,615		1,644	
	20		3,484		3,414
Total Income Funds			572,727		537,236
Capital funds – permanent endowments	20		6,822		5,959
Total Funds			579,549		543,195

The notes on pages 34 to 54 form part of these accounts.

Signed:
Nicholas Penny
Director and Accounting Officer

Dated: 2 July 2015

Signed:
Gautam Dalal
On behalf of the Board of Trustees

Dated: 2 July 2015

Cash Flow Statement for the year ended 31 March 2015

		2015		2014	
	Note	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	22a		11,186		21,287
Returns on investment and servicing of finance					
Bank interest received		74		60	
Investment income		163		<u>202</u>	
			237		262
Capital expenditure and financial investment					
Receipts from sale of tangible fixed assets		10		–	
Payments to acquire tangible fixed assets		(3,885)		(4,227)	
Payments to acquire heritage assets		(3,650)		(15,551)	
Purchase of investments		(156)		(200)	
Proceeds from sales of investments		–		<u>1</u>	
			(7,681)		(19,977)
			3,742		1,572
Management of liquid resources	22b		(3,520)		(4,175)
Increase/(decrease) in cash for the year	22c		222		(2,603)

The notes on pages 34 to 54 form part of these accounts.

Notes to the Financial Statements

1. Accounting policies

a. Accounting convention

The financial statements have been prepared under the historic cost convention, as modified by the revaluation of certain fixed assets and the inclusion of the investments at market value. The financial statements have been prepared in accordance with the accounts direction issued by the Secretary of State for Culture, Media and Sport, the Accounting and Reporting by Charities: Statement of Recommended Practice (SORP), published in October 2005, the Government's Financial Reporting Manual and applicable accounting standards.

Investments are stated at market value rather than at historic cost. Any unrealised gains or losses arising from this policy are disclosed in the Statement of Financial Activities (SOFA).

The Trustees are of the view that the Gallery will continue to be a going concern for the foreseeable future and the accounts have therefore been prepared on that basis.

b. Incoming resources

All incoming resources are included in the SOFA when the Gallery is legally entitled to the income and the amount can be quantified with reasonable accuracy.

The Grant-in-Aid from the Department for Culture, Media and Sport is taken to the SOFA in the year in which it is received. Lottery income is recognised as income when the conditions for its receipt have been met. Other grants, donations and legacies are recognised as incoming resources when the Gallery becomes entitled to the income, there is certainty of receipt and the amount is quantifiable.

Gifts in kind intended for use by the Gallery are recognised in the SOFA as incoming resources at a reasonable estimate of their current value on receipt. Contractual income is recognised as incoming resources to the extent that the Gallery has provided the associated goods or services; income from the corporate membership programme, for example, is recognised over the period of membership. Where income is received in advance, and the Gallery does not have entitlement to these resources until the goods or services have been provided, the income is deferred in the accounts.

Income derived from endowments has been included within unrestricted funds in the SOFA, except where the application of the income is restricted to a particular purpose, in which case the income and expenditure has been appropriately identified in restricted funds. See note 20 for further details.

c. Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category, including an apportionment of overhead and support costs. The allocation of these support costs, including overheads, is analysed in note 8.

Fundraising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities. Exhibitions costs represent the costs of mounting exhibitions. Other direct costs are allocated against the relevant strategic objectives of the Gallery, which are described in detail in the Annual Report.

Governance costs include the costs of providing the governance infrastructure that allows the Gallery to operate, as well as the costs of the strategic planning processes that contribute to the Gallery's future development. These costs include the costs of statutory and internal audit, as well as an apportionment of support costs.

Liabilities are recognised where legal or constructive obligations mean that it is more likely than not that a transfer of economic benefits will be made.

Irrecoverable VAT is apportioned across the activity cost categories detailed in note 8.

d. Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the Gallery and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The funds include bequests made to the Gallery where it was clearly the wish of the donor that the money is to be used for picture purchase but where no legal restriction exists as to the use made of the bequest. The details of each designated fund are disclosed in note 20.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor. The aim and use of restricted funds is explained in note 20.

Permanent endowment funds are funds which the donor has stated are to be held as capital.

e. Tangible fixed assets

Tangible fixed assets, other than collection acquisitions, are accounted for using modified historic cost accounting. However, adjustments to the net book value are only made where material. The Gallery applies a £5,000 threshold to the capitalisation of all fixed assets (2014: £5,000).

All of the Gallery's land, properties and plant and machinery are revalued for accounting purposes by external chartered surveyors in accordance with the Appraisal and Valuation Standards as published by the Royal Institute of Chartered Surveyors and with FRS 15 – Tangible Fixed Assets, every five years. A full valuation of the Gallery's land, buildings and plant and machinery was carried out by BNP Paribas on 31 March 2014. The valuation included the main Gallery site on Trafalgar Square and the connected Sainsbury Wing.

Depreciation is provided on all tangible assets, other than collection acquisitions, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life:

Freehold buildings	75 years
Plant and machinery	30 years
Equipment	4 years
Collection acquisitions	Not depreciated

As the useful economic life of the freehold buildings asset class exceeds 50 years, an impairment review is performed in accordance with FRS 11 at the end of each reporting period, to compare the carrying amount of the fixed asset with its depreciated replacement cost value.

Depreciation is charged on capital costs in the year in which the asset is brought into use. Collection acquisitions are capitalised at historic cost and are not depreciated or revalued as a matter of routine.

Land and buildings and plant and machinery are revalued annually on a depreciated replacement cost basis. Movements are taken to the revaluation reserve.

f. Heritage assets

The National Gallery's collection comprises pictures, frames and archive material, and these are treated as heritage assets.

In accordance with the Government Financial Reporting Manual (FRm) – which reflects the requirements of Financial Reporting Standard (FRS) 30 – works of art acquired or donated are capitalised and recognised in the Balance Sheet at their cost or value at the date of acquisition, where such a cost or value is reasonably obtainable.

Additions to the collection are made by purchase, gift of the asset and/or the purchase of assets funded by donation. Works of art donated by third parties either by gift of the asset, or by way of funds for the asset, are capitalised and accounted for through the donated works of art reserve.

Capitalised heritage assets are not subject to depreciation or revaluation as a matter of routine.

The Trustees of the National Gallery believe that the collection is unusual as an asset in many ways. It is inalienable, unique, irreplaceable, ancient, fragile and very valuable. In this regard, it is an asset that cannot be valued in a way that would be meaningful for readers of the financial statements.

The Trustees consider that even if valuations could be obtained for some of the pictures in the collection, the cost of performing such an exercise would not be commensurate with any benefit that could be derived by the user of the financial statements from the inclusion of part of the collection on the Balance Sheet. As a result, no value has been included in the Balance Sheet for heritage assets acquired before April 2001, the point at which additions to the collection were first capitalised.

The treatment required by FRS 30 results in a partial capitalisation of heritage assets on the arbitrary basis of the date of acquisition. The distorting effect of this inconsistent treatment is exacerbated by the volatility of the international art market and fluctuations in inflation, which will render the value of those capitalised heritage assets less reliable over time. Trustees accept that under the terms of the Museums and Galleries Act 1992 they have no option but to comply with this accounting treatment, but remain very concerned that continuing to capitalise what will always be a very small portion of the collection will mislead readers of the accounts as to the nature and value of the collection as a whole.

Further information on the nature and scale of the Gallery's collection can be found in note 13.

Expenditure which is required to preserve or prevent further deterioration of individual collection items, as well as the costs of managing the collection, are recognised in the Statement of Financial Activities when incurred. More information about preservation and management of the collection can be found in note 13.

g. Investments

Investments held as fixed assets are included at market value at the year-end. The SOFA includes any realised and unrealised investment gains and losses arising on revaluation and disposals throughout the year.

Cash in deposits with a maturity of more than 24 hours, except cash held specifically as part of the investment portfolio or for investment purposes, is treated as a current asset investment.

h. Stocks

Tangible stocks are held by the Gallery for use in the staff canteen and membership packs for future membership sales. Stocks for the gift shops situated within the Gallery premises are owned by the National Gallery Company Limited which is a separate legal entity and therefore not consolidated in these accounts. The café and restaurant facilities are also franchised out. Stocks are stated at the lower of cost or net realisable value.

i. Leases

The National Gallery has no finance leases. Costs in relation to operating leases are charged to the SOFA over the life of the lease.

j. Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the time of the transaction. All exchange differences are taken to the SOFA.

k. Pensions

Staff of the National Gallery are employed under broadly the same conditions of service as Civil Servants, to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme. Full details of the pension scheme are included in note 11.

l. Trust funds

These funds represent amounts which have been bequeathed to the Gallery mainly for the purposes of picture acquisition. Income earned on the capital held in restricted funds is recognised in the SOFA as it arises. Any unutilised income together with the capital is held in a separate restricted fund which can only be used for the purposes originally specified by the donor.

m. Taxation

The Gallery is eligible under s.505 of the Income and Corporation Taxes Act 1988 to seek from HMRC exemption from taxes on income arising from the pursuit of its charitable objectives. HMRC has granted this exemption.

2. Grant-in-Aid

	2015	2014
	£'000	£'000
Department for Culture, Media and Sport	<u>25,887</u>	<u>25,520</u>

This money is available for running costs, capital improvements and collection purchases. Of the total figure, £4.7 million (2014: £3.8 million) was ring-fenced for capital purposes.

3. Other government grants

	2015	2014
	£'000	£'000
EU Charisma project	34	70
Art Fund for Titian's Diana & Callisto Public Programme	6	50
NACF Curatorial Trainees	–	136
Greater London Authority	175	–
Heritage Lottery Fund	1	–
Arts and Humanities Research Council	–	25
	<u>216</u>	<u>281</u>

4. Donations and Legacies

	2015	2014
	£'000	£'000
Donations relating to Gallery activities excluding acquisitions can be split as follows:		
Individuals	1,149	253
Trusts and foundations	2,072	1,977
Legacies	204	–
Gifts in kind	–	35
	<u>3,425</u>	<u>2,265</u>

Restricted donations included above total £2,303k (2014: £2,117k).

	2015	2014
	£'000	£'000
Donations relating to capitalised collection acquisitions can be split as follows:		
Individuals	23	–
Trusts and foundations	2,511	15,566
Gifts in kind	500	1,950
	<u>3,034</u>	<u>17,516</u>

	2015	2014
	£'000	£'000
Donations relating to other capital expenditure can be split as follows:		
Trusts and foundations	250	–
Individuals	50	–
	<u>300</u>	<u>–</u>
Total donations	<u>6,759</u>	<u>19,781</u>

5. Activities for generating funds and other incoming resources

	2015	2014
	£'000	£'000
<i>Activities for generating funds</i>		
Trading	3,565	2,087
Concessions	845	1,041
Miscellaneous	387	401
	4,797	3,529
<i>Other incoming resources</i>		
Gain on disposal of equipment	5	1

Trading income includes royalties, venue hire, floor plan sales, exhibition sponsorship and the corporate membership programme.

6. Investment income

	2015	2014
	£'000	£'000
Bank interest receivable	74	60
UK equities	1	–
Foreign equities	162	202
	237	262

7. Trustees' remuneration

The Chairman and Board of Trustees neither received nor waived any remuneration for their services during the year (2014: £nil). The total value of expenses reimbursed to Trustees amounted to £nil for the year (2014: £nil).

8. Total resources expended

	Direct costs	Support costs	Depre- ciation	Total 2015	Total 2014
	£'000	£'000	£'000	£'000	£'000
Fundraising costs	1,226	169	–	1,395	1,160
Investment management costs	–	–	–	–	–
	1,226	169	–	1,395	1,160
Exhibitions	2,921	126	367	3,414	3,194
Broaden our appeal and provide an exceptional visitor experience	9,928	1,024	1,315	12,267	10,784
Preserve, enhance and develop the potential of our collections	7,072	540	915	8,527	8,057
Inspire learning and engagement	2,204	324	304	2,832	3,296
Invest in our staff, increase income and care for our physical activities	6,370	189	788	7,347	6,313
	28,495	2,203	3,689	34,387	31,644
Governance costs	296	15	–	311	308
	30,017	2,387	3,689	36,093	33,112

A breakdown of support costs, and a description of the basis on which these costs have been allocated to each of the activity cost categories, is set out below:

Cost type	Fundraising costs	Exhibitions	Appeal and visitor experience	Preserve, enhance and develop	Learning and engagement	Staff and physical facilities	Governance	Total	Basis of allocation
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Finance	7	77	53	145	29	175	4	490	Direct expenditure of activity
Human Resources	46	14	589	113	84	4	–	850	Headcount
Information Services	98	30	324	239	179	9	9	888	Headcount of office-based staff
Office Services	18	5	58	43	32	1	2	159	Headcount of office-based staff
	<u>169</u>	<u>126</u>	<u>1,024</u>	<u>540</u>	<u>324</u>	<u>189</u>	<u>15</u>	<u>2,387</u>	

Analysis of governance costs:

	2015 £'000	2014 £'000
Staff costs	168	119
Auditor's remuneration	36	35
Internal audit fees	20	15
Cost of meetings	5	3
Operational consultants	3	3
Support costs	15	21
Legal fees	64	112
	<u>311</u>	<u>308</u>

Total resources expended include the following:

	2015 £	2014 £
Auditor's remuneration:		
Statutory audit	35,600	35,600
Adjustment to prior year statutory audit	–	(900)
Leased rental payments on equipment and office space	467,568	465,849
Provision for voluntary exit costs	–	5,700

There were resources of £16,038.19 (excluding VAT) expended on 'advisory consultancy' during the year (2014: nil return), related to the development of the Gallery's new Digital Strategy, which was within the Gallery's delegation of spend on such services of £20,000 per annum. All other consultancy fell within the 'business-as-usual' environment and has been classified as 'operational consultancy'.

The National Gallery's auditors neither undertook nor received any remuneration for non-audit work during the year.

Total resources expended also include a grant to the National Gallery Trust of £4.6m for the furtherance of the National Gallery's charitable objectives (2014: £2.5m).

9. Staff costs

	2015	2014
	£'000	£'000
Wages and salaries	12,468	11,646
Social security costs	834	812
Pension costs	1,926	1,886
Agency staff	239	1,000
	<u>15,467</u>	<u>15,344</u>

Total spend on contingent labour is disclosed under the heading 'agency staff'. As at 31 March 2015 there was one off-payroll engagement for more than £220 per day that had lasted longer than six months (2014: nil return). As at 31 March 2015 this individual's employment had not reached a year in duration. The individual had paid been via a recruitment agency and the Gallery has sought and received assurances that the individual is meeting their income tax and National Insurance obligations.

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

	2015	2014
	No.	No.
£60,000 – £69,999	7	4
£80,000 – £89,999	2	3
£90,000 – £99,999	2	–
£100,000 – £109,999	–	1
£120,000 – £129,999	1	–
£140,000 – £149,999	1	–
£170,000 – £179,999	–	1
	<u>13</u>	<u>9</u>

All of the employees earning more than £60,000 participated in the Principal Civil Service Pension Scheme (PCSPS) pension schemes, with the exception of one individual who opted out of the Civil Service Pension arrangements on 31 March 2014.

The average number of employees during the year, analysed by function was:

	2015	2015	2015	2014
	Permanent	Other	Total	Total
	contracts	contracts	No.	No.
	No.	No.		
Fundraising	14	7	21	19
Exhibitions	5	2	7	5
Broaden our appeal and provide an exceptional visitor experience	241	31	272	279
Preserve, enhance and develop the potential of our collections	42	6	48	49
Inspire learning and engagement	23	20	43	42
Invest in our staff, increase income and care for our physical facilities	4	3	7	8
Support	25	5	30	31
Governance	1	–	1	1
	<u>355</u>	<u>74</u>	<u>429</u>	<u>434</u>

Further information relating to the Director's and senior managers' pay can be found in the Remuneration Report.

10. Compensation payments

The exit packages reported are for exit packages agreed for staff that left between April 2014 and March 2015. This included staff that left on Voluntary Exit, Voluntary Redundancy. There were no staff leaving on Compulsory Redundancy terms during this period.

Exit package cost band	2015	2015	2014	2014
	Departures agreed under Voluntary Exit	Total cost of exit packages by cost band	Departures agreed under Voluntary Exit	Total cost of exit packages by cost band
	No.	£	No.	£
£0 – £10,000	1	9,104	1	5,700
£10,000 – £25,000	13	223,474	2	32,535
£25,000 – £50,000	5	178,719	2	77,486
£50,000 – £100,000	1	72,373	1	58,418
Total number of exit packages	20	483,670	6	174,139

Departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Where the organisation has agreed early retirements, the additional costs are met by the organisation and not by the Civil Service pension scheme. Ill health retirement costs are met by the pension scheme and are not included in the table.

11. Pension costs

Staff of the National Gallery are employed under broadly the same conditions of service as Civil Servants, to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply.

All present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS).

The PCSPS is an unfunded multi-employer defined benefit scheme. The National Gallery is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2015, employer's contributions of £1,857,687 were payable to the PCSPS (2014: £1,854,751) at one of four rates in the range 16.7% to 24.3% of pensionable pay (2014: 16.7% to 24.3%) based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation.

From 2015-16, the rates will be in the range 20.0% to 24.5%. The contribution rates are set to meet the cost of the benefits accruing during 2015/16 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. Employer's contributions of £64,329 (2014: £29,708) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £4,203 (2014: £1,978), 0.8% 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 £6,084 (2014: £3,608).

Further information relating to the Director's and senior managers' pay can be found in the Remuneration Report.

12. Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Assets in the course of construction £'000	Equipment £'000	Total £'000
Cost or valuation					
As at 1 April 2014	173,400	67,200	273	3,728	244,601
Additions	1,802	1,700	81	302	3,885
Disposals	–	–	–	(41)	(41)
Revaluation	26,625	2,697	–	–	29,322
Transfers	–	–	(341)	341	–
As at 31 March 2015	<u>201,827</u>	<u>71,597</u>	<u>13</u>	<u>4,330</u>	<u>277,767</u>
Depreciation					
As at 1 April 2014	–	–	–	3,536	3,536
Disposals	–	–	–	(41)	(41)
Charge for year	1,127	2,297	–	265	3,689
As at 31 March 2015	<u>1,127</u>	<u>2,297</u>	<u>–</u>	<u>3,760</u>	<u>7,184</u>
Net book value					
31 March 2015	<u>200,700</u>	<u>69,300</u>	<u>13</u>	<u>570</u>	<u>270,583</u>
31 March 2014	<u>173,400</u>	<u>67,200</u>	<u>273</u>	<u>192</u>	<u>241,065</u>

The freehold of the National Gallery, including both the Wilkins Building and the Sainsbury Wing, was transferred from the Secretary of State for the Environment and the Crown to the Trustees of the Gallery on 12 January 1994.

The Gallery's freehold property was independently valued as at 31 March 2015 by BNP Paribas Real Estate, acting in the capacity of external valuers. The valuation was in accordance with the requirements of the Government's Financial Reporting Manual, the Statement of Recommended Practice 'Accounting and Reporting by Charities' and the current RICS Valuation Standards and the International Valuation Standards. The valuation was on the basis of Market Value, subject to the following assumption:

- That the property would be sold as part of the continuing business (or entity) in occupation.

In accordance with Treasury requirements, BNP Paribas Real Estate's opinion of market value as at 31 March 2015 was primarily derived using;

- The depreciated replacement cost approach because the specialised nature of the asset means that there are no market transactions of this type of asset except as part of the business or entity.

The financial effect of revaluing other assets (excluding plant and machinery) was considered to be insignificant in terms of the overall net book value and therefore they have been disclosed at their historic cost value.

The Trustees consider the building to be effectively inalienable; it would not be possible to realise its value. The net book value at 31 March 2015 represents fixed assets held for charitable purposes only.

13. Heritage assets

The National Gallery houses one of the greatest collections of Western European painting in the world. These pictures belong to the public and entrance to see them is free. The Gallery aims to tell the story of European painting as completely as possible and at the highest possible level. The collection contains over 2,300 works, including many iconic masterpieces such as Van Eyck's *Arnolfini Portrait*, Piero della Francesca's *Baptism*, Holbein's *Ambassadors*, Leonardo's *Virgin of the Rocks*, Vermeer's *Young Woman Standing at a Virginal*, Velázquez's *Rokeby Venus*, Turner's *Fighting Temeraire* and Van Gogh's *Sunflowers*. The work of some of the greatest painters, including Raphael, Titian, Rembrandt, Monet and Cézanne, is represented in great depth, with a range of works of varying types and from different periods of the artists' careers.

A full description of the collection, including zoomable images of every picture, can be found on the National Gallery's website.

Heritage assets capitalised in the Balance Sheet are shown below:

	Cost £'000	Valuation £'000	Total £'000
As at 1 April 2014	19,465	266,594	286,059
Additions	3,650	500	4,150
Reclassification	(5)	–	(5)
As at 31 March 2015	<u>23,110</u>	<u>267,094</u>	<u>290,204</u>

All heritage assets acquired since 1 April 2001 have been included in the Balance Sheet at their cost or value at the date of acquisition. The reclassification in year is due to an immaterial error in classification in the prior year.

Where heritage assets have been acquired under the Acceptance in Lieu Scheme or Cultural Gifts Scheme, valuations are provided by the Arts Council England. Where pictures have been donated, bequeathed or acquired other than on the open market, valuations have been performed by the Gallery's curators, who are recognised experts in their fields, or by external valuers. The primary method of valuation involves the analysis of recent market values for comparable works, together with a detailed technical assessment of the painting's physical condition to arrive at a reasonable valuation. However, there is an inherent limitation to valuation of works acquired by the National Gallery, simply because by their nature they are usually unique and iconic works of art for which little or no comparable market data exists.

Additions during the year ending 31 March 2015 comprise:

- David Wilkie's *A Young Woman kneeling at a Prayer Desk* was purchased at a cost of £200,000 with the support of a generous legacy from Miss Marcia Lay.
- Jean-Baptiste-Camille Corot *The Four Times of Day: 'Morning', 'Noon', 'Evening' and 'Night'* bought with the assistance of the Art Fund, in 2014, at a cost of £3,325,000.
- Italian, Venetian – *Christ carrying the Cross* was donated to the National Gallery by Angus Neill. The picture was valued for indemnity purposes at £500,000 when it was first received by the Gallery on long-term loan in autumn 2014. The unknown Venetian painter was influenced by Giovanni Bellini and Giorgione.
- Sir Charles Eastlake – *Study of Cypress Trees* and *Study of Umbrella Pines*. These two pictures have been included in the accounts at valuations of £4,000 and £3,000 respectively, based on a valuation made by Guy Peppiatt Fine Art Ltd.
- 15 frames for various pictures at an aggregate cost of £117,791.

Five year financial summary of acquisitions

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Donated assets and acquisitions funded by donations	3,873	1,950	24,728	106,198	(235)
Other acquisitions	277	15,551	491	4,392	357
Total cost/value of acquisitions	<u>4,150</u>	<u>17,501</u>	<u>25,219</u>	<u>110,590</u>	<u>122</u>

Significant additions over the last five years include:

- George Bellows' *Men of the Docks* which was purchased at a cost of \$25.5 million (£15,436,000). The painting was bought with a grant from the American Friends of the National Gallery, made possible by Sir Paul Getty's fund, and by private appeal, 2014.
- The archive of Thos. Agnew & Sons was acquired by The National Gallery Trust and donated to the National Gallery. The firm of Agnew's has a long history dating back to 1817 and during the later 19th century and early 20th century was one of two major London dealers in old master paintings. The archive has been included in the accounts at a value of £300,000. The post 1984 section of the archive remains on loan to Agnews, but this is not viewed as being significant in the context of the valuation of the archive as a whole.
- Titian's *Diana and Callisto*, acquired jointly with the National Galleries of Scotland in 2012, is the companion painting of *Diana and Actaeon* which was acquired in 2009, also as a joint acquisition with the National Galleries of Scotland. The two works join the already rich collection of Titian masterpieces at the National Gallery, establishing it as a world centre for the study of Venetian Renaissance painting.

Heritage assets not capitalised on the Balance Sheet

The proportion of the collection not capitalised on the Balance Sheet is set out below:

	Total number of items	Number capitalised	% capitalised	Number not capitalised	% not capitalised
Pictures	<u>2,355</u>	<u>70</u>	<u>3%</u>	<u>2,285</u>	<u>97%</u>

The vast majority of the Gallery's collection is not capitalised. The nature and scale of the collection can be viewed in detail on the Gallery's website.

Heritage asset management

Acquisitions

The acquisition of pictures and frames is one of the Gallery's statutory objectives. Acquisitions are essential to enhance the collection now and for future generations. In particular, acquisitions enable the Gallery to develop its presentation of the history of Western European painting.

The Gallery's principal aims in making acquisitions are as follows:

- to obtain masterpieces of outstanding quality;
- to develop the Gallery's uniquely coherent narrative of Western European painting beyond the canon established during the 19th century; and
- to build on the Gallery's strengths.

All acquisitions, whether by purchase or donation, require the approval of the Board of Trustees. Prior to approval, potential acquisitions are subject to detailed checks concerning the ownership, provenance, condition and value of the picture, taking into account guidelines published by the Department of Culture, Media and Sport (*Combating Illicit Trade: due diligence guidelines for museums, libraries and archives on collecting and borrowing cultural material*).

Preservation

The most effective strategy for preservation is the application of principles of preventive conservation, largely achieved through environmental and light control. These principles are the subject of research and refinement and are specified by the Scientific and Conservation departments working with the Gallery's engineers. In addition to conservation treatments, the Conservation department's work includes assessment of the collection, preventive maintenance and minor treatment such as blister laying, surface cleaning and re-varnishing. Except in an emergency, all proposals for major conservation work including cleaning are referred to the Board, both for permission to begin and on completion, for approval of the work done and for the painting's return to exhibition. All minor work is discussed with and agreed by the relevant curator.

Detailed information on the Gallery's preservation policies can be found in the Conservation Risk Management Statement and Preventive Conservation Risk Management Statement on the Gallery's website.

Management

The Gallery's collection comprises 2,355 paintings and approximately 2,442 frames. As at 31 March 2015 1,301 (55%) paintings were on public display at the Gallery, 86 (4%) on loan elsewhere and the remainder were in the conservation and photographic studios or in storage.

The National Gallery is committed to the widest possible access to the collection which it houses, conserves and displays. Details of the policy adopted by the Gallery to provide access can be found in the Access Statement on the Gallery's website.

The Museum System (TMS), a sophisticated collections management system, is used by a number of departments to catalogue the collection and to manage acquisitions, location recording, exhibitions and loans. Location recording in TMS is a core part of the processes involved in moving paintings within and into and out of the National Gallery. This is supported by daily inventory checks of the public display galleries and regular checks of other areas where pictures may be stored.

Disposals

The Trustees of the Gallery have a statutory responsibility to hold and maintain the collection of pictures in trust for future generations in accordance with the Gallery's charitable objectives. The Trustees are not empowered to dispose of any pictures: the collection is inalienable. Any disposal of an item in the collection could only be made by transfer to another national collection in accordance with the provisions of the Museums and Galleries Act 1992.

14. Investments**a. Fixed asset investments**

	2015	2014
	£'000	£'000
Market value as at 1 April	10,183	9,308
Increase in investment portfolio deposits	156	200
<i>Listed investments</i>		
Realised and unrealised (losses)/gains	1,547	675
Market value as at 31 March	11,886	10,183

All investments are listed on a recognised stock exchange and are analysed as follows:

	2015	2014
	£'000	£'000
<i>Listed investments</i>		
Overseas equities	11,637	10,090
	11,637	10,090
<i>Cash held as part of the investment portfolio</i>		
UK investment portfolio deposits	249	93
	11,886	10,183

b. Current asset investments

	2015	2014
	£'000	£'000
Current asset investments	7,695	4,175
Movement in the year		
Market value at beginning of year	4,175	–
Net transfers in year	3,520	4,175
Market value at end of year	7,695	4,175

Current asset investments comprising cash in deposits with a maturity of more than 24 hours, except cash held specifically as part of the investment portfolio or for investment purposes, is treated as a current asset investment.

Current asset investments include balances held in 30 day and 90 day notice accounts since the Gallery was informed that the notice periods would be strictly adhered to and funds could not be released instantly.

15. Debtors

	2015	2014
	£'000	£'000
Amounts falling due within one year		
Trade debtors	1,085	627
Other debtors	1,173	129
Tax and social security	653	1,444
Prepayments and accrued income	2,820	1,939
Less:		
Provision for bad debts	(87)	–
	<u>5,644</u>	<u>4,139</u>

Included in debtors are:

	Amounts falling due within one year	
	2015	2014
	£'000	£'000
Balances with Central Government bodies	987	1,494
Subtotal: intra-Government balances	987	1,494
Balances with bodies external to Government	4,657	2,645
Total debtors at 31 March	<u>5,644</u>	<u>4,139</u>

16. Creditors**a. Creditors: amounts falling due within one year**

	2015	2014
	£'000	£'000
Trade creditors	2,855	1,677
Other creditors	5,277	2,954
Accruals and deferred income	2,255	1,442
	<u>10,387</u>	<u>6,073</u>

	2015	2014
	£'000	£'000
Amounts falling due in more than one year		
Accruals and deferred income	108	136
	<u>108</u>	<u>136</u>
In more than one year but not more than two years	54	45
In more than two years but not more than five years	54	91
	<u>108</u>	<u>136</u>

The movement on the deferred income account in the year was as follows:

	2015	2014
	£'000	£'000
As at 1 April	1,118	914
Amounts released from previous years	(956)	(734)
Incoming resources deferred in the current year	1,511	938
As at 31 March	<u>1,673</u>	<u>1,118</u>

Deferred income released during the year related to acquisitions where the transactions were completed during the year. Income deferred in the year includes grants restricted to future activities, as well as corporate membership, exhibition sponsorship and other membership income.

b. Provisions: amounts falling due within one year

The movement on the provisions account in the year was as follows:

	2015	2014
	£'000	£'000
As at 1 April	6	21
Charged in the year	5	6
Released in the year	(6)	(21)
As at 31 March	5	6

A provision exists at year end in relation to an employee claim which is likely to be settled after the year end.

In 2013-14 a provision of £6k was made for voluntary redundancy costs to be paid within one year and was fully utilised in 2014-15.

Included in creditors are:

	Amounts falling due within one year		Amounts falling due in more than one year	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Balances with Central Government bodies	393	606	–	–
Balances with local authorities	448	–	–	–
Subtotal: intra-Government balances	841	606	–	–
Balances with bodies external to government	9,546	5,467	108	136
Total creditors at 31 March	10,387	6,073	108	136

17. Financial instruments

FRS 29 requires disclosure of the role financial instruments have had during the period in creating or changing the risks the Gallery faces in undertaking its activities.

Credit risk

The Gallery's credit risk arises from investments, cash deposits with banks, trade and other debtors. Cash is held by the Gallery's bankers. The Gallery has not suffered any loss in relation to cash held by bankers.

The Gallery is exposed to credit risk of £1.0 million (2014: £0.6 million) of trade debtors. This risk is not considered significant as major customers are familiar to the Gallery. The Gallery's debtor profile is reviewed regularly to ensure that prompt action is taken, and a provision is made at the end of the year against any debts considered doubtful. Write offs in the year for bad debts amounted to £1,134 (2014: £245). A balance of £87,480 (2014: £1,134) has been provided against in the year in respect of balances held by a coin collection agent at the point at which they went into administration.

Liquidity risk

Grant-in-Aid from the Department for Culture, Media and Sport represents 61% (2014: 49%) of the Gallery's incoming resources before transfers and revaluations.

Exposure to liquidity risk amounts to £12 million (2014: £10 million) of equity investments. The Gallery's investments are monitored by a sub-committee of the Board which meets regularly to consider liquidity requirements over the medium term and review fund performance in discussion with the fund managers.

*Market risk***a. Interest rate risk**

The reserves and investment policies of the Gallery are outlined in the Financial Review section of this document. Interest income is 0.6% of the Gallery's incoming resources before transfers and revaluations, so the interest rate is not considered to be a significant risk for the Gallery.

The Gallery is exposed to interest rate risk on its interest bearing deposits. The Gallery's interest rate policy seeks to minimise interest volatility by using fixed-rate deposits where possible.

The interest rate profile of the Gallery's financial assets is set out below:

	Total £'000	Non- interest bearing assets held £'000	Floating- rate cash held £'000	Fixed rate short term cash deposits held £'000	Fixed rate weighted average interest rate %	Weighted average period for which rate is fixed Days
At 31 March 2015	23,589	11,655	4,239	7,695	0.39%	n/a
At 31 March 2014	18,144	10,278	7,866	–	0.15%	n/a

The interest receivable on the floating rate deposits is at a variable rate as determined by the Gallery's bank, Coutts & Co and the rates on cash held in the cash liquidity fund administered by the Gallery's investment managers.

b. Price risk

The Gallery's comprehensive annual budget reflects anticipated levels of income for the year. It is reviewed and agreed by the Executive Committee, and incorporated in a corporate plan which is reviewed and approved by Trustees.

Costs of supplies purchased are subject to contracts with suppliers, the structure of which vary; for example some are based on current market prices, others are at agreed fixed prices. The Gallery's exposure to equity securities price risk is monitored by a sub-committee of the Board, as described in the investment policy above. The Gallery does not hold any derivative instruments, options, futures, forward contracts or foreign currency, except where there is a specific need for such instrument, as outlined below, or where it is held as part of the investment strategy.

c. Foreign currency risk

At the end of the year £12 million (2014: £10 million) of investments were held in a US dollar denominated equity fund. There was therefore some exposure to foreign exchange fluctuations however, given the value compared to the overall net assets, this is not considered to be significant enough to require a sensitivity analysis.

Financial assets and liabilities

The Gallery's financial assets and liabilities by category, as defined in FRS25, are set out below:

	Loans and receivables £'000	Available- for-sale £'000	Other financial liabilities £'000
At 31 March 2015			
Cash	4,008	–	–
Current asset investments	7,695	–	–
Trade and other debtors	3,767	–	–
Investments	–	11,886	–
Trade and other creditors	–	–	(8,367)
	<u>15,470</u>	<u>11,886</u>	<u>(8,367)</u>
At 31 March 2014			
Cash	3,786	–	–
Current asset investments	4,175	–	–
Trade and other debtors	2,355	–	–
Investments	–	10,183	–
Trade and other creditors	–	–	(4,636)
	<u>10,316</u>	<u>10,183</u>	<u>(4,636)</u>

18. Financial commitments*Capital Commitments*

The Gallery has no capital commitments (2014: £nil).

Commitments under operating leases

As at 31 March 2015 the National Gallery had annual commitments under operating leases for photocopiers and rent payable as set out below:

	2015 £'000	2014 £'000
Operating leases which expire:		
Within 1 year	425	–
Between 2 and 5 years	44	466
Over 5 years	<u>3</u>	<u>–</u>

19. Contingent liability

As at 31 March 2015 the Gallery had no contingent liabilities.

In 2013-14 the Gallery disclosed an unquantified contingent liability in respect of redundancy costs arising from the restructure of its 'Public Engagement' directorate. All redundancy costs arising have now been accrued or paid in 2014-15.

20. Statement of funds

	At 1 April 2014 £'000	Income £'000	Expendi- ture £'000	Net movement on invest- ments and re- valuation £'000	Transfers between reserves £'000	At 31 March 2015 £'000
Unrestricted funds						
Designated funds:						
Designated funds for the purchase of heritage assets	1,477	–	–	–	–	1,477
Trust funds designated for the purchase of heritage assets	293	38	–	61	–	392
Total designated funds	1,770	38	–	61	–	1,869
General funds	1,644	31,440	(31,182)	–	(287)	1,615
Total unrestricted funds	3,414	31,478	(31,182)	61	(287)	3,484
Restricted income funds						
Capital assets reserve	182,728	4,985	(3,691)	–	(851)	183,171
Building revaluation reserve	26,631	–	–	26,625	–	53,256
Plant and machinery revaluation reserve	31,718	–	–	2,697	–	34,415
Donated works of art reserve	247,621	3,035	–	(4,150)	1,138	247,644
Heritage assets acquired	38,528	–	–	4,150	–	42,678
Exhibitions programme fund	288	739	(528)	–	–	499
Running cost fund	780	1,663	(1,176)	–	81	1,348
Curatorial fund	1,555	–	–	–	–	1,555
Collection purchases fund	147	–	–	–	–	147
Collection purchases trust fund	1,462	89	–	249	–	1,800
Art historical research	2,364	73	–	374	(81)	2,730
Total restricted income funds	533,822	10,584	(5,395)	29,945	287	569,243
Capital funds						
Collection purchase endowments	3,265	–	–	473	–	3,738
Art historical research endowment	1,108	–	–	160	–	1,268
General purpose endowments	1,586	–	–	230	–	1,816
Total capital funds	5,959	–	–	863	–	6,822
Total funds	543,195	42,062	(36,577)	30,869	–	579,549

Transfers between reserves in the year

Transfers between unrestricted and restricted funds represent income received or recognised in the year where the relevant expenditure had been incurred and allocated against unrestricted funds in earlier years.

Transfers within restricted funds reflect the allocation of appropriate restricted funds to the cost of purchasing heritage assets in the year.

Fair Value Reserve (Investments)

	As at 1 April 2014 £'000	Unrealised gains under fair value £'000	Realised gains/ (losses) under fair value £'000	As at 31 March 2015 £'000	Reserve/ Fund net of fair value as at 31 March 2015 £'000	Reserve/ Fund (inc fair value) as at 31 March 2015 £'000
Unrestricted						
Trust funds designated collection purchases	718	61	–	779	(387)	392
Restricted						
Collection purchases trust fund	436	160	89	685	1,115	1,800
Art historical research	541	301	73	915	1,815	2,730
	<u>977</u>	<u>461</u>	<u>162</u>	<u>1,600</u>	<u>2,930</u>	4,530
Capital funds						
Collection purchase endowments	655	473	–	1,128	2,610	3,738
Art historical research endowment	222	160	–	382	886	1,268
General purpose endowments	309	230	–	539	1,277	1,816
	<u>1,186</u>	<u>863</u>	<u>–</u>	<u>2,049</u>	<u>4,773</u>	6,822
	<u>2,881</u>	<u>1,385</u>	<u>162</u>	<u>4,428</u>	<u>7,316</u>	11,744

Analysis of funds

The Statement of Funds at 31 March 2015 comprises a number of individual funds which divide into distinct categories as defined below:

Unrestricted Funds

- Trust funds designated for the purchase of heritage assets comprise funds, mainly bequests, designated for the acquisition of works of art for the collection and held within the Trust Funds.
- General funds are funds applied for general use.

Restricted funds

- Capital assets reserve comprises funds in respect of the Gallery's land, buildings and plant and machinery.
- Revaluation reserves reflect the effect of revaluations of tangible fixed assets over time.
- The donated works of art reserve represents the value of works of art donated to the collection either by gift or by way of funds for acquisition subsequent to 1 April 2001 and capitalised.
- Heritage assets acquired represents the value of works of art acquired from unrestricted or designated funds. These are treated as restricted on acquisition because the collection is inalienable.
- Exhibitions programme reserve comprises funds raised specifically towards the financing of the Gallery's exhibition programme.
- Running cost funds are funds raised specifically for the financing of other Gallery projects, including educational projects.
- Curatorial funds are funds raised specifically for the financing of curatorial activities, including the funding of certain curatorial posts.
- The collection purchases trust fund comprises donations, mostly bequests, received specifically towards the acquisition of works of art for the collection and held within the Trust Funds.
- Art historical research represents funds raised specifically towards the financing of curatorial research into the collection and held within the Trust Funds.

Capital funds

- Collection purchase endowments comprise funds donated where the income may be applied only to collection purchases, while any capital growth must be retained in the endowment.

- Art historical research endowment represents funds donated where the income may be applied only towards the cost of research into the collection, while any capital growth must be retained in the endowment.
- General purpose endowments comprise funds donated where the income may be applied to general expenditure, while any capital growth must be retained in the endowment.

21. Analysis of net assets between funds

	Unrestricted Funds £'000	Restricted Funds £'000	Permanent Endowment £'000	Total Funds 2015 £'000	Total Funds 2014 £'000
Tangible assets	–	270,583	–	270,583	241,065
Heritage assets	–	290,204	–	290,204	286,059
Investments	392	4,672	6,822	11,886	10,183
Other net assets/(liabilities)	3,092	3,784	–	6,876	5,888
Total net assets	<u>3,484</u>	<u>569,243</u>	<u>6,822</u>	<u>579,549</u>	<u>543,195</u>

22. Notes to the cash flow statement

a. Net cash inflow from operating activities

	2015 £'000	2014 £'000
Net incoming resources before transfers and other recognised gains and losses	5,485	18,553
Investment income	(237)	(262)
Donated collection acquisitions	(500)	(1,950)
Depreciation charge	3,689	3,914
Loss/(profit) on sale of fixed assets	(5)	(1)
(Increase)/decrease in debtors	(1,505)	561
(Decrease)/increase in creditors	4,285	471
Increase in stocks	(26)	1
Net cash inflow from operating activities	<u>11,186</u>	<u>21,287</u>

b. Management of liquid resources

	2015 £'000	2014 £'000
(Increase)/decrease in liquid investment portfolio deposits held as current assets	(3,520)	(4,175)
Management of liquid resources	<u>(3,520)</u>	<u>(4,175)</u>

Liquid resources comprise cash in deposits with a maturity of more than 24 hours, except cash held specifically as part of the investment portfolio or for investment purposes.

c. Reconciliation of net cash flow to movement in net funds

	2015 £'000	2014 £'000
Increase/(decrease) in cash in the year	222	(2,603)
Cash balance at beginning of year	3,786	6,389
Cash balance at end of year	<u>4,008</u>	<u>3,786</u>

d. Composition of the cash balance at the end of the year

	2015 £'000	2014 £'000
Balance with Government Banking Services	2,374	674
Balances held with commercial banks	1,623	3,110
Cash in hand	11	2
Cash balance at end of year	<u>4,008</u>	<u>3,786</u>

23. Related party transactions

The National Gallery is a Non-Departmental Public Body whose sponsor department is the Department for Culture, Media and Sport (DCMS). DCMS is regarded as a related party. During the year, the National Gallery has had various material transactions with DCMS and with other entities for which DCMS is regarded as the parent department.

The Gallery considers the National Gallery Trust, the NGT Foundation and the American Friends of the National Gallery, London, Inc to be related parties because in each case one or more Trustees of the National Gallery also sit on the Board of the related party. All three entities are entirely separate charities with independent Boards, the majority of whose members are unconnected with the National Gallery. None of the related parties, or their subsidiary undertakings, is consolidated into the accounts of the National Gallery.

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

Related party	Nature of relationship	Value of income received during the year £'000	Value of expenditure during the year £'000	Outstanding balances due from/(to) related party at year end £'000	Nature of transaction
American Friends of the National Gallery, London, Inc	Mr Mark Getty and Lord King, Directors of the related party, served as Trustees of the National Gallery during the year.	654	–	–	Grants for specific projects during the year.
BBC	Entity sponsored by DCMS.	1	–	–	Various filming fees.
British Museum	Entity sponsored by DCMS.	–	23	(12)	Internal audit fee.
Courtauld Institute of Art	Dr N Penny is a member of the Board.	3	–	–	Professional services in delivering the Virtual Display module.
CQS	Sir Michael Hintze, Chief Executive of the related party, served as Trustee of the National Gallery during the year.	30	–	–	Corporate membership.
Hamilton Kerr Institute, University of Cambridge	Dr Ashok Roy, Director of Collections, is a member of the Advisory Council.	1	–	–	Events income.
Historic England	Entity sponsored by DCMS.	–	2	–	Costs related to the Rembrandt Exhibition.
Imperial War Museum	Entity sponsored by DCMS.	–	10	–	Museum subscription.
National Gallery Company Ltd	Mr Lance Batchelor, Director of the related party, served as Trustee of the National Gallery during the year. Nicholas Penny, the Director of NG, served as a Non-Executive Director of NGC during the year. Susan Foister, Deputy Director of NG, served as a Non-Executive Director of NGC during the year.	941	483	444	Rent for commercial space within the National Gallery, grants paid and payment for publications and other services.
National Gallery Trust	Mr Mark Getty and Mr Lance Batchelor, Trustees of the related party served as Trustees of the National Gallery during the year.	3,566	4,800	(3,507)	Grants for specific projects and accounting fee received from NGT, a grant due to NGT and other amounts due from NGT.

Related party	Nature of relationship	Value of income received during the year	Value of expenditure during the year	Outstanding balances due from/(to) related party at year end	Nature of transaction
		£'000	£'000	£'000	
National Portrait Gallery	Entity sponsored by DCMS.	251	–	–	Utility supply and electrical main upgrade recharges.
Tate	Hannah Rothschild and Monisha Shah, Trustees of the related party, served as Trustees of the National Gallery during the year.	1	–	–	Reimbursement of glazing costs and transport of fisherman painting.
The Burlington Magazine	Dr N Penny is a Trustee.	–	1	–	Magazine subscription.
The NGT Foundation	Lady Heseltine and Mr Mark Getty, Trustees of the related party, served as Trustee of the National Gallery during the year.	34	462	34	Rental of office space, annual management and accounting fee recharge.
The University of Newcastle	Anya Hurlbert is Director of Centre for Translational Systems Neuroscience, Newcastle University	–	1	–	Costs from a joint project.
The University of York	Ms Caroline Thomson, Chair of the professional network advisory board at the university, served as Trustee of the National Gallery during the year.	21	1	–	Recharge costs for Building the Picture exhibition.
Victoria and Albert Museum	Entity sponsored by DCMS and Sir Michael Hintze serves as a member on the International Council of the V&A Museum.	2	2	–	Events income and Conservation work on items used in exhibitions.
Wallace Collection	Dr Ashok Roy, Director of Collections, is a Trustee.	3	–	20	Miscellaneous income and grant application.
		5,508	5,785	(3,021)	

24. Post Balance Sheet events

The financial statements were authorised for issue by the Accounting Officer and Trustees on the date shown on the audit certificate. There were no post balance sheet events to report.

ISBN 978-1-4741-1957-3



9 781474 119573