

The National Gallery Annual Report and Accounts for the year ended 31 March 2014

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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. Throughout 2013-14 the National Gallery has been working on an ambitious strategy for understanding our audiences and continuous Customer Relationship Management (CRM).

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, performance and plans for the future

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

Activities during the year

Increase the depth and range of our collections

The highlight of this year's acquisitions by the National Gallery is George Bellows's *Men of the Docks* (1912). Not only does its acquisition mark the first painting by this highly-acclaimed American artist to enter a UK public collection but it is the National Gallery's first acquisition of a major American painting. It marks a new direction in the Gallery's acquisition policy – seeking to represent paintings in the Western European tradition, rather than solely those made by artists working in Western Europe. The National Gallery's commitment to exploring the American painting tradition began in 2009 with the launch of its collaboration with the Terra Foundation for American Art, which brought the first of a series of exhibitions on American art. That exhibition, focusing on George Bellows and the Ashcan Painters, introduced this important American painter to the British and European public for the first time. Painted at a vital moment of experimentation and innovation in the early years of the 20th century, *Men of the Docks* is the final and largest in a series of Bellows paintings of workers gathering on a cold winter day on the New York waterfront. The acquisition was made possible by using part of the fund established by the late Sir Paul Getty and through exceptional support from anonymous sources. The painting now hangs alongside urban and winter scenes by some of Bellows's European predecessors (such as Sisley, Pissarro, Manet and Monet).

Another significant acquisition, and the first painting to enter the Gallery's collection under the recently-introduced Cultural Gifts Scheme, is Vincent Van Gogh's *Head of a Peasant Woman* (1885). The Gallery already had four pre-eminent paintings by Van Gogh in its permanent collection but they all date from the last three years of the artist's life (1888-90). There were no early works by Van Gogh in the Gallery's collection and, indeed, very few institutions outside of The Netherlands are fortunate enough to possess them. *Head of a Peasant Woman* is one of a series of around 40 portraits of peasants that Van Gogh painted in Neunen – most of these are preserved today in the Van Gogh Museum in Amsterdam. It is thus an extremely welcome and important addition to the Gallery's

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".

permanent collection as we are now able to illustrate Van Gogh's stylistic development as well as the full range of his subject matter (the other National Gallery paintings include still lifes and landscapes).

The Gallery has continued to work with collectors to take on a range of loans to the permanent collection, both on a long and short-term basis. Included in the former category are loans by artists already represented, for which our permanent collection provides context and varied subject-matter (e.g. Le Nain brothers, *Children dancing* or Aelbert Cuyp, *Sijctghen Duck*); or loans by artists not represented in the Gallery's own holdings whose presence add depth and range to the collection (e.g. Orazio Gentileschi, *David and Goliath* – a rare and fine example of a work painted on semi-precious stone). Included in the latter category of short-term loans is Egon Schiele's *Danaë*, which hung in the mainfloor galleries for the duration of the 'Facing the Modern: The Portrait in Vienna 1900' exhibition (9 October 2013 – 12 January 2014): it thus offered a context the Gallery is unable to provide through its permanent collection, as there are no works by Schiele and its only painting of the period – Gustav Klimt's *Portrait of Hermine Gallia* – was in the exhibition.

The National Gallery also took on loans from other institutions. York City Art Gallery placed three paintings on loan – by Parmigianino, Carracci and Etty – whilst being closed for refurbishment. This year was also the first of a three-year reciprocal loan arrangement with Tate Britain in which the two institutions lend each other one work per year that is both meaningful and complementary to the other's collection: the National Gallery received a view of *The Hill above Harlech* by William Nicholson (in exchange for its own Holbein, *Lady with a squirrel and a starling*). This year saw the unprecedented popularity of a similar arrangement of reciprocal loans 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 mainfloor galleries dedicated to 19th-century pictures, this temporary display 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. It continues to implement improvements to existing disaster planning methodology and emergency responses; in the period 2013–14 there was a substantial revision of emergency guidelines and procedures, with associated changes to policies and risk statements, approved by the Executive Committee. The Gallery continues to revise its strategy and tactics for dealing with damage to pictures including notification procedures, methods and materials to be used in the event of urgent picture treatment, and responses to possible chemical attacks on pictures. (These procedures, especially the newly constituted Emergency Grab Bag, were used in two separate incidents of attacks on pictures by members of the public: NG 1207, Constable's *Hay Wain* and NG1315 attributed to Mazo, *Don Adrian Pulida Pareja*, neither of which sustained lasting damage).

Several notable restorations were completed during the year. These include: NG719 Netherlandish, *The Magdalen*; NG73 Italian, Ferrarese, *The Conversion of Saint Paul*; NG268 Veronese, *The Adoration of the Kings*; NG1878 Schweickhardt, *Cattle*; NG205 Dietrich, *The Wandering Musicians*; NG702 Umbrian School, *The Virgin and Child in a Mandorla with Cherubim*; NG3 Possibly by Titian, *A Concert*; and NG2118 Giovanni Francesco da Rimini, *The Virgin and Child with Two Angels*. The Veronese has been particularly noteworthy, greatly transforming the appearance of a major, main-floor painting which has also featured prominently in the Gallery's exhibition dedicated to that artist.

The year saw the end of the contract term for the Gallery's first Conservation Fellowship; however, during this time a bequest has been left to the National Gallery Trust, which will be dedicated to funding the position in the long term, securing its biannual renewal. As a result, a new Fellow has been appointed, scheduled to begin in June of 2014. Securing such funding for the post fulfils a long-held strategy to incorporate advanced conservation training within the workings of the Conservation Department, as explicitly advocated in the Gallery's principal strategic document. The role is designed to give the Fellow the opportunity to develop their professional abilities in the context of the Gallery's rich tradition of interdisciplinary collaboration between conservators, scientists and curators.

The Conservation Department has also been undertaking substantial treatments of two important works from other public institutions within the UK; Joachim Wtewael's *Raising of Lazarus* from the Wycombe Council Museum, and *Christ between Saints Paul and Peter* by Pietro Lorenzetti, a recent acquisition by the Ferens Museum in Hull. Both restorations are in keeping with the Gallery's National Programmes wider strategy of sharing skills with other public institutions that lack such specialised resources. Additionally, the cleaning of the Lorenzetti has placed

particular demands on the Scientific Department's analytical expertise, providing essential information to inform decisions about the cleaning of the panel.

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.

The main activities in preventive conservation have been continuing the review and testing of new (energy-efficient) lighting systems (LEDs) for general Gallery use; this programme has now been extended, in conjunction with the Buildings Department, to include regular checks of existing light fittings to examine their long-term reliability. The study of long-term performance of microclimate enclosures and sealing has continued this year, along with the review of the principles of best practice in environmental control and management for preventive conservation for Old Master paintings. Dissemination of the Gallery's work on lighting has also continued, for example through a presentation at the specialist seminar and workshop at the Museum of Liverpool in March 2014, entitled 'Bright Ideas! Light Management for Cultural Collections' and organised by the Science and Care of Collections Groups of the Institute of Conservation (ICON).

All significant individual conservation projects, including those completed that are listed above, have been supported by examination and analysis of paintings and advice to conservators. In addition, the past year has seen much new and re-evaluated technical research on the collection for a wide variety of subjects, to increase background knowledge for conservation. In particular, much work was done to investigate a complicated sequence of overpaints in the sky and on additions during the on-going conservation of Guercino's *Saint Gregory the Great with Saints Ignatius Loyola and Francis Xavier* (NG6622). Another project that involved more extensive scientific investigation was *A Concert* (NG3), possibly by Titian; both the conservation and the scientific analysis that supported it are described in an article in this year's *National Gallery Technical Bulletin* (vol. 34). The Scientific Department has also continued to develop work on its ATR-FTIR imaging instrument for 'chemical imaging' of paint cross-sections, and it has proved especially useful for gaining information about the composition of layered surface coatings to answer questions during cleaning, as in the treatment of the Lorenzetti mentioned above.

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 more 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>Through American Eyes: Frederic Church and the landscape oil sketch</i> 6 February 2013 – 28 April 2013	24,502 (from 1 April 2013)	Room 1
<i>Barocci: Brilliance and Grace</i> 27 February 2013 – 19 May 2013 (£)	19,838 (from 1 April 2013)	Sainsbury Wing
<i>Birth of a Collection: Masterpieces from the Barber Institute of Fine arts</i> 22 May 2013 – 1 September 2013	97,164	Room 1
<i>Michael Landy: Saints Alive</i> 23 May 2013 – 24 November 2013	209,057	Sunley Room
<i>Vermeer and Music</i> 26 June 2013 – 8 September 2013 (£)	61,228	Sainsbury Wing
<i>Facing the Modern: The Portrait in Vienna 1900</i> 9 October 2013 – 12 January 2014 (£)	88,286	Sainsbury Wing
<i>Van Gogh's Sunflowers</i> 24 January 2014 – 27 April 2014	151,588 (to 31 March 2014)	Room 46
<i>Strange Beauty: Masters of the German Renaissance</i> 19 February 2014 – 11 May 2014 (£)	19,838 (to 31 March 2014)	Sainsbury Wing
<i>Veronese: Magnificence in Renaissance Venice</i> 19 March 2014 – 15 June 2014 (£)	14,677 (to 31 March 2014)	East Wing Exhibition

Through American Eyes: Frederic Church and the landscape oil sketch explored the remarkably fresh and spontaneous oil sketches of Frederic Church (1826–1900), considered by many to be the greatest American exponent of the landscape oil sketch. Regarded as one of the most ambitious of the Hudson River School landscape painters, his works reveal his voracious appetite for travel to locations as distant as Ecuador, Jamaica and Jordan. Works executed closer to Church's home on the Hudson River reflected his interest in the American landscape and his exploration of the effect of light.

Barocci: Brilliance and Grace was the first monographic exhibition of paintings and drawings by Federico Barocci (about 1533–1612) ever mounted outside Italy. Visitors were able to trace the genesis of Barocci's complex paintings through his tireless process of preparatory study, charting the transformation of his life studies, often in soft chalks and pastel. Many of Barocci's altarpieces and paintings remain in local churches and museums in Italy, and the exhibition offered an exceptional opportunity to see them.

Birth of a Collection: Masterpieces from the Barber Institute of Fine Arts formed part of a year-long programme to celebrate the 80th anniversary of the foundation of the Barber Institute of Fine Arts at the University of Birmingham. It was also the result of a formal research partnership between the National Gallery and the Barber. *Birth of a Collection: Masterpieces from the Barber Institute of Fine Arts* explored the very earliest acquisitions made for the Henry Barber Trust by Professor Thomas Bodkin, the first director of the Barber Institute (1935–52). It focussed on the 12 superb Old Master and 19th-century paintings he purchased while the building was being constructed (1936–9). In this period, most of these paintings were loaned to, and displayed or stored at, the National Gallery. For the first time in over 70 years the exhibition reunited this group of outstanding paintings in Trafalgar Square.

Vermeer and Music: The Art of Love and Leisure explored the concept of music as a pastime of the elite in the northern Netherlands during the 17th century. The exhibition brought together for the first time the National Gallery's two paintings by Vermeer, *Young Woman Standing at a Virginal* (NG1383) and *Young Woman Seated at a Virginal* (NG2568), and Vermeer's *Guitar Player*, on exceptional loan from the Iveagh Bequest, Kenwood House. Vermeer's *The Music Lesson* was also lent by Her Majesty the Queen. The exhibition aimed to enhance viewers' appreciation of these beautiful and evocative paintings by Vermeer seen together with a number of paintings by his contemporaries from the National Gallery collection by juxtaposing them with musical instruments and songbooks of the period. Visitors were able to compare 17th-century virginals, guitars, lutes and other instruments with their painted representations to judge the accuracy of representation and what liberties the painter might have taken to enhance the visual or symbolic appeal of his work. Fascinating research into Vermeer's technique and materials was also presented within the exhibition and online. Three days a week visitors experienced live performances in the exhibition space by Resident Ensemble, the Academy of Ancient Music, thus bringing the

paintings to life with music of the period. The partnership with the AAM greatly enhanced the visitor experience of the exhibition and the Gallery's continued engagement with other art forms was widely welcomed by press and public alike.

Facing the Modern: The Portrait in Vienna 1900 was the first exhibition to explore how portraiture came to be closely identified with the distinctive flourishing of modern art in Vienna during its famed fin-de-siècle years. Iconic portraits from this time – by Gustav Klimt, Egon Schiele, Richard Gerstl, Oskar Kokoschka and Arnold Schönberg were displayed alongside works by important yet less widely known artists such as Broncia Koller and Isidor Kaufmann. The project formed part of an on-going effort by the Gallery to highlight aspects of the modern painting tradition little represented in British national collections as a whole. The National Gallery's *Portrait of Hermione Gallia* (NG6434) by Gustav Klimt is the only modern Viennese painted portrait in a UK public collection, so was the starting point for the Exhibition.

The exhibition loans came from major collections on both sides of the Atlantic, including those that are rarely lent from the Belvedere, Vienna, the Wien Museum, MoMA, New York, and the Minneapolis Institute of Art, as well as from smaller public and private collections. A British private collector provided one of the highlights of the exhibition, Klimt's posthumous *Portrait of Ria Munk III*. Also included were drawings and the haunting death masks of Gustav Klimt (1918), Ludwig van Beethoven (1827), Egon Schiele (1918) and Gustav Mahler (1911). A family photograph album belonging to Edmund de Waal, acclaimed author of *The Hare with Amber Eyes* (2010) was also exhibited.

Michael Landy was the 2013 Rootstein Hopkins Associate Artist in residence at the National Gallery. In response to his residency, he created seven large-scale kinetic sculptures which presented a contemporary view of the lives of the saints, a subject more often associated with traditional sacred art than with contemporary art. The large-scale sculptures were formed of re-imagined fragments of National Gallery paintings cast in fibreglass, painted and assembled with the surprising addition of metal cogs, wheels, defunct fan belts and motors that Landy accumulated from junkyards, car boot sales and flea markets. In *Michael Landy: Saints Alive* visitors were encouraged to interact with the works by operating foot pedal mechanisms that cranked the works to life. The exhibition will be touring to the San Ildefonso Museum, Mexico in Autumn 2014.

The Sunflowers displayed the Van Gogh Museum, Amsterdam's version of Vincent van Gogh's iconic Sunflowers together with the National Gallery's version in a free display which also included the results of scientific research into the two paintings carried out by both institutions. These investigations revealed insights into how Van Gogh painted his 'Sunflowers' and what materials he used – giving us a deeper understanding of the making and meaning of these works of art, and of their relationship to each other. The paintings are two of the five versions of 'Sunflowers' that are now spread around the world.

Strange Beauty: Masters of the German Renaissance took a fresh look at paintings, drawings and prints by well-known artists such as Hans Holbein the Younger, Albrecht Dürer and Lucas Cranach the Elder – examining the striking changes in the ways these works were perceived in their time, in the recent past, and how they are viewed today. All famous artists in their own time, the exhibition highlighted the ways in which their paintings, drawings and prints were valued in the sixteenth century for qualities such as expression and inventiveness. But it also examined the mixed reception German Renaissance art has subsequently received in the context of the formation of the National Gallery collection: in the 19th and early 20th centuries. The final room included an interactive experience, inviting today's visitors to comment, and vote, on their reactions to German painting.

Paolo Veronese is one of the most important painters of the Venetian Renaissance and his paintings are magnificent visions of the opulence and spectacle of 16th-century Venetian life. *Veronese: Magnificence in Renaissance Venice*, which was the first monographic exhibition on the artist in the United Kingdom, included some 50 works representing the very peak of the artist's output in every aspect of his oeuvre (portraits, altarpieces and grand mythological works) and at every stage of his career, from early works including *The Supper at Emmaus* (c. 1555, Musée du Louvre) to Veronese's last known work, the altarpiece for the high altar of San Pantaleon in Venice (1587). The exhibition took place in the National Gallery's main floor galleries allowing Veronese's masterpieces to be viewed under ideal conditions and a major rehang of the permanent collection was required in order to accommodate these paintings, many of which are enormous in size.

Maintain and develop a coherent display of the collections

The extensive refurbishment of Room A reached its conclusion, providing the Gallery with a much more attractive, modern environment for hanging pictures and the installation of LED lighting in this space has further enhanced display.

The refurbishment of Room 39 was completed in February 2014 consisting primarily of a new wall fabric, as well as general cleaning of roof and floor. This was seen as an opportunity to rethink the display, bringing a rarely-seen pastel by a female artist out of store (Rosalba Carriera's *Portrait of a Man* NG3126) and hanging it alongside other works of the Venetian School. Not only does the new display relate better to the Spanish paintings on the other

side of the room but it also represents a greater range of Venetian 18th-century art. The presence of the pastel has imposed lower light levels (in accordance with conservation restrictions) thus giving the room greater intimacy and impact.

This year large parts of the collection were de-canted and integrated elsewhere in the main galleries or exhibition spaces in order to make way for the 'Veronese: Magnificence in Renaissance Venice' exhibition. Since a number of masterpieces had to be moved from their usual locations throughout the Gallery, it was seen as an opportunity to display the paintings differently (e.g. paintings by Raphael were returned to the Sainsbury Wing galleries, alongside works by his teacher Perugino; and a number of 16th-century Italian paintings were brought out of store to hang in the cruciform galleries alongside the works normally hanging upstairs on the main floor).

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:

Netherlandish	<i>The Magdalen</i>	NG719
Poussin	<i>Nymph with Satyrs</i>	NG91
Hendrick ter Brugghen	<i>A Man Playing a Lute</i>	NG6347
Veronese	<i>The Adoration of the Kings</i>	NG268
Possibly by Titian	<i>The Music Lesson</i>	NG3
Palma Vecchio	<i>Portrait of a Poet</i>	NG636
Zurbarán	<i>Saint Francis in Meditation</i>	NG5655
Moroni	<i>The Tailor ('Il Tagliapanni')</i>	NG697
Degas	<i>Miss La La at the Cirque Fernando</i>	NG4121
Crivelli	<i>Saint Catherine of Alexandria</i>	NG907.1
Crivelli	<i>Saint Mary Magdalene</i>	NG907.2
Jacob van Ruisdael	<i>A Panoramic View of Amsterdam looking towards the IJ</i>	L1052
Liss	<i>The Fall of Phaeton</i>	NG6641
Schiavone	<i>The Pietà</i>	NG630.6
Ercolo de'Roberti	<i>The Israelites giving Manna</i>	NG1217
Ercolo de'Roberti	<i>The Institution of the Eucharist</i>	NG1127
Veronese	<i>The Vision of Saint Helena</i>	NG1041
Bellows	<i>Men of the Docks</i>	NG6649
Bronzino	<i>The Madonna and Child with Saint John the Baptist and Saint Elizabeth</i>	NG5280
Corot	<i>Italian Woman or Woman with Yellow Sleeve (L'Italianne)</i>	NG6620

Plans for the future

Increase the depth and range of our collections

The Gallery will continue to work with collectors and institutions to encourage new loans to extend the range of its own collection. The Gallery will also work with donors and collectors to seek to extend the range of its acquisitions, including the acquisition of frames.

The Gallery is in the process of acquiring two paintings for its History Collection. These are oil sketches of Italian trees by Sir Charles Eastlake (1793-1865), the first Director of the National Gallery. Eastlake lived in Italy for fourteen years and these sketches, almost certainly painted out-of-doors, must date from 1817 when he records in a letter the fact that he has been painting trees in Rome. The paintings are being acquired by private sale, directly from members of Eastlake's family, and inscriptions on the reverse of both paintings indicated that the sketches have been in possession of his family ever since they were painted.

A temporary display is being planned for summer 2014 (7 May – 3 September) in Room 42, focusing on the artistic exchange between Frederic Leighton, Giovanni Costa and Corot in their approach to the study and painting of landscapes. The display, which will be free to the public, will include paintings from the National Gallery's own permanent collection, paintings from the Gere collection on long-term loan to the Gallery, and four external loans from UK private collections.

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

It remains a fundamental responsibility of the Gallery to protect the collection for the very long term. To that end the Gallery will continue to maintain the highest standards of excellence in preventive and remedial conservation supported by pre-eminent scientific research.

Major conservation continues on works by Rembrandt, Hals (two paintings), Bassano, Guercino, studio of Giotto, and Giovanni Martini da Udine, with the first three pictures to be finished by October. Treatment projects are generally tied to other wider Gallery activities; for example the Rembrandt treatment has been undertaken for the occasion of the Gallery's exhibition dedicated to his late works (including participation in a conference to be held at the Gallery on Rembrandt painting technique), while the Hals paintings will form part of a display created to highlight the Gallery's holdings of his work during the run of the Rembrandt exhibition. The ongoing Giovanni Martini da Udine restoration continues the Gallery's collaboration with the Getty Conservation Institute Panel Painting Initiative, an international programme dedicated to the improved dissemination of specialist panel conservation skills across Europe and North America.

A cross-departmental working group on Preventive Conservation, with representation from Conservation, Scientific, Curatorial and Building Departments, has been formed to ensure good communication and best practice in this area. Conservation department members also continue research on preventive conservation, restoration history and methods, and painting technique, often in collaboration with colleagues from Scientific and Curatorial departments, for a variety of print and online publications and scholarly conferences. Topics include microclimate display, emergency treatment procedures, relining methods, and painting techniques of painters including Titian, Rembrandt and Wtewael.

Create public programmes that enhance and illuminate the collection

The Gallery will continue to develop the programme of imaginative summer exhibitions designed around the collection and will strengthen its programme of exhibitions and other public activities involving contemporary art.

Maintain and develop a coherent display of the collections

Having finalised display plans for Room A, the pictures have been hung throughout March and April 2014 with a planned opening to the public scheduled for early summer 2014. The paintings, ranging in date from the 13th to the early 20th centuries, are hung in broadly chronological order. The compact character of the display serves to emphasise the range and variety of the National Gallery's collection as a whole, whilst offering visitors the chance to explore a selection of the Gallery's paintings in a single space.

The re-decoration of and re-display of pictures in the cruciform galleries (Rooms B-G) is due to take place in autumn 2014, thus providing additional space for display in five interconnecting galleries.

The building works planned for Room 33, consisting of removing the lay-light, upgrading the external roof glazing and restoring the gallery's grand architecture, will greatly enhance the display of the French 18th-century paintings when it re-opens in 2015.

Broaden our appeal and provide an exceptional visitor experience²

Activities during the year

Strengthen public awareness of the National Gallery

For the first time ever there were over 6 million physical visits to the Gallery in the 2013 calendar year, and 3.7 million unique users visiting the website. There was a significant upturn in visits to London in the first and second quarters (possibly a result of the Olympics), with a strong overseas audience presence noticeable throughout the year, particularly to the permanent collection. There was a small increase in visits from the UK outside of London, and from London, but a slight decrease in visitors from the South East.

A rich and varied programme of exhibitions included the large scale interactive sculptures of the Associate Artist. *Michael Landy: Saints Alive*, a hugely popular free show in the Sunley room from 23 May – 24 November, which attracted 209,057 visits. There was considerable positive press coverage across national and international media.

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".

The Room 1 exhibition *Through American Eyes: Frederic Church and the landscape oil sketch* (6 February – 28 April) was covered very positively by journalists during the first few weeks of the exhibition.

During the summer months *Vermeer and Music* featured the Academy of Ancient Music playing repertoire and instruments of the period in the exhibition. The exhibition appealed to slightly older audiences – the Tuesday concession was popular throughout the exhibition period – and to music lovers. The majority of sales were made at the ticket desk here at the Gallery (74%), which also indicates a more ‘in the know’ audience. Season tickets were popular and 68% were sold to NACF (Art Fund) members. Originally conceived as a free exhibition, a charge was introduced at quite a late stage creating some communications issues. The exhibition received 61,228 visits, 61% of target attendance.

The majority of UK Press coverage was neutral in sentiment (80%). The BBC Radio 3 Drive-time programme ‘In Tune’ broadcast live from the Sainsbury Wing Theatre with a show dedicated to the exhibition in front of an audience of listeners. In total the coverage reached 32,838,335 people and the cost of equivalent advertising space was £1,111,159.74

Facing the Modern: Vienna 1900, (9 October – 12 January) proposed a new thesis for this challenging period by external curator Gemma Blackshaw. A multichannel digitally focused marketing campaign targeted regular exhibition goers and new audiences. The exhibition came very close to the attendance target of 90,000, receiving 88,286 visits (98% of budgeted target) following an additional promotional push over Christmas and in the final weeks. The reviews of the exhibition were generally positive or neutral.

2014 got off to a flying start with 205,297 visits to the free Van Gogh display, *The Sunflowers* (24 January – 27 April) in Room 46 which proved exceptionally popular with long queues forming throughout the run. A strong presence on the website, in e-communications to our subscribers and on social media channels, the response was overwhelmingly positive. There was great excitement and buzz around this exhibition. Press coverage was significant and positive with a photo-call of identical twins in front of the paintings attended by around thirty photographers, complemented by review coverage in a broad spectrum of media.

Plans for the future

Strengthen public awareness of the National Gallery

Brand development – creating one brand identity and supporting values for the National Gallery and National Gallery Company continues with an integrated working relationship. The development of Customer Relationship Management (CRM) and bringing ‘single basket’ online ticketing in-house, together with ‘One Voice’ eCRM will further support our efforts to raise profile and awareness of the Gallery and develop stronger relationships with our many visitors, supporters and customers.

As part of this work, the launch of the Gallery’s first ever membership scheme in September 2014, to coincide with the much anticipated *Rembrandt: The Late Works* exhibition, will generate income and opportunities for deeper engagement in an exciting programme of activity and member only privileges for National Gallery Members.

Integrate our approach to marketing, visitor services and programming and gain a better understanding of our visitors to offer an excellent and distinctive visitor experience

Becoming more audience focused and visitor friendly with the creation of a dedicated Visitor Service will enable improved support for the visitor experience and engagement with our in-gallery visitors; while the development of a new website and digital strategy facilitates the Gallery’s ambitions to better cater for our physical and virtual audiences and explore revenue opportunities.

Inspire learning and engagement³

Activities during the year

Promote new ways of exploring the collection and learning about it

The works displayed in the 2013 *Take One Picture* exhibition were inspired by Willem Kalf's *Still Life with Drinking-Horn* (NG6444), which depicts a collection of objects, chosen for their magnificent colour and texture. Looking closely at the painting ignited the children's curiosity and following their lines of enquiry took them in myriad directions. In this example, they asked the question 'how can we make a still life like Kalf's?' then responded to the challenge by adapting techniques they had learnt from working with a wire sculptor the previous year. Getting the scale right was the most difficult part and they solved this by using cardboard cut-outs. One child reflected that, 'it made me strip it down to the structure, to the basics'.

The 2013 exhibition was the culmination of work during 2011–12, when over a thousand teachers attended continuing professional development courses at the National Gallery to learn about Kalf's painting and the *Take One Picture* approach. More than 46,500 children and their families were involved in the scheme and 55 schools had works featured in the creative display, transforming the painting from a two-dimensional object to a three-dimensional experience in the classroom and community.

For the first time this year the programme of related events included Family Sunday talks given by children representing schools featured in the display, which proved to be very popular.

During 2012-13 *Take One Picture* professional development courses for teachers focused on Seurat's *Bathers at Asnieres* (NG3908) and work inspired by this painting will feature in the 2014 *Take One Picture* exhibition. For 2013-14, the *Take One Picture* continuing professional development course for teachers focused on *Saint Michael Triumphant over the Devil* (NG6553) by Bartolome Bermejo.

Artist's Apprentice, in October 2013, was the National Gallery celebration of the Big Draw. Families were invited to imagine themselves as apprentices in the workshop of a Renaissance artist and training them in the technique of silverpoint drawing.

Tutor Karly Allen encouraged families to consider how drawing and painting practice has changed over the centuries by focusing on *The Vision of Saint Eustace* (NG1436) by Pisanello and *Tobias and the Angel* (NG781) by Workshop of Andrea del Verrocchio as a starting point for exploring the studio practices of 15th-century artists.

Children and adults experimented with the possibilities and limitations of silverpoint drawing, learning how to build up tone through slow, methodical processes and considering how artists prepare, use and care for their drawing implements. In doing so they also gained new insights into the function of preparatory and presentation drawings during the Renaissance.

These silverpoint drawing workshops were the first in a new series of *Artist's Apprentice* family events, which aim to inspire meaningful connections with Old Master paintings by offering first-hand experience of traditional materials and techniques, as used by artists represented in the collection.

As part of its *Adult Learning* programme during 2013, the National Gallery devised a series of experimental approaches to engaging visitors – events without a verbal mediator between visitor and collection.

The first of these, *Looking without Talking*, coincided with the summer exhibition *Vermeer and Music*. On Friday evenings in July and August, the Dutch cabinet galleries were arranged with solitary seats in front of twenty paintings. Labels were removed and the lighting was adjusted to spotlight the selected paintings. The public were invited in twenty at a time and, with minimal instruction, were asked to take a seat before a gong indicated the beginning of five minutes of quiet, undisturbed looking. Afterwards, participants shared their experience of the event by contributing to a brief survey:

Uninterrupted viewing in silence allowed my mind to settle and be satisfied that this will be the complete focus of my attention. It reminds me of meditation, living in the moment. It was very moving.

Five minutes of quiet reflection was bliss after a busy week at work.

The quiet, tense atmosphere in the painting became quite real, and the rest of the imagined room became real, all informing my interpretation of the relationships between the people depicted. This was helped by noticing details – a pipe on the floor – I would have glossed over otherwise.

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".

The event was inspired by various ideas. The *Vermeer and Music* exhibition set up an interesting tension between the music performed during the exhibition and the resoundingly quiet quality that the paintings possess. Furthermore, recent research conducted in the USA proposed that students spend as long as three hours sitting in silence absorbing works of art; the results indicated a depth of observation and development of original ideas that would not otherwise have occurred.

Building on these ideas, we wanted to explore how it might be possible to remove the mediator between viewer and collection to encourage a more immediate response. Visitors enter an environment where the conditions for direct engagement have been carefully planned yet there is no spoken interpretation of the participants' experience.

This approach can take many forms. *Durational Dances: Inspired by Bosch*, a partnership with Dance Umbrella forming part of the Bosch 500 project, also had non-verbal interpretation at its heart. Participating choreographers spent one year immersed in the world of Bosch and shared their research with audiences across Europe in various ways, including a three-hour improvisation in rooms 4, 5, 11 and 14 of the Gallery. Watched by fascinated visitors, the choreographers performed their interpretations of works by Bosch and his contemporaries. In some cases, the visual connection to the paintings was obvious and in others the link was more abstract. For all performers the immediacy of their responses to the paintings without the intervention of a verbal translation was paramount.

Develop the Gallery as a centre of excellence for academic research

Curatorial research has concentrated on exhibitions work both for shows in the current year and for the longer-term programme until 2015 and beyond. The year has seen curators leading teams involving conservators and scientists working on several systematic schools catalogues, specifically: the 16th-century Netherlandish School (to be published June 2014); 16th-century paintings from Bologna and Ferrara; 19th-century works of the Barbizon School and associated paintings; 18th-century French paintings; 16th-century Italian paintings from Tuscany and Rome; and paintings of the German School. The entries on paintings by Cranach have been published online this year in advance of this last catalogue. Curators, conservators and scientists, as well as other research-active staff, are also involved in advancing the Gallery's four principal research themes: 'The Meaning of Making'; 'Art and Religion'; 'Buying, Collecting and Display'; and 'Venetian Art and its History'. Involvement with a range of collaborative ventures with institutes of Higher Education (principally universities) has included both research and teaching at postgraduate level, most notably through two collaborative MA courses, one with King's College London and another with the Warburg Institute.

A number of joint research projects have attracted Arts and Humanities Research Council (AHRC), or joint AHRC/Engineering and Physical Sciences Research Council (EPSRC) funding, both direct and indirect. A wide range of research topics are being pursued through the mechanism of the National Gallery's AHRC-funded Collaborative Doctoral Partnership scheme, a block grant of 3 PhD studentships per year until 2015. In addition to the studentships already in progress (see <http://www.nationalgallery.org.uk/paintings/research/partnerships-with-higher-education-institutions/>), four new projects under this scheme have been selected this year, including two taking advantage of the Agnew's archive newly acquired for the Research Centre, one on the collection, display and reception of 14th- and 15th-century Siennese paintings in Britain in the period 1850–1950, and one investigating current and developing technologies for application of 2.5D and 3D printing in the cultural heritage field. Some other projects have received external funding from other sources, such as a 9-month pilot project on inventories in English Historic Houses in collaboration with York University, intended to lead to further more long-term research.

There have been public outputs of a variety of types for the majority of the Gallery's research efforts. The technical examination and analysis of four works by Vermeer included in a room of the Sainsbury Wing exhibition '*Vermeer and Music*' is also available in fuller form on the Gallery's Website. Another online publication has been 'Reconstructing the Renaissance: Matteo di Giovanni's Assumption Altarpiece for San Domenico, Asciano', while the exhibition catalogue accompanying '*Building the Picture: Architecture in Italian Renaissance Painting*' (Sunley Room, 30 April – 21 September 2014) will be the first available online exclusively through our website. A new image-based resource, 'Barocci: A lesson in drawing', has been constructed, initiated by a past exhibition on this artist. High resolution images of drawings and compositional studies can be studied through an image viewer designed to allow easy comparison.

Volume 34 of the National Gallery Technical Bulletin was published in October 2013, a special issue on the materials and techniques of Titian in the first half of his career (up to c. 1540); it will appear on the National Gallery Website in May 2014 with no download charge for readers. Work has started on a future publication (vol. 36) to cover the later part of this career. The next issue (vol. 35) of the Technical Bulletin will concentrate on the materials and techniques of paintings by Sir Joshua Reynolds, based on the results of a partnership with the Wallace Collection (London), funded by the Mellon Centre for British Art. It will include entries on 12 paintings from that collection, together with comparative results from the Gallery's important group of paintings by Reynolds.

This year saw the conclusion of the four-year pan-European project CHARISMA (Cultural Heritage Advanced Research Infrastructures: Synergy for a Multidisciplinary Approach to Conservation/Restoration; www.charismaproject.eu), in which the Scientific Department has participated. It brought together in a research partnership 22 museums, conservation institutes and scientific facilities in eleven European countries to advance best practices and new research in object-based heritage science (supported by the European Commission). Among the many research strands was the international academic conference 'Leonardo da Vinci's Technical Practice: Paintings, Drawings and Influence' held at the Gallery in 2012, the proceedings of which have been published this year (Hermann, Paris). Two further research partnerships developing new techniques for technical examination of paintings, funded under the AHRC/EPSRC 'Science and Heritage Programme', have ended this year.

In addition to collaborative investigatory work with curators and scientists on pictures undergoing conservation treatment, research in the Conservation Department has concentrated on environmental matters (control and monitoring) and best responses to possible chemical attacks on paintings while on display. Research is also being undertaken on the performance of in-frame micro climate displays and Beva lining adhesive. Conservators continue development of their knowledge of the behaviour and structural treatment of fragile or degraded panels, through in-house research and participation in the international Getty Panel Painting Initiative.

Plans for the future

Promote new ways of exploring the collection and learning about it

The focus of our key areas of activity has been redefined into two areas:

- Children and Young People; and
- Adults.

Access and inclusion will be embedded across all areas rather than running parallel to these programmes. This will promote a more holistic and streamlined programme, enabling more project work to be built into all areas therefore increasing the reach and depth of the work we will do across the year whilst also creating the opportunity to be more innovative in approach.

Our schools programme will have an increasing focus on areas of deprivation and will continue to build its programme for secondary schools.

We will be developing a new area of work with young people – and this will build on some existing programmes whilst also creating a bridge between the programmes for children and young people and adults.

Develop the Gallery as a centre of excellence for academic research

We will continue to advance our programme of publishing catalogues and making entries from those catalogues available online. We will continue to develop projects under our four main research themes, as well as future collaborative projects that enhance the Gallery's research programme and align with its strategic objectives.

We will continue to progress plans for the Research Centre with a view to developing the Gallery's aspiration to become an international centre for the study of Old Master Paintings.

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

Activities during the year

Invest in our staff

Over the past year the Gallery has continued to invest in the training and development of the staff with the provision of job-related training, external career development opportunities and the provision of quality in-house programmes. Over recent months the focus has been changing from the provision of training courses to an overarching organisational development programme, encompassing future needs, change and identification of management skills required to lead the Gallery in the future.

Increased attention has been given to employee communication with the introduction of a monthly corporate message which is delivered to the entire workforce by line managers. A new regular briefing session for managers

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".

has been established to ensure that all managers are aware of key organisational changes and plans and equipped to discuss these with team members. These activities will continue and be further enhanced during the coming year.

Increase income

The Development Office had a successful year of fundraising, including securing a generous donation from the Hans K. Rausing Trust in support of the Gallery's *Strange Beauty: Masters of the German Renaissance* exhibition. The Gallery continued its major partnership with Credit Suisse, receiving support for two significant exhibitions taking place during the year: *Veronese: Magnificence in Renaissance Venice* and *Facing the Modern: The Portrait in Vienna 1900*.

The Gallery also benefited from several very generous legacies.

Exhibition income increased slightly on the prior year, following the introduction of charging for summer shows, whilst ticket pricing strategies are still being kept under close review. We continue to work closely with the National Gallery Company to encourage the generation of income from its publications, shops and agreements with concession holders.

During 2013-14 there has been 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). Closely aligned with our CRM strategy will be the launch of a membership scheme in September 2014; timed to coincide with the *Rembrandt: The Late Works* exhibition.

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 compliment 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 Sainsbury Wing grand staircase, 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 first phase of our boiler replacement project has been completed with the second phase and project completion due to be finalised in September 2014. It is anticipated that these new boilers, together with an improved distribution infrastructure and control strategy shall improve the efficiency by some 10% when commissioned.

We have completely refurbished our Lower Gallery A space to improve the display and experience for our visitors and also incorporated a dedicated art storage facility within the original space to ensure we have the flexibility of displaying our collection in the appropriate manner.

Room 1 project was also completed which involved a complete removal of the internal lay light glazing together with replacement of the external glazing together and solar blinds that control the natural light in conjunction with the LED lighting all through the BMS system.

Plans for the future

Invest in our staff

Future months will see the development of programmes to support accreditation of managers to provide key people management processes with a view to improve engagement, attendance and performance. These programmes will include dealing with capability issues and discipline. A programme for managers will be supported by an organisational 'how to' book for managers to be able to respond more quickly to employees concerns and issues.

Having simplified the performance appraisal last year, further simplification of the process is planned for the coming year, to improve its fitness for purpose and to actively engage all in the process of performance improvement, to link the appraisal more closely to the training programme of the Gallery and to more easily identify succession and development potential within the existing workforce.

Increase income

We will work during the coming years to increase income from Gallery operations from a broader range of sources, particularly through building existing sources of charitable income, launching a membership scheme and reviewing other income-generating opportunities to maximise commercial income. In addition, the Gallery recognises that exhibitions represent a major opportunity to combine cultural and economic objectives.

The National Gallery will continue to work closely with the National Gallery Company (NGC) to ensure that payments from NGC are maximised. Top-line ambitions in NGC's three year plan includes the following:

- To build total retail revenue by year 3, with significant improvement in performance from and further investment in e-commerce;
- To increase external sales of NGC titles, through the development of new trade titles and robust sales strategies with Yale University Press;
- To develop further brand partnerships in years two and three, taking lump sum income back to historic levels.

Care for our physical facilities

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.

We plan to refurbish the roof of room 33, including the removal of the internal laylight and its supports, replacing the external glazing with a new patent double glazed system complete with externally controlled louvered blinds to reduce the risk of condensation and to improve natural daylight. This will enable an improved distribution of natural light within the space controlled with the artificial lighting through the BMS system incorporating the new LED Dali dimming controls to improve efficiency and reduce energy.

We plan to replace the external glazing to room 15 to improve its thermal properties and reduce the risk of internal condensation forming in the void by replacing the frame and glazing to improve its thermal performance and hence reduce energy losses.

We continue to replace the membrane and insulation to our roofs to improve thermal and water tightness performance with plans to complete the North area in the next financial year. We are also undertaking surveys and feasibility studies on our East Wing Gallery roofs with thermal and natural light control issues that require attention and planning for the future.

DCMS Key performance indicators

Specific information relevant to the Gallery's contribution to DCMS's performance indicators for 2013-14 as set out in the Funding Agreement agreed with DCMS:

	Performance in 2013-14	Performance in 2012-13
1. Number of visits to the Gallery (excluding virtual visitors)	5.9m	5.4m
2. Number of unique users visiting the website	3.8m	3.5m ⁵
3. Number of visits by children under 16	0.4m	0.2m
4. Number of overseas visits	3.6m	3.2m
5. (a) Number of facilitated and self-directed visits to the Gallery by visitors under 18 in formal education	164k	132k
5. (b) Instances of visitors under 18 participating in on-site organised activities	10k	16k
6. % of visitors who would recommend a visit	99%	99%
7. Number of UK loan venues	25	32 ⁶
8. (a) Self-generated income – admissions	£1.4m	£0.9m
8. (b) Self-generated income – trading	£3.8m	£3.3m
8. (c) Self-generated income – fundraising	£21.1m	£26.8m

⁵ Restated since the prior year's reported performance of 5.9m, to report the number of unique users, rather than sessions.

⁶ Restated since 2012-13.

Financial Review

Financial position

The SOFA is set out on pages 34 – 37 of this document. Incoming resources for 2014 amounted to £51.9 million (2013: £57.5 million); total resources expended amounted to £33.3 million (2013: £31.7 million), resulting in net incoming resources (before unrealised investment gains and revaluations) of £18.6 million (2013: £25.8 million).

Incoming resources from generated funds for the year totalled £50.4 million (2013: £56.4 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 a grant of £15.5 million to fund the purchase of *Men of the Docks* by George Bellows. There was also a gift in kind element of £2.0 million, representing £1.7 million under the Acceptance in Lieu of Tax Scheme and the direct donation of Agnews' archive valued at £0.3 million. Incoming resources from charitable activities for the year totalled £1.5 million.

The Gallery's total expenditure for the year was £33.3 million. More was spent on exhibitions and broadening our appeal and providing an exceptional visitor experience compared with 2012-13, due to a number of significant exhibitions in 2013-14 that led to increased costs (e.g. transportation and insurance costs associated with picture loans).

The net movement in funds for the year amounted to £43.2 million (2013: £37.3 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 £24.0 million (2013: £10.5 million) and investment gains of £0.7 million (2013: £1.3 million).

In accordance with the Government Financial Reporting Manual (FRoM) – 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 £25.5 million for the year ended 31 March 2014. The Gallery generated additional income as a result of its exhibitions, educational activities and fundraising programme.

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 also seen an increase in charitable support, including a generous donation from the Hans K. Rausing Trust in support of the *Strange Beauty: Masters of the German Renaissance* 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 its first major American painting – the 1912 work *Men of the Docks* (NG6649) by George Bellows (1882–1925). This is the first painting by the acclaimed American artist to enter a UK public collection. The Gallery used some of the fund established by the late Sir Paul

Getty and also received exceptional support from anonymous sources in order to buy the painting for \$25.5 million.

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 two major exhibitions: *Vermeer and Music* and *Facing the Modern: The Portrait in Vienna*. Income from the corporate membership scheme was robust.

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 8.61%. The benchmark for this fund is the MSCI World Index, which returned 8.45% during the year ended 31 March 2014.

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 2013-14 the fixed rate weighted average interest rate was 0.15% 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 £543.2 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 (£241.1 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 £286.1 million is represented by the value at the date of acquisition of donations to the collection and pictures acquired since 1 April 2001, and £1.6 million relates to funds restricted for future acquisitions.

Of the remaining £14.4 million, £6.0 million is in permanent endowments (where the capital cannot be touched) and £5.0 million represents other restricted funds. A further £1.8 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 2014 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 7th 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 30 days (2013: 35 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.

Sickness absence management

The average number of days of employee absence due to sickness was 9.5 days (2013: 8.3 days). Excluding long term sickness, the average number of days of absence was 4.4 days (2013: 4.0 days).

Immunity from Seizure Report 2013-14

This report applies to the fifth 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 2013-14 are as follows:

27 February – 19 May 2013

Barocci: Brilliance and Grace

9 October 2013 – 12 January 2014

Facing the Modern: The Portrait in Vienna 1900

19 March 2014 – 15 June 2014

Veronese: Magnificence in Renaissance Venice

Provenance information on the Gustav Klimt 'Portrait of Amalie Zuckerandl' (on loan from the Belvedere, Vienna) – including a statement that the National Gallery possessed a complete history of its ownership from the beginning of the year 1933 to the end of the year 1945 – was published in accordance with The Protection of Cultural Objects on Loan (Publication and Provision of Information) Regulations 2008. An enquiry concerning the ownership of this painting was received, but the painting was returned without incident.

At the balance sheet date, no other enquiries and no claims had 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 2013-14 we have undertaken a number of projects as set out in our plan, to improve sustainability and to lay the foundations for significant reductions in emissions in future years. These included:

- Completion of our lighting upgrade to energy efficient LED bulbs in all Galleries;
- Replacement lighting in Sainsbury Wing Foyer and corridor areas using energy efficient LED bulbs;
- Phase 1 of the boiler replacement project;
- Replacement LED lighting to our temporary exhibition Galleries;
- Continued benefit of our CHP unit.

Our performance is summarised in the table below:

Area		2013-14 performance		2012-13 performance	
		Actual	Target	Actual	Target
Greenhouse Gas Emissions (Scopes 1, 2 & 3) tCO ₂		6,051	5,626	6,755	6,232
Estate energy	Consumption (million KWh)	25.4	–	22.4	–
	Expenditure (£ million)	0.858	–	0.97	–
Estate waste	Amount (tonnes)	747 ⁷	–	746.5	–
	Expenditure (£'000)	54 ⁷	–	54	–
Estate water	Consumption ('000 m ³)	35.5	–	35.9	–
	Expenditure (£'000)	71	–	72	–

The CO₂ emissions in this table have been calculated using the emission factors from the Carbon Plan for consistency in monitoring the savings.

Whilst total Greenhouse Gas Emissions (GHG) emissions were in excess of target, emissions were 15.3% lower than in 2012-13. Further reductions are expected to be realised in 2014 when the boiler replacement works are completed.

Summary of future strategy

Our Carbon Management Plan outlines our sustainability strategy and the specific measures we will take to reduce our carbon dioxide emissions by over 40% by 2015. The key strategy is to reduce greenhouse gas emissions through the installation of energy-efficient plant and equipment. Key projects for achieving this include the installation of a combined heat and power unit and the installation of energy-efficient LED lighting throughout the galleries.

Greenhouse Gas Emissions

The National Gallery's collection is predominately housed in a grade 1 listed 19th-century building which accommodates some six 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

⁷ At the time of publication final waste figures were not available – these are estimates.

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 2013-14 through a reduction in emissions. By March 2015 we anticipate the CHP unit will have reduced emissions by 1,440 tCO₂, over half of our budgeted emissions over that period. The following table shows our GHG emissions in the last two financial years.

Greenhouse Gas Emissions		2013-14	2012-13
Non-financial indicators (tCO ₂ e) ⁸	Total gross emissions	5,868 ⁹	7,009
	Gross emissions Scope 1 (direct)	4,028	3,079
	Gross emissions Scope 2 (indirect)	1,604	3,585
	Gross emissions Scope 3 (indirect)	236	345
Related energy consumption (million KWh)	Grid Electricity	3.6	7.4
	Electricity Generated on Site	7.2	3.6
	Natural Gas	21.8	16.2 ¹⁰
Financial indicators (£ million)	Expenditure on energy	0.858	0.970
	CRC License Expenditure	0.087	0.077
	Expenditure on accredited offsets	–	–
	Expenditure on official business travel	0.1	0.1

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:⁹

Waste		2013-14	2012-13		
Non-financial indicators (tonnes)	Total waste	747 ¹¹	746.5		
	Hazardous waste	Total	–	–	
		Non-hazardous waste	Landfill	–	–
			Reused/recycled	451 ¹¹	450.8
			Composted	–	–
			Incinerated with energy recovery	296 ¹¹	295.7
Incinerated without energy recovery	–	–			
Financial indicators (£k)	Total disposal cost	54 ¹¹	54		

Use of resources

Finite resource consumption		2013-14	2012-13
Non-financial indicators ('000m ³)	Water consumption	35.5	35.9
Financial indicators (£k)	Water supply costs	71	72

⁸ Our carbon footprint has been restated for all years in order to account for material changes to the conversion factors provided by Defra for company reporting purposes.

⁹ These are the current emission factors as supplied by DEFRA. The table on the previous page draws data from the Carbon Plan, which uses the emission factors that were provided by the Carbon Trust from 2010/11. While the official figures are the DEFRA figures, we have continued to report these from the Carbon Plan so that performance can be tracked.

¹⁰ 2012/13 Natural Gas estimated consumption has been replaced with actual use.

¹¹ At the time of publication final waste figures were not available – these are estimates.

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 (2013: £nil).

Director's remuneration and benefits

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

	2014				2013			
	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	148,456¹	25,200¹	57,000	231,000	140,000	–	62,000	202,000

¹ 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 bonus of 14% (2% consolidated) for 2013-14 (reflecting performance during the year to 31 March 2013) was offered, however only the 2% consolidated bonus was accepted. The Director's emoluments for 2013-14 are further inflated due to the late payment of the bonus of 20% (2% consolidated) for 2012-13 (reflecting performance during the year to 31 March 2012) which was offered to and accepted by the Director in the current period.

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 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	
	2014	2013	2014	2013	2014	2013
	£'000	£'000	£'000	£'000	£'000	£'000
Jillian Barker <i>Director of Education, Information and Access (until 31 January 2013)</i>	–	115 – 120 ²	–	– ⁶	–	115 – 120
Susan Foister <i>Director of Public Engagement</i>	80 – 85	70 – 75	89	27	170 – 175	100 – 105
Larry Keith <i>Director of Conservation (until 31 January 2013)</i>	–	50 – 55 ³	–	– ⁶	–	55 – 60
Gregory Perry <i>Director of Operations and Administration (until 31 December 2012)</i>	–	80 – 85 ⁴	–	– ⁶	–	80 – 85
Ashok Roy <i>Director of Collections</i>	80 – 85	75 – 80	37	47	120 – 125	120 – 125
Chris Walker <i>Director of Finance and Operations (from 30 August 2013)</i>	50 – 55 ¹	–	(4)	–	45 – 50	–
Sarah Ward <i>Director of Public Affairs and Development (until 31 January 2013)</i>	–	75 – 75 ⁵	–	– ⁶	–	70 – 75

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

2 Full year equivalent is £65,000 – £70,000. The total payment shown in the table above includes £55,000 of compensation payments, of which £21,000 was ex gratia. These compensation payments were agreed to facilitate the changes to the senior team structure in 2012-13.

3 Full year equivalent is £55,000 – £60,000.

4 Full year equivalent is £70,000 – £75,000.

5 Full year equivalent is £80,000 – £85,000.

6 Valuation of a pension benefits was not required in 2012-13, and no prior year comparative is available for the pension benefits of individuals who left the Gallery in the prior year.

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.

Andrew Young was engaged as an interim Director of Operations and Administration from October 2012 to March 2013, through an agency. Payments to the agency for the year to 31 March 2014 amounted to £nil (2012-13: £96,524).

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 2014 for senior managers and the Director are as follows:

Pension	Accrued pension at pension age as at 31 March 2014 and related lump sum	Real increase (decrease) in pension and related lump sum at pension age	CETV at 31 March 2014	CETV at 31 March 2013	Real increase (decrease) in CETV¹²
	£'000	£'000	£'000	£'000	£'000
Nicholas Penny	105 – 110	2.5 – 5	1,849	1,693	56
Susan Foister	35 – 40	2.5 – 5	792	657	86
	plus 105 – 110 lump sum	plus 12.5 – 15 lump sum			
Ashok Roy	40 – 45	0 – 2.5	877	831	34
	plus 80 – 85 lump sum	plus 0 – 2.5 lump sum			
Chris Walker	0 – 5	0 – 2.5	39	37 ¹³	(4)

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.

¹² Taking account of inflation, the CETV funded by the employer may have decreased in real terms.

¹³ This is the CETV at the date of joining the Gallery, 30 August 2013.

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.

The remuneration of the highest-paid director at the National Gallery in 2013-14 was £173,656 (2012-13: £140,000). This was 9.98 times (2012-13: 7.95 times) the median remuneration of the workforce, which was £17,400 (2012-13: £17,600). 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 8.37 times the median remuneration of the workforce in the period.

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.

The salary of the highest paid director was frozen between 2008 and 2012. In 2013-14 the Director received two performance related consolidated bonuses of 2%, one of which related to the prior period. Median remuneration has decreased due to vacancies in a number of senior staff posts during the year. These factors have had the effect of increasing the pay differential.

Signed:
Nicholas Penny
Director and Accounting Officer

Dated: 3 July 2014

Signed:
Gautam Dalal
On behalf of the Board of Trustees

Dated: 3 July 2014

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 Direction¹⁴ 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: 3 July 2014

Signed:
Gautam Dalal
On behalf of the Board of Trustees

Dated: 3 July 2014

¹⁴ 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. 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 2014, 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 2014, 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 85%.

	Attendance at Board meetings
Mr Mark Getty (Chairman)	6/8
Professor David Ekserdjian	4/4
Ms Patricia Lankester (until 12 April 2013)	0/0
Lady Heseltine	7/8
Sir Michael Hintze	7/8
Ms Caroline Thomson	7/8
Ms Hannah Rothschild	7/8
Mr Gautam Dalal	7/8
Professor Anya Hurlbert	7/8
Mr John Nelson	6/8
Mr Lance Batchelor	7/8
Mr Dexter Dalwood	6/8
Mr John Singer	7/8
Mr Charles Sebag- Montefiore	7/8
Ms Monisha Shah (appointed 13 April 2013)	7/8

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 2014 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 2014 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 committees. The remit and structure of committees operating during the year is set out below:

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	1	4
		Nick Land	0	2
		(to 30/11/2013)*		
		John Singer	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.	Sir Colin Southgate*	3	4
		Gautam Dalal (Chair)	4	4
		Mark Getty	1	4
		Nick Land	0	2
		(to 30/11/2013)*		
Nominations	To run the delegated process of appointments to the Board of Trustees of the National Gallery, so 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, and to maintain high standards in the process of making public appointments.	John Singer	4	4
		Sir Colin Southgate*	3	4
		Mark Getty (Chair)	2	2
		Anne Heseltine	2	2
		Hannah Rothschild	2	2
Remuneration	To advise the Board on the terms of appointment for the Director and on his remuneration.	Caroline Thomson	1	2
		Mark Getty (Chair)	2	2
		Caroline Thomson	2	2

*Independent committee members

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

The Nominations Committee met twice during the year to consider a vacancy which arose on 30 September 2013. The Committee reviewed the balance of skills on the Board and made a recommendation to the Board of the skills which should be sought when filling that vacancy. The Board approved that recommendation, and the Committee approved a draft person specification and proposals for advertising the vacancy, which were submitted for Ministerial approval. At the end of the year there was one vacancy on the Board.

The Remuneration Committee met twice during the year to discuss, inter alia, the Director's performance in the year to 31 March 2013, his pay award for the year to 31 March 2014 and his performance objectives for the year to 31 March 2014. 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 2014 and the Board accepted this recommendation. The Committee recommended performance objectives for the Director for the year to 31 March 2014 which the Board also accepted.

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 development of the Gallery's policy for safeguarding children, young people and adults at risk who receive the National Gallery's service. It also reviewed and approved a complete refresh of the Gallery's risk register, which is now maintained through the Gallery's intranet.

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 2014-15 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 2014. The Corporate Plan was reviewed and approved by the Board in March 2014.

Achievements and Effectiveness of the Board

Significant achievements during 2013-14 are recorded under the heading of *'review of achievements, performance and plans for the future'*, within the Annual Report.

The Board reviewed its own effectiveness in November 2013. Board members were asked to rate the Board's effectiveness by responding to questions relating to the following areas namely: vision, mission and strategy; management of meetings; Board relationships and leadership; relationships with staff; Committees of the Board; and induction, training and succession. In relation to all these areas, the Board overall rated effectiveness highly or very highly. As a result of the Board effectiveness survey the Board agreed that there should be a closed session without staff at each Board meeting; the Board also agreed on the formation of a Governance Committee which is due to convene for the first time in May 2014.

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 cycle covers all matters of importance to the National Gallery and is prioritised appropriately. 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 times a year to review actively the risk environment, to monitor the adequacy of controls and to assess emerging risks. 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.

The Internal Controls Committee led in the introduction of a new intranet-based version of the risk register, during the year, which can now be more easily accessed by risk owners and control owners. As part of the rollout the Committee undertook a full review 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.

New risks considered by the Committee during this full review included the potential loss of electricity, gas and water supply, which was in response to power outages. A significant amount of work was also undertaken to more clearly map the risk that the collection could be damaged, whether accidentally, or while in transit or on-loan.

The Committee reviewed updates to several of the Gallery's 'risk management statements', including those that discuss the risks and mitigating controls around loans into and loans out of the collection, as well as acquisitions for the collection.

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. There was also a more long term view taken, with the introduction of a three year forward view.

A critical Internal Audit review of Safeguarding concluded that in the absence of a Safeguarding policy, the Gallery was vulnerable to potentially serious reputational and financial risks and this was reflected in a 'no assurance' rating for the report. A policy has since been drafted, and once it and the associated procedures and working practices are bedded in the assurance level should improve significantly. Internal Audit has noted that the policy needs to be operational and that will require improved communications, which will be led by the Education department.

Reviews of the Incident Management Plan and an interim review of Procurement provided 'reasonable assurance'. The Incident Management Plan was found to be clear, concise and well-written, with no significant gaps; but, the Gallery needs to establish and embed a formal programme of testing for the Plan. However, management also emphasise that the Plan has been implemented several times during the year and was found to operate effectively.

Internal Audit's annual review of Key Controls found that deficiencies identified in last year's accounting system key controls have been addressed satisfactorily and that the level of assurance could return to *Substantial*.

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, although they acknowledge certain weaknesses were identified in relation to safeguarding. The internal auditor's assurance to the Accounting Officer and the Audit Committee on the National Galley's risk management, control and governance processes was limited only on the basis of the issues mentioned above. Audit recommendations have been accepted and corrective action has been implemented.

The Gallery has suffered no protected personal data incident during 2013-14 and has made no report on such a loss to the Information Commissioner's office.

Signed:
Nicholas Penny
Director and Accounting Officer

Dated: 3 July 2014

Signed:
Gautam Dalal
On behalf of the Board of Trustees

Dated: 3 July 2014

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 2014 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 Board of Trustees, 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 incoming resources and the resources expended 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 incoming resources and the resources expended 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 2014 and of its incoming resources and resources expended 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 Objectives and activities, Financial Review, Reference and Administrative Details, Sustainability Report and Governance Statement 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

9 July 2014

Statement of Financial Activities

for the year ended 31 March 2014

	OPERATING INCOME AND EXPENDITURE		Funded capital projects and revaluations (a)		Acquisitions for the collection (b)			TOTAL 2014			TOTAL 2013
	Unrestricted funds	Restricted funds	Unrestricted funds	Restricted funds	Unrestricted funds	Restricted funds	Total collection acquisition funds	Unrestricted funds	Restricted funds	Permanent funds endowment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Incoming resources											
Incoming resources from generated funds											
Voluntary income											
Grant-in-Aid	21,735	-	-	3,785	-	-	-	21,735	3,785	-	25,520
Other government grants	-	281	-	-	-	-	-	-	281	-	281
Donations	148	2,117	-	-	-	-	17,516	148	19,633	-	19,781
Legacies	1,006	25	-	-	-	-	-	1,006	25	-	1,031
Activities for generating funds	3,530	-	-	-	-	-	-	3,530	-	-	3,530
Investment income	58	75	-	-	38	91	129	96	166	-	262
Incoming resources from charitable activities											
Exhibitions	1,270	-	-	-	-	-	-	1,270	-	-	1,270
Educational activities	187	-	-	-	-	-	-	187	-	-	187
Total incoming resources	27,934	2,498	-	3,785	38	17,607	17,645	27,972	23,890	-	51,862
Resources expended											
Costs of generating funds											
Fundraising costs	(1,160)	-	-	-	-	-	-	(1,160)	-	-	(1,160)
Investment management costs	-	-	-	-	-	-	-	-	-	-	(41)
Charitable activities											
Exhibitions	(1,160)	-	-	-	-	-	-	(1,160)	-	-	(1,160)
Broaden our appeal and provide an exceptional visitor experience	(2,332)	(467)	-	(395)	-	-	-	(2,332)	(862)	-	(3,194)
Preserve, enhance and develop the potential of our collections	(9,438)	(12)	-	(1,334)	-	-	-	(9,438)	(1,346)	-	(10,784)
Inspire learning and engagement	(6,824)	(236)	-	(997)	-	-	-	(6,824)	(1,233)	-	(8,057)
Invest in our staff, increase income and care for our physical activities	(1,629)	(1,259)	-	(408)	-	-	-	(1,629)	(1,667)	-	(3,296)
Governance costs	(5,533)	-	-	(780)	-	-	-	(5,533)	(780)	-	(6,313)
Total resources expended before exceptional items	(25,756)	(1,974)	-	(3,914)	-	-	-	(25,756)	(5,888)	-	(31,644)
Restructuring costs	(308)	-	-	-	-	-	-	(308)	-	-	(308)
Total resources expended after exceptional items	(27,224)	(1,974)	-	(3,914)	-	-	-	(27,224)	(5,888)	-	(33,112)
	(197)	-	-	-	-	-	-	(197)	-	-	(197)
Total resources expended after exceptional items	(27,421)	(1,974)	-	(3,914)	-	-	-	(27,421)	(5,888)	-	(33,309)

Statement of Financial Activities for the year ended 31 March 2014 (continued)

	OPERATING INCOME AND EXPENDITURE		Funded capital projects and revaluations (a)			Acquisitions for the collection (b)			TOTAL 2014		TOTAL 2013	
	Unrestricted funds	Restricted funds	Unrestricted funds	Restricted funds	Total capital projects and revaluations	Unrestricted funds	Restricted funds	Total collection acquisition funds	Unrestricted funds	Restricted funds	Permanent funds endowment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net incoming/(outgoing) resources before transfers and other recognised gains and losses	513	524	–	(129)	(129)	38	17,607	17,645	551	18,002	–	18,553
Transfers	(398)	(44)	–	442	442	–	–	–	(398)	398	–	–
Net incoming/(outgoing) resources before other recognised gains and losses	115	480	–	313	313	38	17,607	17,645	153	18,400	–	18,553
(Loss)/gain on revaluation of fixed assets for charity's own use	–	–	–	23,970	23,970	–	–	–	–	23,970	–	23,970
Realised and unrealised investment gains/(losses)	–	163	–	–	–	25	108	133	25	271	379	675
Net movement in funds	115	643	–	24,283	24,283	63	17,715	17,778	178	42,641	379	43,198
Opening funds	1,529	4,344	–	216,794	216,794	1,707	270,043	271,750	3,236	491,181	5,580	499,997
Closing funds	1,644	4,987	–	241,077	241,077	1,770	287,758	289,528	3,414	533,822	5,959	543,195

(a) representing the value of capital assets, excluding the collection.

(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 39 to 59 form part of these accounts.

Balance Sheet as at 31 March 2014

		2014		2013	
	Note	£'000	£'000	£'000	£'000
Fixed Assets					
Tangible Assets	12	241,065		216,782	
Heritage Assets	13	286,059		268,558	
Investments	14a	10,183		9,308	
			537,307		494,648
Current Assets					
Stock		3		4	
Debtors	15	4,139		4,700	
Investments	14b	4,175		–	
Cash at bank and in hand	22	3,786		6,389	
		12,103		11,093	
Creditors					
Amounts falling due within one year	16a	(6,073)		(5,446)	
Provisions					
Amounts falling due within one year	16b	(6)		(21)	
Net current assets			6,024		5,626
Total assets less current liabilities			543,331		500,274
Creditors:					
Amounts falling due in more than one year	16a		(136)		(277)
Net assets			543,195		499,997
Represented by:					
Restricted funds					
Restricted funds (excluding revaluation reserves)		475,473		456,802	
Revaluation reserves		58,349		34,379	
	20		533,822		491,181
Unrestricted funds					
Designated		1,770		1,707	
Designated funds already expended on acquisitions		–		–	
General funds		1,644		1,529	
	20		3,414		3,236
Total Income Funds			537,236		494,417
Capital funds - permanent endowments	20		5,959		5,580
Total Funds			543,195		499,997

The notes on pages 39 to 59 form part of these accounts.

Signed:
Nicholas Penny
Director and Accounting Officer

Dated: 3 July 2014

Signed:
Gautam Dalal
On behalf of the Board of Trustees

Dated: 3 July 2014

Cash Flow Statement for the year ended 31 March 2014

		2014		2013	
	Note	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	22a		21,287		1,312
Returns on investment and servicing of finance					
Bank interest received		60		54	
Investment income		202		157	
			262		211
Capital expenditure and financial investment					
Receipts from sale of tangible fixed assets					
Payments to acquire tangible fixed assets		(4,227)		(3,522)	
Payments to acquire heritage assets		(15,551)		(44,491)	
Purchase of investments		(200)		(842)	
Proceeds from sales of investments		1		3	
			(19,977)		(48,852)
			1,572		(47,329)
Management of liquid resources	22b		(4,175)		16,774
Increase/(decrease) in cash for the year	22c		(2,603)		(30,555)

The notes on pages 39 to 59 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 19.

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 (2013: £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 (FReM) – 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. 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

	2014	2013
	£'000	£'000
Department for Culture, Media and Sport	25,520	26,320

This money is available for running costs, capital improvements and collection purchases. Of the total figure, £3.8 million (2013: £3.8 million) was ring-fenced for capital purposes.

3. Other government grants

	2014	2013
	£'000	£'000
EU Charisma project	70	77
Art Fund for Titian's Diana & Callisto Public Programme	50	–
NACF Curatorial Trainees	136	–
Arts and Humanities Research Council	25	–
	281	77

4. Donations

	2014	2013
	£'000	£'000
Donations relating to Gallery activities excluding acquisitions can be split as follows:		
Individuals	253	521
Trusts and foundations	1,977	1,124
Gifts in kind	35	33
	<u>2,265</u>	<u>1,678</u>

Restricted donations included above total £2,117k (2013: £1,601k).

	2014	2013
	£'000	£'000
Donations relating to capitalised collection acquisitions can be split as follows:		
Individuals	–	21
Trusts and foundations	15,566	109
Gifts in kind	1,950	23,228
	<u>17,516</u>	<u>23,358</u>
Total donations	<u>19,781</u>	<u>25,036</u>

5. Activities for generating funds and other incoming resources

	2014	2013
	£'000	£'000
<i>Activities for generating funds</i>		
Trading	2,087	2,064
Concessions	1,041	579
Miscellaneous	401	472
	<u>3,529</u>	<u>3,115</u>
<i>Other incoming resources</i>		
Gain on disposal of equipment	<u>1</u>	<u>3</u>

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

6. Investment income

	2014	2013
	£'000	£'000
Bank interest receivable	60	54
Interest receivable on UK investment portfolio deposits	-	-
Other UK fixed interest stocks	-	-
UK equities	-	-
Foreign equities	202	157
	262	211

7. Trustees' remuneration

The Chairman and Board of Trustees neither received nor waived any remuneration for their services during the year (2013: £nil). The total value of expenses reimbursed to Trustees amounted to £nil for the year (2013: £25, representing travel and catering expenses for 1 Trustee).

8. Total resources expended

	Direct costs	Support costs	Depre- ciation	Total	Total
	£'000	£'000	£'000	2014	2013
				£'000	£'000
Fundraising costs	1,019	141	-	1,160	1,176
Investment management costs	-	-	-	-	41
	<u>1,019</u>	<u>141</u>	<u>-</u>	1,160	<u>1,217</u>
Exhibitions	2,567	232	395	3,194	2,784
Broaden our appeal and provide an exceptional visitor experience	8,737	713	1,334	10,784	10,498
Preserve, enhance and develop the potential of our collections	6,499	561	997	8,057	6,251
Inspire learning and engagement	2,525	363	408	3,296	3,472
Invest in our staff, increase income and care for our physical activities	5,305	228	780	6,313	7,032
	<u>25,633</u>	<u>2,097</u>	<u>3,914</u>	31,644	<u>30,037</u>
Governance costs	287	21	-	308	241
	<u>26,939</u>	<u>2,259</u>	<u>3,914</u>	33,112	<u>31,495</u>

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	10	85	33	168	39	188	6	529	Direct expenditure of activity
Human Resources	25	29	500	76	63	8	3	704	Headcount
Information Services	87	97	148	260	214	26	10	842	Headcount of office-based staff
Office Services	19	21	32	57	47	6	2	184	Headcount of office-based staff
	<u>141</u>	<u>232</u>	<u>713</u>	<u>561</u>	<u>363</u>	<u>228</u>	<u>21</u>	<u>2,259</u>	

Analysis of governance costs:

	2014	2013
	£'000	£'000
Staff costs	119	108
Auditor's remuneration	35	38
Internal audit fees	15	23
Cost of meetings	3	4
Operational consultants	3	4
Support costs	21	20
Legal fees	112	44
	<u>308</u>	<u>241</u>

Total resources expended include the following:

	2014	2013
	£	£
Auditor's remuneration:		
Statutory audit	35,600	37,500
Adjustment to prior year statutory audit	(900)	–
Leased rental payments on equipment and office space	465,849	449,189
Provision for voluntary exit costs	5,700	20,752

There were no resources expended on 'advisory consultancy' during the year (2013: nil return), with all consultancy falling within the 'business-as-usual' environment and being 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 £2.5m for the furtherance of the National Gallery's charitable objectives (2013: £2.0m).

9. Staff costs

	2014	2013
	£'000	£'000
Wages and salaries	11,646	11,881
Social security costs	812	815
Pension costs	1,886	1,887
Agency staff	1,000	538
	<u>15,344</u>	<u>15,121</u>

Total spend on contingent labour is disclosed under the heading 'agency staff'. As at 31 March 2014 there were no off-payroll engagements for more than £220 per day that had lasted longer than six months.

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

	2014	2013
	No.	No.
£60,000 – £69,999	4	3
£70,000 – £79,999	–	4
£80,000 – £89,999	3	–
£100,000 – £109,999	1	–
£140,000 – £149,999	–	1
£170,000 – £179,999	1	–
	<u>9</u>	<u>8</u>

All of the employees earning more than £60,000 participated in the Principal Civil Service Pension Scheme (PCSPS) pension schemes.

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

	2014	2014	2014	2013
	Permanent	Other	Total	Total
	contracts	contracts	No.	No.
	No.	No.		
Fundraising	14	5	19	19
Exhibitions	4	1	5	3
Broaden our appeal and provide an exceptional visitor experience	240	39	279	270
Preserve, enhance and develop the potential of our collections	42	7	49	51
Inspire learning and engagement	24	18	42	46
Invest in our staff, increase income and care for our physical facilities	5	3	8	8
Support	23	8	31	31
Governance	1	–	1	1
	<u>353</u>	<u>81</u>	<u>434</u>	<u>429</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 2013 and March 2014. 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	2014		2013		2013	
	Departures agreed under Voluntary Exit	Total cost of exit packages by cost band	Compulsory redundancies	Departures agreed under Voluntary Exit	Total cost of exit packages by cost band	
	No.	£	No.	No.	£	
£0 – £10,000	1	5,700	–	–	–	
£10,000 – £25,000	2	32,535	2	1	52,123	
£25,000 – £50,000	2	77,486	–	1	35,453	
£50,000 – £100,000	1	58,418	–	3	179,169	
Total number of exit packages	<u>6</u>	<u>174,139</u>	<u>2</u>	<u>5</u>	<u>266,745</u>	

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 (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2014, employer's contributions of £1,854,751 were payable to the PCSPS (2013: £1,865,903) at one of four rates in the range 16.7% to 24.3% of pensionable pay (2013: 16.7% to 24.3%) based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation.

From 2014-15, the rates will again be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2014/15 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 £29,708 (2013: £19,426) 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 £1,978 (2013: £1,300), 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 £3,608 (2013: £1,627).

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 2013	156,252	76,436	110	3,589	236,387
Donated works of art	–	–	–	–	–
Additions	2,305	1,598	273	51	4,227
Transfers	–	–	(110)	110	–
Disposals	–	–	–	(22)	(22)
Revaluation	14,843	(10,834)	–	–	4,009
As at 31 March 2014	<u>173,400</u>	<u>67,200</u>	<u>273</u>	<u>3,728</u>	244,601
Depreciation					
As at 1 April 2013	5,352	10,836	–	3,417	19,605
Disposals	–	–	–	(22)	(22)
Charge for year	1,172	2,601	–	141	3,914
Revaluation	(6,524)	(13,437)	–	–	(19,961)
As at 31 March 2014	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,536</u>	3,536
Net book value					
31 March 2014	<u>173,400</u>	<u>67,200</u>	<u>273</u>	<u>192</u>	<u>241,065</u>
31 March 2013	<u>150,900</u>	<u>65,600</u>	<u>110</u>	<u>172</u>	<u>216,782</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. In accordance with Treasury requirements, land and buildings and plant and machinery were valued on a depreciated replacement cost basis at 31 March 2014. This basis is used rather than market value or value-in-use because the building and plant are considered to be specialist in nature. This was a quinquennial year for the National Gallery, so in accordance with FRS 15 a full valuation was required. The full valuation was performed by BNP Paribas Real Estate, an independent firm of Chartered Surveyors, in accordance with the RICS Appraisal and Valuation Manual (the Red Book).

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 2014 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 Cezanne, 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 2013	3,914	264,644	268,558
Additions	15,551	1,950	17,501
As at 31 March 2014	<u>19,465</u>	<u>266,594</u>	<u>286,059</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.

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 in 2014 comprise:

- George Bellows' *Men of the Docks* was purchased at a cost of \$25.5 million (£15,436,000).
- Vincent van Gogh's *Tête de Paysanne (Head of a Peasant Woman)* which was accepted by H. M. Government in return for a tax deduction under the Cultural Gifts Scheme and allocated to the National Gallery. This painting has been included in the accounts at a valuation made by Arts Council England of £1,650,000.
- 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.
- 15 frames for various pictures at an aggregate cost of £115,000.

Five year financial summary of acquisitions

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Donated assets and acquisitions funded by donations	1,950	24,728	106,198	(235)	1,413
Other acquisitions	15,551	491	4,392	357	349
Total cost/value of acquisitions	<u>17,501</u>	<u>25,219</u>	<u>110,590</u>	<u>122</u>	<u>1,762</u>

Significant additions over the last five years include:

- Titan'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.
- A collection of 25 Baroque paintings from the estate of Sir Denis Mahon, transferred into the National Gallery's collection by the Art Fund. The paintings include works by Luca Giordano, Ludovico Carracci, Guercino, Domenichino and Guido Reni, and were already on long-term loan to the Gallery. These paintings have been included in the accounts at a value of £18,350,000.
- *A Still Life of Flowers in a Wan-Li Vase* by Ambrosius Bosschaert the Elder, one of the first and finest Dutch flower painters, received through the Acceptance in Lieu scheme in 2010.

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	2,349	64	3%	2,285	97%

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 2,349 paintings and approximately 2,429 frames. As at 31 March 2014 1,153 (49%) paintings were on public display at the Gallery, 85 (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

	2014	2013
	£'000	£'000
Market value as at 1 April	9,308	7,189
Increase in investment portfolio deposits	200	(982)
<i>Listed investments</i>		
Disposal proceeds	–	–
Additions at cost	–	1,824
Realised and unrealised (losses)/gains	675	1,277
Transfer to current asset investments	–	–
Market value as at 31 March	<u>10,183</u>	<u>9,308</u>

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

	2014	2013
	£'000	£'000
<i>Listed investments</i>		
UK fixed interest stocks	–	–
UK equities	–	–
Overseas equities	10,090	9,256
	<u>10,090</u>	<u>9,256</u>
<i>Cash held as part of the investment portfolio</i>		
UK investment portfolio deposits	93	52
	<u>10,183</u>	<u>9,308</u>

b. Current asset investments

	2014	2013
	£'000	£'000
Current asset investments	<u>4,175</u>	–
Movement in the year		
Market value at beginning of year	–	16,774
Transfer from current assets	4,175	–
Liquidated in year	–	(16,774)
Market value at end of year	<u>4,175</u>	–

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.

The 30 day and 90 day notice accounts were included within cash in 2013, because the funds could be accessed instantly. In 2013-14 the restrictions on these accounts were changed so that the 30 day and 90 day notice periods would be strictly adhered to and funds could not be released instantly. As a result they are now classified as current asset investments.

15. Debtors

	2014	2013
	£'000	£'000
Amounts falling due within one year		
Trade debtors	627	466
Other debtors	129	2,777
Tax and social security	1,444	749
Prepayments and accrued income	1,939	708
	4,139	4,700

Included in debtors are:

	Amounts falling due within one year	
	2014	2013
	£'000	£'000
Balances with Central Government bodies	1,494	816
Balances with local authorities	-	-
Balances with NHS Trusts	-	-
Subtotal: intra-Government balances	1,494	816
Balances with bodies external to Government	2,645	3,884
Total debtors at 31 March	4,139	4,700

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

	2014	2013
	£'000	£'000
Trade creditors	1,677	1,935
Other creditors	2,954	2,601
Accruals and deferred income	1,442	910
	6,073	5,446

	2014	2013
	£'000	£'000
Amounts falling due in more than one year		
Other creditors	-	-
Accruals and deferred income	136	277
	136	277
In more than one year but not more than two years	45	69
In more than two years but not more than five years	91	208
In more than five years, payable by instalments	-	-
	136	277

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

	2014	2013
	£'000	£'000
As at 1 April	914	988
Amounts released from previous years	(734)	(642)
Incoming resources deferred in the current year	834	568
As at 31 March	1,014	914

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 and exhibition sponsorship income.

b. Provisions: amounts falling due within one year

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

	2014	2013
	£'000	£'000
As at 1 April	21	120
Charged in the year	6	21
Released in the year	(21)	(120)
As at 31 March	6	21

In 2012-13 a provision of £21k was made for voluntary redundancy costs to be paid within one year and was fully utilised in 2013-14. The provision was based on a number of identified posts where post-holders are expected to leave under the voluntary redundancy scheme during 2013-14. The provision was calculated in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. The £6k provided for in 2013-14 also relates to exit packages agreed in 2013-14, but not yet paid as at 31 March 2014.

Included in creditors are:

	Amounts falling due within one year		Amounts falling due in more than one year	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Balances with Central Government bodies	606	283	–	–
Balances with local authorities	–	–	–	–
Balances with NHS Trusts	–	–	–	–
Subtotal: intra-Government balances	606	283	–	–
Balances with bodies external to government	5,467	5,163	136	277
Total creditors at 31 March	6,073	5,446	136	277

17. Financial risk management

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 £0.6 million (2013: £0.5 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 £245.00 (2013: £nil).

Liquidity risk

Grant-in-Aid from the Department for Culture, Media and Sport represents 49% (2013: 47%) of the Gallery's incoming resources before transfers and revaluations.

Exposure to liquidity risk amounts to £10 million (2013: £9 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 0.1% 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 2014	18,144	10,278	7,866	–	0.15%	n/a
At 31 March 2013	15,697	9,260	6,437	–	0.19%	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 £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 FR-S25, are set out below:

	Loans and receivables £'000	Available- for-sale £'000	Other financial liabilities £'000
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>
At 31 March 2013			
Cash	6,389	–	–
Current asset investments	–	–	–
Trade and other debtors	3,400	–	–
Investments	–	9,308	–
Trade and other creditors	–	–	(4,381)
	<u>9,789</u>	<u>9,308</u>	<u>(4,381)</u>

18. Financial commitments*Capital Commitments*

The Gallery has no capital commitments (2013: £nil).

Commitments under operating leases

As at 31 March 2014 the National Gallery had annual commitments under operating leases for photocopiers and rent payable as set out below:

	2014 £'000	2013 £'000
Operating leases which expire:		
Within 1 year	–	–
Between 2 and 5 years	<u>466</u>	<u>466</u>

19. Contingent liability

In November 2013 the Gallery launched consultations with employees working in a number of departments within its 'Public Engagement' directorate. The consultations closed in February 2014, following which there was a management review of the counter-proposals. As at 31 March 2014 the Gallery had announced the details of all posts and the key areas where voluntary redundancy was confirmed. The Gallery identified that there would be no need for compulsory redundancies, as sufficient expressions of interest in voluntary redundancy under Civil Service terms had already been received. At 31 March 2014, verbal offers of voluntary redundancy, with indicative settlements, had been made to the employees affected by these changes, subject to their acceptance.

As at 31 March 2014 the Gallery was committed to the restructure and there was a present obligation to incur some voluntary redundancy costs. However, as there had been no formal acceptances received by year end, the value of any potential liability is uncertain and cannot be reliably estimated.

20. Statement of funds

	At 1 April 2013 £'000	Income £'000	Expendi- ture £'000	Net movement on invest- ments and re- valuation £'000	Transfers between reserves £'000	At 31 March 2014 £'000
Unrestricted funds						
Designated funds:						
Designated funds for the purchase of heritage assets	1,477	-	-	-	-	1,477
Designated funds for the purchase of Guercino's <i>Cumaen Sybil with Putto</i>	-	-	-	-	-	-
Trust funds designated for the purchase of heritage assets	230	38	-	25	-	293
Total designated funds	1,707	38	-	25	-	1,770
General funds	1,529	27,934	(27,421)	-	(398)	1,644
Total unrestricted funds	3,236	27,972	(27,421)	25	(398)	3,414
Restricted income funds						
Capital assets reserve	182,415	3,785	(3,914)	-	442	182,728
Building revaluation reserve	5,264	-	-	21,367	-	26,631
Plant and machinery revaluation reserve	29,115	-	-	2,603	-	31,718
Donated works of art reserve	245,656	2,080	-	-	(115)	247,621
Heritage assets acquired	22,977	-	-	-	15,551	38,528
Exhibitions programme fund	191	608	(467)	-	(44)	288
Running cost fund	471	1,816	(1,507)	-	-	780
Curatorial fund	1,555	-	-	-	-	1,555
Collection purchases fund	147	15,436	-	-	(15,436)	147
Collection purchases trust fund	1,263	91	-	108	-	1,462
Art historical research	2,127	74	-	163	-	2,364
Total restricted income funds	491,181	23,890	(5,888)	24,241	398	533,822
Capital funds						
Collection purchase endowments	3,057	-	-	208	-	3,265
Art historical research endowment	1,038	-	-	70	-	1,108
General purpose endowments	1,485	-	-	101	-	1,586
Total capital funds	5,580	-	-	379	-	5,959
Total funds	499,997	51,862	(33,309)	24,645	-	543,195

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 2013 £'000	Unrealised gains under fair value £'000	Realised gains/ (losses) under fair value £'000	As at 31 March 2014 £'000	Reserve/ Fund net of fair value as at 31 March 2014 £'000	Reserve/ Fund (inc fair value) as at 31 March 2014 £'000
Unrestricted						
Trust funds designated collection purchases	693	25	–	718	(425)	293
Restricted						
Collection purchases trust fund	328	17	91	436	1,026	1,462
Art historical research	378	90	73	541	1,823	2,364
	<u>706</u>	<u>107</u>	<u>164</u>	<u>977</u>	<u>2,849</u>	3,826
Capital funds						
Collection purchase endowments	447	208	–	655	2,610	3,265
Art historical research endowment	152	70	–	222	886	1,108
General purpose endowments	208	101	–	309	1,277	1,586
	<u>807</u>	<u>379</u>	<u>–</u>	<u>1,186</u>	<u>4,773</u>	5,959
	<u>2,206</u>	<u>511</u>	<u>164</u>	<u>2,881</u>	<u>7,197</u>	10,078

Analysis of funds

The Statement of Funds at 31 March 2014 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 2014 £'000	Total Funds 2013 £'000
Tangible assets	–	241,065	–	241,065	216,782
Heritage assets	–	286,059	–	286,059	268,558
Investments	302	3,922	5,959	10,183	9,308
Other net assets/(liabilities)	3,112	2,776	–	5,888	5,349
Total net assets	<u>3,414</u>	<u>533,822</u>	<u>5,959</u>	<u>543,195</u>	<u>499,997</u>

22. Notes to the cash flow statement

a. Net cash inflow from operating activities

	2014 £'000	2013 £'000
Net incoming resources before transfers and other recognised gains and losses	18,553	25,503
Investment income	(262)	(211)
Donated collection acquisitions	(1,950)	(24,728)
Depreciation charge	3,914	3,710
Loss/(profit) on sale of fixed assets	(1)	(3)
(Increase)/decrease in debtors	561	(1,857)
(Decrease)/increase in creditors	471	(1,102)
Increase in stocks	1	–
Net cash inflow from operating activities	<u>21,287</u>	<u>1,312</u>

b. Management of liquid resources

	2014 £'000	2013 £'000
Decrease in liquid investment portfolio deposits held as fixed assets	–	–
Decrease/(increase) in liquid investment portfolio deposits held as current assets	(4,175)	16,774
Management of liquid resources	<u>(4,175)</u>	<u>16,774</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

	2014 £'000	2013 £'000
(Decrease) in cash in the year	(2,603)	(30,555)
Cash balance at beginning of year	6,389	36,944
Cash balance at end of year	<u>3,786</u>	<u>6,389</u>

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

	2014 £'000	2013 £'000
Balance with Government Banking Services	674	956
Balances held with commercial banks	3,110	5,430
Cash in hand	2	3
Cash balance at end of year	<u>3,786</u>	<u>6,389</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	Value of expenditure during the year	Outstanding balances due from/(to) related party at year end	Nature of transaction
		£'000	£'000	£'000	
American Friends of the National Gallery, London, Inc	Mr Mark Getty, Director of the related party, served as Trustee of the National Gallery during the year.	15,692	–	–	Grants for specific projects during the year
BBC	Entity sponsored by DCMS.	2	–	–	Various filming fees.
British Film Institute	Entity sponsored by DCMS.	–	1	–	Film royalties.
British Museum	Entity sponsored by DCMS.	–	27	–	Internal audit fee.
CQS	Sir Michael Hintze, Chief Executive of the related party, served as Trustee of the National Gallery during the year.	30	–	36	Corporate membership.
Ernst and Young LLP	Mr Nick Land, a former partner of the related party, served as an external member of Audit and Finance Committees of the National Gallery during the year.	20	–	–	Corporate membership.
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.	1,023	424	230	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.	1,493	2,500	(2,388)	Grants for specific projects and accounting fee received from NGT, a grant due to NGT and other amounts due from NGT.
National Portrait Gallery	Entity sponsored by DCMS.	223	44	2	Utility supply and electrical main upgrade recharges.

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	
Tate	Prof David Ekserdjian, Hannah Rothschild, Patricia Lankester 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 NGT Foundation	Lady Heseltine, Trustee of the related party, served as Trustee of the National Gallery during the year.	41	489	45	Rental of office space, annual management and accounting fee recharge.
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.	–	2	–	A Flint and N Sinclair AHRC
Victoria and Albert Museum	Entity sponsored by DCMS.	2	1	–	Frame glazing, joint courses and banners and royalties for the Strange Beauty exhibition.
Vodafone Group PLC	Mr Nick Land, Non-Executive Director of the related party, served as an external member of Audit and Finance Committees of the National Gallery during the year.	–	18	–	The National Gallery mobile phone rental and call charges.
		18,527	3,516	(2,075)	

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.

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