

The National Gallery Annual Report and Accounts for the year ended 31 March 2016

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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 a significant proportion 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 Trustees have had regard to the Charity Commission guidance on public benefit.

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

The National Gallery's strategic objectives are to:

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

Review of achievements and performance in 2015-16

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

Increase the depth and range of our collections

2015-16 saw a number of exciting additions to our collections. Giovanni da Rimini's *Scenes from the Lives of the Virgin and other Saints* will stimulate fresh consideration of how the Gallery presents the beginnings of Western painting. Part of a diptych, (the other wing, *Scenes from the Life of Christ*, belongs to the Galleria Nazionale d'Arte Antica, Palazzo Barberini, Rome) it was intended for private contemplation and worship. It has been acquired for the Gallery thanks to an exceptionally generous donation by the American businessman, philanthropist and art collector Ronald S. Lauder, and the panel will be loaned to him for his lifetime. It will, however, return to Trafalgar Square at regular intervals during this period.

Laurits Andersen Ring's *Road in the Village of Baldersbrønde (Winter Day)* was acquired through the support of a generous legacy from Mr. David Leslie Medd OBE and with the support of Mr and Mrs Charles Booth-Clibborn, Sir Michael and Lady Heller, Mr. Daniel Katz and other donors. Ring trained at the Royal Academy in Copenhagen and travelled widely, emerging at the end of the nineteenth century as a skilled exponent of a cool and analytical realism then flourishing across Europe. *Road in the Village of Baldersbrønde (Winter Day)* displays a masterful control of linear and aerial perspective and negotiates the border between naturalistic observation and an intuition that transcendent issues are at play.

Luca Signorelli's *Man on a Ladder* has been on long-term loan to the Gallery since July 2014, and this year has been accepted by the British Government in lieu of inheritance tax. *Man on a Ladder* exhibits the qualities for which Signorelli is most famed: his mastery of the human form, and of foreshortening. It is a fragment of a large altarpiece commissioned in 1504 for the church of Sant'Agostino in Matélica, cut into separate pieces for sale to different purchasers in the nineteenth century, and depicts the figure of a man carrying a pair of pincers which have been used to remove the nails from the crucified Christ.

The Flemish painter Joos de Momper the Younger (1564–1635) was a key figure in the transition between mannerist 'world landscapes' of the late sixteenth century and the more naturalistic landscapes of the seventeenth. *Mountainous Landscape with John the Baptist Preaching*, bequeathed to the National Gallery by

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George G. Watson, demonstrates de Momper's characteristically fluid and expressive brushwork. Although the Gallery has an outstanding group of landscape paintings by Peter Paul Rubens dating from the late 1610s to the late 1630s, the dramatic flowering of Flemish landscape painting in the late sixteenth and early seventeenth centuries would have formed Rubens's conception of the genre. De Momper's *Mountainous Landscape with John the Baptist Preaching* addresses a significant gap in the collection, and enables us to represent the work of one of the leading landscape painters of the seventeenth century in the Southern Netherlands.

The Gallery continues to acquire a range of loans to the permanent collection. In 2015, the Ferens Art Gallery loaned the Gallery five paintings. The intriguing portrait of *An Unknown Lady* has variously been attributed to Jean-Auguste-Dominique Ingres, Jacques-Louis David and one of David's most talented pupils, Francois-Joseph Navez. The painting hangs next to David's *Portrait of Comtesse Vilain XIII and her Daughter*, painted during his exile in Brussels (and quoted by Navez in one of his own paintings). This arresting confrontation will further stimulate thoughts on the proposed attribution.

The Annunciation by Philippe de Champaigne is a small-scale devotional painting almost certainly intended for private contemplation. The Gallery's *The Dream of Saint Joseph* shows Champaigne working on a much larger scale, and this loan facilitates productive comparisons between his public and private commissions. The loan of Frans Hals' *Portrait of a Young Woman* expands the chronological range of Hals' works on display at the National Gallery into the 1650s. Cornelius Norbertus Gijsbrechts' trompe l'oeil *Studio Wall with a Vanitas Still Life* contributes to our understanding of the development of illusionistic painting in the 1660s, and Marcus Gheeraerts the Younger's unidentified *Portrait of a Lady* with its emphasis on stylised elaboration contrasts with the animated portraits painted by Anthony van Dyck in England just a few years later.

The Ferens Art Gallery also loaned *Boulogne Sands (Children Shrimping)* by British artist Philip Wilson Steer whose use of widely-spaced dots of colour reveal a debt to the pointillist technique of Georges Seurat, while the blond tonality and hastily-sketched figures on the beach echo the work of such artists as Monet.

The loan by the Burghley House Collection of Orazio Gentileschi's *The Virgin and Child in a Landscape* was generously extended in 2016. Although it is not known who commissioned this exquisite painting on copper, the painting's small scale and intimate subject matter both suggest that it was made for private devotion. The painting was once owned by Pope Clement XIV, who gave it to Brownlow Cecil, 9th Earl of Exeter (1725–93), in 1774 and it has remained in the family collection at Burghley House ever since.

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.

The technologies applied to the technical imaging of paintings are in constant development, and this year the scientific department have been exploring three new instruments – 3D surface texture mapping, macro-X-ray fluorescence (XRF) scanning and hyperspectral imaging. The 3D surface texture mapping system was acquired in the spring of 2015 and can be used to image and record the topography of a painting. The use of this system on some of the paintings currently in the conservation studio has revealed great potential as a valuable aid in monitoring the condition of paintings more effectively. Twelve paintings were studied with macro-XRF scanning, a recent analytical imaging technique developed by Antwerp University and the Technical University of Delft. Thanks to collaboration with the latter, the commercial Bruker M6 system was loaned to the Gallery for six weeks in summer 2015. The instrument is able to map the chemical elements (associated with individual pigments) both at and below the surface of a painting. Work has also been progressing this year on the specification and construction of a state of the art hyperspectral imaging system, with the help of the department's Hewlett Packard Digital Imaging Research Fellow. These new and complementary imaging techniques offer the potential for enhancing the department's capabilities and making interesting new discoveries that can in the future enhance our understanding of the works in our Collection.

There were two particularly notable conservation treatments completed in 2015-16. Rubens' *Birth of Venus* was made as a preliminary design for a basin or platter which was to be made in silver. Painted in oil on an oak panel and using deliberately streaky priming as his base, Rubens suggests an incredible array of matter and movement using just three or four pigments, getting maximum tonal and chromatic variety from expert handling of scumble and glaze. The limited palette was particularly distorted by the discoloration of the varnish which had been applied in 1885, and the removal of that varnish revealed an animated and sculptural image in a remarkable state of preservation.

Ferdinand Bol's *Astronomer* is perhaps less well known than when it entered the Collection in 1862, when its exotic subject and setting would have resonated more strongly with the taste for similar qualities in the work of both early Rembrandt and the so-called *fijnschilders* such as Gerrit Dou. Many of those elements are easier to appreciate within the *Astronomer* following the restoration by Flaminia Rukavina, The Gallery's first *Patrick Lindsay Conservation Fellow*. This position, which renews every two years, was endowed by Mr Lindsay's estate to commemorate the training he received at the Gallery more than sixty years previously from Helmut Ruhemann, one of the most influential conservators of the last century.

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>Inventing Impressionism</i> (£) 4 March 2015 – 31 May 2015	120,637 (from 1 April 2015)	Sainsbury Wing
<i>Frames in Focus: Sansovino Frames</i> 1 April 2015 – 13 September 2015	37,249	Room 1
<i>Art in Dialogue: Duccio Caro</i> 13 June 2015 – 8 November 2015	144,975 ²	Room 66
<i>Soundscapes</i> (£) 8 July 2015 – 6 September 2015	35,602	Sainsbury Wing
<i>Francisco de Goya's Portrait of Doña Isabel de Porcel: A Question of Attribution</i> 7 October 2015 – 10 January 2016	93,066	Room 1
<i>Goya: The Portraits</i> (£) 7 October 2015 – 10 January 2016	185,997	Sainsbury Wing
<i>Visions of Paradise: Botticini's Palmieri Altarpiece</i> 4 November 2015 – 28 March 2016	193,237	Sunley Room
<i>Delacroix and the Rise of Modern Art</i> (£) 17 February 2016 – 22 May 2016	55,259 (to 31 March 2016)	Sainsbury Wing

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

Frames in Focus: Sansovino Frames opened in Room 1 in April 2015. The exhibition was dedicated entirely to the most innovative and yet mysterious Renaissance frame type, the Sansovino frame. The exhibition and publication were made possible through the generous support of Tim and Madelaine Plaut.

Art in Dialogue: Duccio Caro – brought together two works of art made almost seven hundred years apart: the *Annunciation* by Duccio (active 1278–1319), and *Duccio Variations No. 3* by Sir Anthony Caro (1924–2013), one of the greatest British sculptors of his generation.

Soundscapes was a very different kind of exhibition for the National Gallery. Six sound artists and composers were given free range of the collection and each chose a painting to respond to. The six paintings were displayed in the Sainsbury Wing, each in its own darkened room, together with the music or sound (played from high tech speakers) that had been specially created for it.

The National Gallery's landmark exhibition *Goya: The Portraits* sought to tell the story for the very first time of Goya as a portrait painter. *Goya: The Portraits* included loans from eight different countries, only a few of which had ever been seen before in this country, and many of the portraits borrowed for this exhibition will not be seen together again for at least another generation. *Goya: The Portraits* was sponsored by Credit Suisse.

The aim of the Sunley Room exhibition *Visions of Paradise: Botticini's Palmieri Altarpiece* was to shed new light on the National Gallery's monumental and unusual altarpiece of *The Assumption of the Virgin*. The show brought together some 30 outstanding works, ranging from paintings, sculpture, drawings, prints, manuscripts and a bronze medal to better understand the extraordinary Palmieri altarpiece and situate it within its rich original artistic context.

In the exhibition *Delacroix and the Rise of Modern Art*, Delacroix's works appear with those of contemporaries such as Bonington, Chassériau and the young Manet, all of whom fell under his influence. Delacroix played a shifting role in the imaginations and art-world strategising of avant-garde artists for some fifty years after his death. The exhibition was organised in collaboration with the Minneapolis Institute of Art where it was first seen in autumn 2015. It is generously supported by Art Mentor Foundation Lucerne, with additional support from The Daniel Katz Gallery, London.

Maintain and develop a coherent display of the collections

Rooms 41 and 42 reopened to the public, following complete refurbishment. The remaining rooms in the suite of galleries housing the nineteenth-century collection continues, and will be completed by the end of 2016. While the refurbishment programme continues, the post-1800 collection is displayed in new displays in Rooms 41 and 42, and in the Cruciform Galleries. Room 33 was also refurbished, and the French 18th-century collection has been redisplayed in this space.

As ever, the Gallery's exhibition and loans programme has led to substantial movements in the permanent collection displays. This year, parts of the post-1800 collection were rehung when many of the Gallery's paintings by Delacroix and other nineteenth-century French artists were included in the exhibition *Delacroix and the Rise of Modern Art*. Room 66 was used for a temporary display, juxtaposing a sculpture by Sir Anthony Caro with Duccio's *Annunciation*. This also provided an opportunity to integrate Piero della Francesca's paintings within the main collection. They were displayed in Room 54, with paintings by Uccello and Sassetta.

Rembrandt's *Portrait of Frederick Rihel on Horseback* was hung following conservation treatment and display in the *Late Rembrandt* exhibition, forming the centre of a new display of Rembrandt in Room 23. The chance to take on loan Arthur Streeton's *Blue Pacific* (1890) has enabled the Gallery to show an Australian painting in the collection for the first time. This has made important connections and synergies with various parts of the post-1800 collection, and we are now organising a Sunley Room exhibition devoted to Australian Impressionism, opening in December 2016. A group of temporary loans of paintings from the Ferens Art Gallery, Hull was interspersed among the permanent collection. It has been particularly interesting to see Marcus Gheeraerts' *Portrait of a Lady* (1618), depicting a Lady at James I's court, shown with English portraits by van Dyck.

The Gallery's acquisitions also prompted more discreet redisplay of parts of the collection. *Road in the Village of Baldersbrønde (Winter Day)* by Ring has been hung with the Gallery's Scandinavian pictures, and also with post-1800 French painting. Signorelli's *Man on a Ladder* has been displayed with a strong group of paintings by Signorelli, Raphael and Perugino in Room 60.

This year we reframed Titian's *Allegory of Prudence* in a newly acquired, valuable and appropriate period frame following a public funding appeal. The finely carved, gilded and punched sixteenth-century Venetian frame is highly suitable in style and of the right size for Titian's *Allegory of Prudence*. Italian sixteenth-century frames of this quality have become very rare and expensive.

A number of other 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:

Bartolomeo Veneto	<i>Lodovico Martinengo</i>	NG287
Benedetto Diana	<i>Christ Blessing</i>	NG2725
Rosso Fiorentino	<i>A Knight of Saint John</i>	NG932
Francesco Francia	<i>The Virgin and Child with Two Saints</i>	NG638
Garofalo	<i>An Allegory of Love</i>	NG1362
Garofalo	<i>A Pagan Sacrifice</i>	NG3928
Guardi	<i>Venice: The Doges Palace and the Molo from the Basin of San Marco</i>	NG2099
Frans Hals	<i>Young Man holding a Skull (Vanitas)</i>	NG6458
Gerrit van Honthorst	<i>Saint Sebastian</i>	NG4503
Italian, Emilian	<i>A Mathematician (?)</i>	NG2294
Moretto da Brescia	<i>Portrait of Count Fortunato Martinengo Cesaresco (?)</i>	NG299
Neapolitan	<i>The Adoration of the Shepherds</i>	NG232
Andrea Previtali	<i>The Virgin and Child with a Shoot of Olive</i>	NG2500
Rembrandt	<i>A Woman bathing in a Stream (Hendrickje Stoffels?)</i>	NG54
Titian	<i>An Allegory of Prudence</i>	NG6376

Jacob van Walscappelle	<i>Flowers in a Glass Vase</i>	NG1002
Adriaen van de Velde	<i>Peasants with Cattle fording a Stream</i>	NG868
Leandro Bassano	<i>The Tower of Babel</i>	NG60
Guardi	<i>Venice: The Punta della Dogana with S. Maria della Salute</i>	NG2098
Italian	<i>The Head of Saint John the Baptist</i>	NG1438
Andrea Previtali	<i>Scenes from Tebaldeo's Eclogues: Damon broods on his Unrequited Love/Damon takes his Life</i>	NG4884.1
Andrea Previtali	<i>Scenes from Tebaldeo's Eclogues: Thyrsis asks Damon the Cause of his Sorrow/Thyrsis finds the Body of Damon</i>	NG4884.2
Francesco Zaganelli	<i>The Baptism of Christ</i>	NG3892.1
Francesco Zaganelli	<i>The Dead Christ with Angels</i>	NG3892.2

Broaden our appeal and provide an exceptional visitor experience³

Strengthen public awareness of the National Gallery

Over 5.9m visitors came to the Gallery in the past year, with more than 9.4 million visits to our digital channels, up from just over 8 million last year.

We continue to build a buoyant community of advocates, who share their experiences and stories about the Collection and the Gallery with both us and our global audience. This is supported by the Customer Relationship Management strategy which has led to our database growing by 148% to 442,000 subscribers. The new Membership programme now has over 21,000 members who enjoy free entry to exhibitions, special gallery events and other benefits. We have reached over 1 million followers across our social media platforms and launched an official National Gallery Instagram account, reaching over 100,000 followers in its first few months. This has been supported by initiatives such as 'access to images', launched in summer 2015, enabling downloading of digital images of our collection for non-commercial use.

Inventing Impressionism was a major international exhibition exploring how art dealer and collector Paul Durand-Ruel discovered, exhibited and adeptly marketed the new painting style. The exhibition achieved high profile coverage from publications across Europe and was the focus of many positive discussions on social media. Overall, UK media readership came to 42 million, with overseas totalling 9 million. 175,617 visitors saw the exhibitions.

Soundscapes explored how we experience art by combining looking at paintings with responsive soundtracks created by a range of artists. Attracting a total of 35,602 visitors and a UK media readership of 21 million, the exhibition reached out to new audiences across music, blogs and social media. *Soundscapes Late Nights* were all sold out events.

Goya: The Portraits was the first UK exhibition to explore the career of Francisco de Goya y Lucientes as a portrait painter. Hailed as "one of the shows of the decade" by The Daily Telegraph, it received 5 star reviews from many high profile publications and wide coverage both nationally and internationally, reaching an outstanding 185,997 visitors and 66 million total media readership.

The Gallery's national strategy promotes the understanding, knowledge and appreciation of Old Master paintings throughout the UK. Between 2014 and 2016 the *Masterpiece Tour*, sponsored by Christie's, allows three major National Gallery paintings to tour the UK. The second painting, Canaletto's *A Regatta on the Grand Canal*, began its tour in March 2015. At the Victoria Art Gallery in Bath the work was shown alongside views of the city, highlighting Canaletto's influence on British artists and eighteenth-century enthusiasm for view painting. At Compton Verney in Warwickshire it was juxtaposed with Vanvitelli's *Posillipo with the Palazzo Donn'Anna*. The tour ended at Sunderland Museum and Winter Gardens, where the painting was shown with a group of nineteenth-century panoramic river paintings depicting local ceremonial scenes.

Rembrandt's *Self Portrait at the Age of 63* left the Gallery on its tour in January 2016. At the Ulster Museum, Belfast, visitors were invited to spend time 'with Rembrandt' in a display that encouraged sustained looking. At Kendal in the Lake District, *Self Portrait at the Age of 63* offers a new perspective on the portrait collections at Abbot Hall Art Gallery. The tour will come to a close at Bristol Museum & Art Gallery in 2016, where *Self Portrait at the Age of 63* will hang at the heart of the Old Master Gallery, and will be complemented by Rembrandt etchings from Bristol's permanent collection, including a self-portrait.

³ 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".

There was a significant positive development for the Gallery in February, when it was announced that HRH The Prince of Wales had become its first Royal Patron; with the announcement taking place as the Prince attended the Private View of *Delacroix and the Rise of Modern Art*. There has long been an association between The Prince of Wales and the National Gallery – he was previously a Trustee from 1986 to 1993. Commenting on the Royal Patronage, Hannah Rothschild, Chair of the National Gallery Trustees, said: “As a patron of the arts, a passionate advocate for cultural life, and a former trustee, The Prince of Wales is uniquely qualified to become the National Gallery’s first Royal Patron. It is a great honour for the institution and we look forward to working more closely with him in the years to come.

Inspire learning and engagement⁴

Promote new ways of exploring the collection and learning about it

This year has seen many exciting additions to the education programme. Our Schools programme now offers practical art workshops and sessions tailored to the spiritual, moral, social and cultural curriculum. These encourage in-depth engagement with our collection and the development of higher-order thinking skills respectively.

Our Family programme has enabled us to develop new strategic partnerships and introduce a wider range of creative practitioners. We engaged with community groups, schools and cultural organisations across London including the Hua Hsia Chinese School, St James’ Park, the Mall Galleries and Wilton’s Music Hall. These collaborations resulted in new approaches for engaging family and early years audiences, including traditional Chinese and Indian arts, dance, music and storytelling. To date, 514 children and adults have participated in family outreach while family festivals attracted an average audience of 1,000. Our 2016-17 programme will continue to embed this and initiate new forms of accessible provision for other target audiences such as families with children who have special educational needs.

Our Adult Learning programme has extended to include accessible sessions for adults with learning disabilities. This year saw the launch of ‘Access to Art’; a programme tailored for adults experiencing a range of access requirements, opening up opportunities for the 57 participants to engage with the Gallery’s paintings and staff, learn new skills, create personal responses and increase confidence. In addition to these bespoke programmes, ‘relaxed’ versions of existing programmes have enabled us to maintain relationships with community organisations. Relaxed ‘Talk and Draw’ workshops for 44 adults with learning disabilities have equipped individuals with skills for employment. A welcome supplement to the workshop offer includes access to temporary exhibitions, which are now supported by complimentary tickets for community groups. Group leaders were provided with a written guide, assisting them to plan and carry out independent visits. This has facilitated continued contact and progression for our new partners beyond the end of their programmed activity.

Our Gallery talks are, thanks to collaboration with colleagues, now reaching a global audience in their thousands via YouTube.

Develop the Gallery as a centre of excellence for academic research

Research underpins many areas of the National Gallery’s work including: exhibitions, scholarly catalogues and other publications; the care and conservation of the pictures; and their display and interpretation. The Gallery’s teams of curators, scientists, conservators and archivists have continued to collaborate on this core activity, maintaining our distinctive multi-disciplinary research tradition. This year has seen work on the ongoing scholarly cataloguing programme, concentrating on paintings from the eighteenth-century French School, as well as the nineteenth-century Barbizon school. A special issue of the National Gallery Technical Bulletin on the materials and technique of Titian during the latter part of his career was also published.

The Gallery remains committed to the teaching of post-graduate students through its several MA programmes jointly taught with universities, and through its Collaborative Doctoral Partnership scheme, funded by the Arts and Humanities Research Council. The successful 2015 application for renewal of this initiative, in a new consortium with The Bowes Museum, County Durham, will allow us to offer three PhD studentships per year in collaboration with universities across the UK for the next three years. The Gallery also has many other research partnerships with universities and other museums and galleries worldwide, including two new EU-funded projects; IPERION-CH, a Europe-wide consortium working together on research in the field of science applied to cultural heritage of all kinds, and CROSSCULT, which will apply research in the digital humanities to develop an app that will deliver information on the collection to visitors to the Gallery in novel ways through their own mobile devices.

⁴ 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”.

Established in 1870, the National Gallery's library contains over 75,000 printed volumes relevant to the study of the history of paintings in the Western European tradition from the thirteenth to the early twentieth-century. Among the library's most distinctive holdings are its monographs, catalogues raisonnés, early guidebooks, exhibition catalogues, sales catalogues and pamphlets which relate to public galleries and private collections worldwide. It also has a strong collection of early source works, consisting of approximately 2,000 titles, published before 1850. The Gallery has taken steps to increase and encourage access to these significant publications, with its 2010 introduction of an electronic library catalogue and the launch of its Research Centre in 2013. Further access was made possible in 2015 through a 17-week pilot project to catalogue 502 rare and historic books dating from the fifteenth to the mid-nineteenth century, and the project is now in its second phase. Another tranche of material will soon be catalogued, including the pre-1900 scientific book collection, which remains an invaluable resource for the Gallery's Scientific and Conservation departments.

The Gallery's archive was enhanced by the addition of the art historical research papers of the former Director, Sir Michael Levey. The papers were acquired in March 2016 and comprise manuscripts, typescripts, notes and correspondence dating primarily from the 1990s until Sir Michael's death in 2008. Material includes papers relating to Sir Michael's work on Sir Thomas Lawrence (including some original Lawrence letters); research material for reviews and publications; correspondence relating to drafts and works in progress; and a number of publications, often with reviews and notes inserted into them.

The cataloguing of the Agnew's Archive was successfully completed in March 2016 and the catalogue was made available online at the start of April. The project had been supported by the John Murray Trust and the National Cataloguing Grants Programme for Archives. In addition to the cataloguing project, the first eleven paintings stock books were digitised with the generous support of Lowell Libson. These are now being prepared for online publication and will serve as a valuable resource accessible to scholars around the world. Further archive digitisation projects are now being considered.

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

Invest in our staff, increase income and care for our physical facilities⁵

Invest in our staff

The Gallery refined and extended its induction programme, with additional induction training specifically for managers, as well as continuing with the management and leadership development programmes launched in 2015-16. Work on enhancing the induction and other management programmes will continue into 2016-17. The Gallery's training programme also saw investment in leadership programmes (internal and external), as well as training to ensure that the Gallery continued to support its required complement of first aiders and fire marshalls. We continued to invest in language skills and to support continuing professional development.

During 2015-16 the focus for employee communications and activity was the Partnering Programme which was successfully concluded on 1 November 2015. In addition to our embedded organisation communication processes, workshops and Monday morning briefings were held to ensure that all employees were kept up-to-date on progress of the programme. The year also saw the Gallery's most significant industrial dispute for some years which was successfully brought to a conclusion in early October 2015, allowing the majority of employees transferring under TUPE to be fully trained and qualified in the shortest possible time. All staff who transferred under TUPE now have a transferable, professionally recognised security qualification.

Increase income

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

The Membership Programme was launched in September 2014, and as well as the continued progress in attracting new members, 2015-16 also saw the first wave of membership renewals, with a very encouraging 70% renewal rate from year one to year two. Members benefit from free, unlimited entry to all exhibitions; invitations to a programme of after-hours events and access to an exclusive online magazine featuring unique, behind-the-

⁵ 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".

scenes features. Members are also able to enjoy a range of special offers and are kept up to date through the Membership e-newsletter.

There was strong external support in the last year for the exhibition programme with Eurotunnel, Philippe and Stephanie Camu, the NDL Foundation and the Jacaranda Trust all providing support for *Inventing Impressionism*; the Blavatnik Family Foundation and members of the Gallery's own Development Committee supported *Soundscapes*. The Gallery has continued its major partnership with Credit Suisse. Its support provides the foundation for the exhibitions programme and provides the Gallery with the security to plan forthcoming seasons, as well as contributing to the wider work of the Gallery.

The impact of leaving gifts in wills was underlined in 2015-16 with a legacy gift from Mr David Leslie Medd OBE assisting the Gallery in purchasing the first-ever painting by the Danish artist to enter a UK public collection: *Road in the Village of Baldersbrønde* (*Winter Day*) by Laurits Andersen Ring. In addition, the legacy of Professor Hamish F. Swanston enabled the Gallery to fund a programme of conservation work on Italian Renaissance paintings.

The Gallery saw another exceptional year for exhibition ticketing income. In 2014-15 this was largely driven by the extraordinary success of the *Rembrandt: the Late Works* exhibition; while in 2015-16 there were also exhibitions that exceeded expectations, particularly *Inventing Impressionism* and *Goya: the Portraits*. Press reviews for both exhibitions were excellent and demand for tickets was high throughout the exhibition runs.

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 2015-16 the Gallery collaborated with NGC in the launch of the Gallery's venue hire offer. There are now a range of options available for members of the public, or companies wishing to hold events at the National Gallery. Early bookings have exceeded expectations, with every sign that this will be a valuable source of additional income for the Gallery in future years. 2015-16 also saw NGC undertake significant investment in its shops, with a major refurbishment of the shop next to the Gallery's Getty entrance, as well as trial of a new retail space in the Annenberg Court. NGC also renewed its contract with Peyton and Byrne for the catering offer provided to Gallery visitors.

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. Our move to LED technology with dimming control allows us to gain maximum benefit from natural daylight. The Sainsbury Wing Theatre now has LED house lights and we plan to upgrade the stage lighting. Back-of-house corridors, shops and restaurants now also make use of LED technology to further reduce our carbon footprint.

The boiler replacement project has now been completed and it is anticipated that these new boilers, together with an improved distribution infrastructure and control strategy will improve the efficiency by some 10% when commissioned. Further analysis on gas use will be carried out in due course to quantify the savings achieved.

Continued refurbishments have been a work in progress across the Gallery to both improve the display and experience for our visitors and the efficiency of the building fabric. This year we completed the Room 33 project, removing the internal laylight glazing and replacing external glazing and solar blinds. This has resulted in improved daylight transmission into the room, reducing the need to use energy for lighting. The Room 15 project replaced the external glazing and frame with a new patent double glazing system designed to improve the thermal performance of the roof. Phase 1 (Rooms 41 and 42) of the East Wing gallery roof refurbishment project was also completed. Similar to the Room 33 project, this involved the replacement of the existing single glazed roof with new double glazing and solar blinds. Phases 2 and 3 (Rooms 43, 44, 45 and 46) are due to be completed during 2016-17.

Plans for the future

2015-16 has been a year of change in senior leadership at the Gallery. Mark Getty retired as Chairman in August 2015 and was succeeded by Hannah Rothschild. Nicholas Penny retired as Director in the same month and was succeeded by Gabriele Finaldi. The new leadership team is undertaking a review of strategic priorities and the key themes emerging are set out below:

Access for all

The Gallery attaches great significance to its National remit and will strive to be an Institution for all. It will seek to engage with partners across the UK as existing National Programmes are developed and new relationships established and the foundation bicentenary in 2024 will emphasise the theme of 'a Gallery for all'.

Care for and enhance the Collection

The Collection is relatively modest in scale but world class in quality and breadth of historical coverage. The Gallery will continue to develop its expertise in the areas of conservation; environmental controls and estates management at the same time as looking for ways to develop the Collection where opportunities exist across the entire range of the Gallery's remit.

Inspire research, learning & engagement

The Gallery already undertakes and publishes extensive scientific and research work. As new technologies and techniques become available that enable us to undertake detailed investigation with minimal physical intervention we will further develop expertise in this area. We will also continue to support and develop academic research within the Curatorial team and through external partnerships and enhance the role of the Research Centre. The Education service currently engages with a wide range of schools and is one of the largest providers in the sector. In future we will extend the range of support to provide more dedicated material for young people above school age.

Visitor experience

Visitor numbers at the Gallery have grown by 40% over the past decade, and the trend in the first three months of 2016 suggests that they are likely to exceed 6m again in 2016. London's popularity as a tourist destination seems likely to continue to increase and the Gallery will seek new ways to ensure that it can continue to offer the best possible experience to visitors both in Trafalgar Square and digitally.

In order to deliver these objectives, the leadership team has identified three key requirements:

Investment in staff

The Gallery undertook an extensive outsourcing programme in 2015-16 resulting in the appointment of Securitas as our partner for Visitor and Security related services and the transfer of 289 staff from the Gallery to Securitas. The Gallery is now developing and will implement proposals to ensure that its employees are supported to deliver effectively and efficiently in their roles.

Maintain and develop the estate

The Gallery is a Grade 1 listed building of national significance and has in place a comprehensive long term programme to ensure the estate is maintained to a high standard and that environmental conditions within the Gallery are kept within agreed parameters. The ambitions set out above for enhancement of the Collection and provision of a world class visitor experience have implications for the space required in Trafalgar Square, and the Gallery will develop plans for optimal use of the whole site in the medium term.

Increase self-generated income

The Spending Review settlement has provided a degree of certainty over funding for the 5 years to 2020-21 and will enable the Gallery to progress with confidence. However, no provision is made for inflation or funding to cover new activities and respond to cost pressures in a changing and increasingly hazardous world. Therefore the Gallery will continue to develop self-generated income streams through more intensive use of Gallery spaces and in collaboration with its commercial partners.

The transition to a new Chair and Director is now complete and the Gallery is embarking on an exciting period of development in the lead up to the bi-centenary in 2024, and beyond, as we look to welcome ever more visitors to both our physical and virtual displays.

DCMS Key performance indicators

Specific information relevant to the Gallery's contribution to DCMS performance indicators for 2015-16 as set out in the Funding Agreement agreed with DCMS:

	Performance in 2015-16	Performance in 2014-15
1. Number of visits to the Gallery (excluding virtual visitors)	5.9m	6.5m ⁶
2. Number of unique users visiting the website	4.7m	4.5m
3. Number of visits by children under 16	0.4m	0.5m
4. Number of overseas visits	3.8m	4.1m
5. (a) Number of facilitated and self-directed visits to the Gallery by visitors under 18 in formal education	108k	146k
5. (b) Instances of visitors under 18 participating in on-site organised activities	9k	11k
6. % of visitors who would recommend a visit	99%	99%
7. Number of UK loan venues	19	29
8. (a) Self-generated income – admissions	£3.4m	£4.2m
8. (b) Self-generated income – trading	£3.0m	£2.3m ⁷
8. (c) Self-generated income – fundraising	£15.6m	£9.5m ⁸

Industrial action during 2015 and the resulting room closures impacted attendance at the Gallery, and fewer school visits occurred in the period. Activities on outreach programmes increased but are not reflected in the above figures.

⁶ Restated due to reporting of incomplete data in the prior year.

⁷ Restated to move membership income from trading to fundraising, in accordance with DCMS guidance.

⁸ Restated to move membership income from trading to fundraising in accordance with DCMS guidance, and exclude £0.2m of other government grants.

Financial Review

Financial position

The Statement of Financial Activities is set out on pages 33 – 34 of this document. Income for 2016 amounted to £46.4 million (2015: £42.1 million); total expenditure amounted to £35.6 million (2015: £36.6 million), resulting in net income (after unrealised investment gains and revaluations) of £10.4 million (2015: £7.0 million). Of the net income of £10.4 million, £9.1 million relates to restricted funds; including £5.6 million of donations to fund collection acquisitions, and around £1 million of funding restricted to education projects in future years. Net income associated with unrestricted funds amounted to £1.5 million; with the balance of £0.2 million being a movement on permanent endowments.

Income from donations and legacies for the year totalled £37.1 million (2015: £32.9 million). This figure includes income relating to picture acquisitions, Government Grant-in-Aid and other donations, as well as legacy income. Income relating to picture acquisitions was mainly attributable to the donation of £4.8 million to acquire Giovanni da Rimini's *Scenes from the Lives of the Virgin and other Saints* (in the prior year the Gallery received grants of £2.4 million to fund the purchase of Corot's *Four Times of Day*). Income from charitable activities for the year totalled £3.4 million (2015: £4.2 million). The balance of income, £5.9 million (2015: £5.0 million), is mainly from the Gallery's corporate and individual membership schemes, and sponsorship income.

The Gallery's total expenditure for the year was £35.6 million (2015: £36.6 million). More was spent on exhibitions and broadening our appeal and providing an exceptional visitor experience compared with 2014-15, due to an ambitious exhibition programme in 2015-16 that led to increased costs (e.g. transportation and insurance costs associated with picture loans). Spend on preserving, enhancing and developing the potential of our collections appears much lower than in 2014-15, but this is mainly accounted for by the grant to the National Gallery Trust, which was an exceptional £4.6 million in 2014-15, due to the success of the Rembrandt exhibition; but in 2015-16 the Gallery has retained a higher level of reserves – which have been ring-fenced for spending plans in 2016-17 – and this has meant a smaller grant to the Trust from the remaining unrestricted reserves.

The net movement in funds for the year amounted to £12.1 million (2015 restated: £36.3 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 £1.7 million (2015: £29.3 million) and investment losses of £0.2 million (2015: Gains: £1.5 million).

In accordance with the Government Financial Reporting Manual (FRM) – which reflects the requirements of FRS 102, Section 34 – 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 102, Section 34 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 14 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 13. 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 £24.1 million for the year ended 31 March 2016 (2015: £25.9 million). 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 continued

to see an increase in charitable support, including a generous donation from the Blavatnik Family Foundation in support of *Soundscapes*; and donations from the NDL Foundation and the Jacaranda Trust, and Phillipe and Stephanie Camu, in support of the *Inventing Impressionism* 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 da Rimini's *Scenes from the Lives of the Virgin and other Saints*; the only high-quality work from fourteenth-century Rimini remaining in a private collection in Britain. The panel was acquired for the nation thanks to a generous donation from American businessman, philanthropist and art collector, Ronald S. Lauder, which provided the Gallery with the funds to purchase it.

The Gallery's partnership with Credit Suisse continued to play a vital role in contributing to the Gallery's activities as a whole and in sponsoring the major exhibition: *Goya: the Portraits*. We also received sponsorship from Eurotunnel for the *Inventing Impressionism* exhibition. In addition, Corporate Membership continues to provide a stable source of unrestricted income.

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 deliver an optimal 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 optimising long-term total return.

Trust funds that may be expended over the short to medium term are invested with a view to deliver an optimal 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 deliver an optimal 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 authorised funds, 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

Permanent endowments and restricted funds held for the longer term are invested in a developed market equity index fund. The gross total return on this fund during the financial year before fees was negative 3.36% (2015: positive 6.12%). The benchmark for this fund is the MSCI World Net TR Index, which delivered a net total return for the year after fees of negative 3.45% (2015: positive 6.03%).

The Gallery also holds short-term money market funds and fixed-rate interest accounts. Performance is measured against the official Bank Rate set by the Bank of England. In the year to 31 March 2016 the fixed-rate weighted average interest rate was 0.55% (2015: 0.39%) compared with the base rate of 0.5% (2015: 0.5%).

Details on the movement of investments during the year can be found in note 15.

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 changes may be made where appropriate to reflect likely funding requirements in the coming year.

The aggregate value of reserves is £591.4 million (2015 restated: £579.2 million). A breakdown of these is shown in the Balance Sheet and in the Statement of Funds (note 21). A significant proportion of the funds (£274.0 million; 2015: £270.6 million) relate to the Gallery's land and buildings, being the Trafalgar Square site, plant and machinery, and equipment. These funds are therefore effectively inalienable. A further –£0.1m (2015: £0.2m) relates to funds restricted for additions to the Gallery's Land, Buildings and Equipment. £295.9 million (2015: £290.2 million) is represented by the value at the date of acquisition of donations to the collection and pictures acquired since 1 April 2001, and £1.9 million (2015: £2.1 million) relates to funds restricted for future acquisitions.

Of the remaining £19.6 million (2015 restated: £16.1 million), £6.7 million (2015: £6.8 million) is in permanent endowments, where the capital must be retained, and £7.8 million (2015: £6.1 million) represents other restricted funds. A further £1.7 million (£1.9 million) is income, mainly from bequests, which the Trustees have designated for picture purchases. The remaining balance of £3.4 million (2015 restated: £1.3 million) represents undesignated general funds arising from the Gallery's fundraising, trading, and charitable activities. At their meeting in March 2016, the Audit Committee agreed this 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 (2015) (FRS102).

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

History

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

Organisation

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

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

The principal address of the charity is:

The National Gallery
Trafalgar Square
London WC2N 5DN

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

Advisors

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

Payment policy

The Gallery aims to settle all bills either within the period stated by the supplier or within 30 days.

The year-end creditor day ratio was 35 days (2015: 44 days).

Equal opportunities

The Gallery remains an equal opportunities employer and the outsourcing programme of 2015-16 saw major changes in the Gallery's employee profile. Over two thirds of the workforce are women compared to a more even gender split in previous years. An analysis of pay shows that there is a small gender pay gap resulting from these changes which will be addressed through our review of our overall employment model during 2016-17. The Gallery has introduced a programme to work in partnership with a national organisation to provide work placement opportunities for those with disabilities and the first placement is due to take place in the summer of 2016. Additionally, the review of the employment model will seek to increase flexibility within the pay and reward structure as well as reinforce our existing flexible working practices.

Sickness absence management

The average number of days of employee absence due to sickness was 7.2 days (2015: 10.5 days). Excluding long term sickness, the average number of days of absence was 3.3 days (2015: 4.8 days).

Immunity from Seizure Report 2015-16

This report applies to the ninth 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 2015-2016 are as follows:

Inventing Impressionism
4 March – 31 May 2015

Goya: The Portraits
07 October 2015 – 10 January 2016

Visions of Paradise: Botticini's Palmieri Altarpiece
4 November 2015 – 28 March 2016

Delacroix and the Rise of Modern Art
17 February 2016 – 22 May 2016

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

Sustainability report

Our sustainability aim is to save energy and reduce our consumption of resources, generation of waste and 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 are in the process of developing our second Carbon Management Plan to cover the period 2015-2020. This serves to follow on from the Carbon Management Plan for the period 2010-2015; (<http://www.nationalgallery.org.uk/about-us/organisation/policies/carbon-management-plan>). During 2015-16 we have undertaken a number of projects, to improve sustainability and to lay the foundations for significant reductions in emissions in future years. These included:

- Replacement lighting in Sainsbury Wing Theatre and Getty Shop using energy efficient LED bulbs;
- Pipework and plant insulation upgrades in main plant rooms;
- Replacement of the belt driven chilled water pumps with direct drive units;
- AHU refurbishments (North Extension);
- Roof refurbishments;
- Continued benefit of our CHP unit.

Our performance is summarised in the table below:

Area		2015-16 ⁹	2014-15	2013-14	2012-13
Greenhouse Gas Emissions (Scopes 1, 2 & 3) tCO ₂ e	Actual	6,117	6,006	6,051	6,755
	Target	5,706	5,258	5,626	6,232
Estate energy	Consumption (million kWh)	24.6	24.8	25.4	22.4
	Expenditure (£ million)	1.1	1.1	0.9	1.0
Estate waste	Amount (tonnes)	660	606	747	747
	Expenditure (£'000)	66	58	54	54
Estate water	Consumption ('000 m ³)	40.1	39.3 ¹⁰	35.5	35.9
	Expenditure (£'000)	88	82	71	72

There are two key reasons for the increase in overall carbon emissions reported in 2015-16 (+2.8%). Scope 1 emissions increased due to a refrigerant leak. Although leak detection and leak management procedures are in place, this led to a use of refrigerant that was significantly higher in emissions than that used in previous years. Scope 2 emissions (Grid electricity) increased due to the need for down time for servicing and maintenance of CHP during 2015-16, and this is mirrored in a reduction in the figure for electricity generated on site.

Summary of future strategy

Our draft 2015-2020 Carbon Management Plan outlines our sustainability strategy and the specific measures we will take to reduce our carbon dioxide emissions by over 25% by 2020. The key strategy is to reduce greenhouse gas emissions through the installation of energy-efficient plant and equipment. Key projects under investigation for achieving this include;

- CHP, Absorption Chiller & Electric Humidifiers;

⁹ The CO₂e emissions in this table have been calculated using the latest DEFRA (2015) emissions factors.

Please note that the 2015-2016 target is based on a 5% reduction from the 2014-2015 baseline: this is in line with the Carbon Management Plan.

¹⁰ The figure included last year was an estimate. The table shows the final amount.

- Photovoltaic Panels (PV);
- Optimisation of Humidifiers;
- BMS Optimisation Strategies;
- 2 Port Control Valves (Chilled and LTHW Systems);
- Additional LED lighting installations (internal and external).

In the coming months we will be undertaking feasibility studies for the central steam generating plant to replace the current system with CHP & Absorption Chiller giving 275 tCO₂ of savings per year and a payback period of 4.2 years. The grid electricity used to satisfy the Gallery's cooling base load will be displaced by CHP electricity. Also, the electricity generated by the CHP unit can meet 100% of the electricity demand and provides the opportunity to sell the additional electricity to the National Portrait Gallery.

Greenhouse Gas Emissions

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

Our Carbon Management Plan sets out the direction we are taking to reduce our GHG emissions. A fundamental strategy for reduction is the installation of a combined heat and power unit, commissioned in 2012. It was forecast that by March 2015 the CHP unit will have reduced emissions by 1,440 tCO₂, however due to CHP downtime (September and October 2015) the full benefit of the CHP was not realised in 2015-16. We expect to see a continued reduction in the GHG emissions during the 2016-17 reporting year and will make every effort to ensure the continued operation of the CHP.

Having calculated our business travel emissions in previous years, the complexity of the calculation methodology from expense reports renders this emissions source difficult to calculate with a high degree of accuracy. Steps will be taken over the next year to develop an alternative methodology and to ensure that additional information is available to facilitate the reporting of this emissions scope. Please note that all estimations fall within the materiality threshold for the submission.¹¹

The following table shows our GHG emissions in the current and previous three financial years.

Greenhouse Gas Emissions		2015-16	2014-15	2013-14	2012-13
Non-financial indicators (tCO ₂ e)	Total gross emissions	6,203	6,024	5,868	7,009
	Gross emissions Scope 1 (direct)	3,933	3,928	4,028	3,079
	Gross emissions Scope 2 (indirect)	2,055	1,838	1,604	3,585
	Gross emissions Scope 3 (indirect)	215	258	236	345
Related energy consumption (million KWh)	Grid Electricity	4.4	3.7	3.6	7.4
	Electricity Generated on Site	6.2	6.7	7.2	3.6
	Natural Gas	20.1	21.1	21.8	16.2
Financial indicators (£ million)	Expenditure on energy	1.1	1.1	0.858	0.970
	CRC License Expenditure	0.099	0.098	0.087	0.077
	Expenditure on accredited offsets	–	–	–	–
	Expenditure on official business travel	0.1	0.1	0.7	0.1

Key Performance Indicators (KPI)

The number of visitors has decreased by 12% from 2014-15 to 2015-16, analysis shows a relative increase of 13.4% carbon emissions per visitor in 2015-16 based on visitor numbers¹². Over the coming year we aim to make full use of the CHP along with the progression of other planned works, with the aim of reducing carbon emissions where possible across the site.

KPI – Visitor Numbers	2015-16	2014-15	2013-14
Total Visitors	5,828,629	6,533,035	5,903,063
Total Carbon (tCO ₂ e)	6,203	6,024	5,868
Emissions Per Visitor (tCO ₂ e)	0.001064	0.000922	0.000994

Waste

We aim to reduce waste and to ensure as much waste as possible is reused or recycled. A new waste contract was procured in April 2016 to include the installation of two cardboard balers to reduce the volume of waste requiring collection. This will aid in reducing our upstream environmental impact by decreasing the number of waste collections. We plan to continue communications on waste management both with employees and visitors to decrease waste generation at the Gallery. The new waste management contract aims to increase volumes of waste being recycled along with training for staff and contractors, particularly those working in the restaurants, regarding waste minimisation.

Our performance with respect to waste can be seen in the following table:

Waste		2015-16	2014-15	2013-14	2012-13		
Non-financial indicators (tonnes)	Total waste	660	606	747	747		
	Non-hazardous waste	Hazardous waste	Total	–	–	–	
		Landfill	Reused / recycled	419	390	451	451
			Composted	–	–	–	–
			Incinerated with energy recovery	241	216	296	296
			Incinerated without energy recovery	–	–	–	–
Financial indicators (£k)	Total disposal cost	66	54	54	54		

Use of resources

Finite resource consumption		2015-16	2014-15	2013-14	2012-13
Non-financial indicators ('000m ³)	Water consumption	40.1	39.3 ¹³	35.5	35.9
Financial indicators (£k)	Water supply costs	88	82	71	72

¹² Please note that alternative metrics may be more appropriate and will be investigated in future years.

¹³ The figure included last year was an estimate. The table shows the final amount.

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 (2015: £nil).

Director’s remuneration and benefits

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

	2016				2015			
	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)
	£	£			£	£		
Dr Gabriele Finaldi (from 17 August 2015)	88,868¹	–	35,000	124,000	–	–	–	–
Nicholas Penny (until 16 August 2015)	64,534²	40,015	– ³	105,000	147,113	–	– ³	147,000

¹ Full year equivalent is £142,495.

² Full year equivalent is £147,113.

³ Dr Penny opted out of the pension scheme as of 31 March 2014.

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

Dr Penny was eligible for a performance-related bonus in the range of 0% to 20%. In the year to 31 March 2016 Dr Penny was offered and accepted a nonconsolidated bonus of 20% reflecting performance during the year to 31 March 2015 and a further nonconsolidated bonus of 20%, pro-rated for his term in office, reflecting performance in the period to 16 August 2015 when he retired from the Gallery.

Dr Finaldi took office on 17 August 2015. Dr Finaldi is eligible for a performance-related bonus in the range of 0% to 25%. The Remuneration Committee will meet to review Dr Finaldi’s performance in the period to 31 March 2016, and any bonus offered will be pro-rated to reflect his time in post.

No provision is made within the Director’s contract for non-cash benefits and none was paid. The Director was working in Madrid at the time of his appointment and the Gallery met the cost of qualifying relocation expenses, totalling £16,485.82 in 2015-16. The notice period of the Director is six months.

The Director’s appointment is for an indefinite period. In accordance with the provisions of the Alpha occupational defined benefit pension scheme the Director may retire at the later of age 65 or his state pension age. 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	
	2016	2015	2016	2015	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Susan Foister <i>Director of Public Engagement</i>	85 – 90	85 – 90	27	32	110 – 115	115 – 120
Larry Keith <i>Interim Director of Collections</i> <i>(from 14 January 2016)</i>	10 – 15 ¹	–	13	–	25 – 30	–
RoseMarie Loft <i>Interim Director of Change</i> <i>(from 27 April 2015)</i>	65 – 70 ²	–	42	–	110 – 115	–
Ashok Roy <i>Director of Collections</i> <i>(until 7 February 2016)</i>	75 – 80 ³	85 – 90	27	19	100 – 105	100 – 105
Chris Walker <i>Director of Finance and Operations</i>	90 – 95	90 – 95	35	34	125 – 130	120 – 125

¹ Full year equivalent is £65,000 – £70,000.

² Full year equivalent is £70,000 – £75,000.

³ Full year equivalent is £85,000 – £90,000.

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

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

Pensions

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

The accrued pension and lump sum payments as at 31 March 2016 for senior managers and the Director are as follows:

Pension	Accrued pension at pension age as at 31 March 2016 and related lump sum	Real increase (decrease) in pension and related lump sum at pension age	CETV at 31 March 2016	CETV at 31 March 2015	Real increase (decrease) in CETV ¹⁴
	£'000	£'000	£'000	£'000	£'000
Gabriele Finaldi	0 – 5	0 – 2.5	23	0	16
Susan Foister	35 – 40	0 – 2.5	875	864	26
	plus 115 - 120 lump sum	plus 0 - 5 lump sum			
Larry Keith	15 – 20	0 – 2.5	412	388	12
	plus 55 - 60 lump sum	plus 0 - 5 lump sum			
RoseMarie Loft	0 – 5	2.5 – 5	57	1	39
Chris Walker	5 – 10	0 – 2.5	98	65	19

¹⁴ Taking account of inflation, the CETV funded by the employer may have decreased in real terms.

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 or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Calculation of Pay Differentials

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

The full year equivalent remuneration of the highest-paid director at the National Gallery during the year to 31 March 2016 was in the range £185,000 – £190,000¹⁵ (2015: £145,000 - £150,000). This is 6.4 times (2015: 7.8 times) the median remuneration of the workforce, which was £29,100 (2015: £18,800). Remuneration ranged from £18,200 to £187,128 on a full year basis as at 31 March 2016 (2015: £15,623 to £147,113). The pay differential has been affected by the outsourcing of Gallery staff on 1 November 2015, reducing the number of staff overall and also the number of staff in lower pay bands.

No employee was paid more than the highest-paid Director in the year.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include employer pension contributions and the Cash Equivalent Transfer Value of pensions.

Signed:
Gabriele Finaldi
Director and Accounting Officer

Dated: 07 July 2016

Signed:
Gautam Dalal
On behalf of the Board of Trustees

Dated: 07 July 2016

¹⁵ This amount includes a performance-related bonus of £40,000 – £45,000

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 Direction¹⁶ 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.

The Accounting Officer confirms that as far as he is aware there is no relevant audit information of which the National Gallery's auditors are unaware. Furthermore, the Accounting Officer confirms that he 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 National Gallery's auditors are aware of that information.

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

Signed:
Gabriele Finaldi
Director and Accounting Officer

Dated: 07 July 2016

Signed:
Gautam Dalal
On behalf of the Board of Trustees

Dated: 07 July 2016

¹⁶ a copy of which is available from the National Gallery, Trafalgar Square, London, WC2N 5DN.

Governance Statement

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

Governance framework

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

The Gallery is governed by a Board of Trustees, who are non-Executive and unpaid. The establishment, constitution, functions, property and powers of the Board of Trustees are dealt with in Sections 1-8 of the Museums and Galleries Act 1992; Schedule 1 to the Act deals with membership and proceedings of the Board. The Trustees have complied with their duty in Section 11 of the Charities Act 2011 to have due regard to guidance published by the Charity Commission.

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 2016, there were six regular Board meetings and two extraordinary meetings) 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 2016, 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 under 82%.

Attendance at Board meetings

Ms Hannah Rothschild (Chair from 11 August 2015)	9/9
Mr Mark Getty (Chair until retirement on 10 August 2015)	5/5
Lady Heseltine (retired 5 March 2016)	8/8
Sir Michael Hintze (retired 31 March 2016)	9/9
Ms Caroline Thomson	7/9
Mr Gautam Dalal	8/9
Professor Anya Hurlbert	8/9
Mr John Nelson	5/9
Mr Lance Batchelor	7/9
Mr Dexter Dalwood	5/9
Mr John Singer	7/9
Mr Charles Sebag-Montefiore	9/9
Ms Monisha Shah (retired 31 July 2015)	5/5
Lord King of Lothbury	3/9
Lisa Milroy (appointed 1 August 2015)	4/4
Katrin Henkel (appointed 29 March 2016)	0/0
Rosemary Leith (appointed 29 March 2016)	0/0

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 in so far 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 until 16 August 2015 was Dr Nicholas Penny and from 17 August 2015 Dr Gabriele Finaldi. 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 2016 were:

Dr Susan Foister
 Larry Keith
 RoseMarie Loft
 Dr Ashok Roy
 Chris Walker

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

Committees of the Board

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

Committee	Key responsibilities	Membership	Number of meetings attended	Number of meetings eligible to attend
Audit	To support the Board and Accounting Officer in their responsibilities for issues of risk, control and governance, by reviewing the reliability and integrity of assurances provided.	Gautam Dalal (Chair)	4	4
		Mark Getty (to 10 August 2015)	0	1
		Hannah Rothschild	4	4
		John Singer	3	4
		Sir Colin Southgate*	4	4
Finance	To support the Board and Accounting Officer in their responsibilities for effective financial management of the Gallery and to invest funds in the National Gallery's Trust Funds Pool.	Gautam Dalal (Chair)	4	4
		Mark Getty (to 10 August 2015)	0	1
		Hannah Rothschild	4	4
		John Singer	3	4
		Sir Colin Southgate*	4	4
Governance	To support the Board in its responsibilities for governance procedures and standards.	Charles Sebag-Montefiore (Chair)	2	2
		Gautam Dalal	1	2
		John Singer	2	2
		Caroline Thomson	1	2
Nominations	To keep under review the balance of skills on the Board and make recommendations to the Board as to ensure that the Board has the range of diverse skills, backgrounds and experience it requires for the achievement of its statutory, charitable and financial objectives; to liaise with DCMS in the management of the process of new appointments to the Board of Trustees of the National Gallery.	Mark Getty (Chair to 10 August 2015)	0	0
		Hannah Rothschild (Chair from 11 August 2015)	4	4
		Anne Heseltine (to 10 August 2015)	0	0
		Caroline Thomson (to 10 August 2015)	0	0
		Anya Hurlbert (from 11 August 2015)	4	4
		Dexter Dalwood (from 11 August 2015)	4	4
Remuneration	To advise the Board on the terms of appointment for the Director and on his remuneration; to recommend to the Board objectives for the Director and review performance of the Director for the preceding year and to propose to the Board a bonus based on the performance against objectives.	Mark Getty (Chair to 10 August 2015)	1	1
		Hannah Rothschild (Chair from 11 August 2015)	2	2
		Caroline Thomson	1	2

* Independent Committee Member.

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

The Audit Committee provided assurance to the Board in the form of its Annual Report, which covered the work of external and internal auditors during the year as well as the overall risk management framework. The Audit Committee monitored changes to policy during the year and of particular note was the Gallery's review of procedures for conducting security checks on staff and contractors, which had also been the subject of an Internal Audit review during the year. The Committee also reviewed the procurement process undertaken during the outsourcing of the Gallery's visitor and security related services, having requested that Internal Audit also undertake a review of this process.

The Finance Committee has monitored the finances of the Gallery during the year and in particular the Gallery's preparations for the Government Spending Review, the results of which were announced in November 2015. The Committee recommended the adoption of the budget set out within the corporate plan for 2016-21, aligned with the period of the Gallery's Spending review settlement, 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 2016. The Corporate Plan was reviewed and approved by the Board in March 2016.

The Governance Committee met twice during the year to review actions taken in response to recommendations arising out of the Board effectiveness survey of 2014; to agree the form of a Board effectiveness survey to be completed by all Board members in 2015; to review responses by the Board to the Board effectiveness survey 2015 and to make recommendations to the Board arising out of those responses.

The Nominations Committee met four times during the year to consider the three vacancies which arose on the Board during the course of the year. The Committee reviewed the balance of skills and experience on the Board in the light of those vacancies and recommended to the Board that a search should be instituted for two new Trustees (one a fundraising specialist and one a digital specialist). Proposed role and person specifications for these roles were approved by the Board and by Ministers and a search was conducted in accordance with OCPA rules. The Chair of the Committee sat on the panel which conducted the sift and the interviews and made a recommendation to the Prime Minister for two new appointments to the Board; those appointments were made on 29 March 2016. At the end of the year there was one vacancy on the Board.

The Remuneration Committee met twice during the year. At their first meeting, they discussed Dr Nicholas Penny's performance in the year to 31 March 2015 and recommended payment to the Director of a bonus (details of which are set out in the Remuneration Report) for the year to 31 March 2015, which recommendation the Board accepted. They also recommended a single performance objective for Dr Penny for the 4 months of the year to 31 March 2016 when he would be in post and the Board accepted that recommendation. At their second meeting, the Committee considered the performance of Dr Penny in period to 16 August 2015 when he retired, and recommended the payment of a bonus (details of which are set out in the Remuneration Report) for that period, which the Board accepted. The Committee also recommended performance objectives for the incoming Director, Dr Gabriele Finaldi, from the period of his appointment to 31 March 2016, which the Board accepted.

Achievements and Effectiveness of the Board

Significant achievements of the Gallery during 2015-16 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 September 2015. Board members were asked to complete a questionnaire rating the Board's effectiveness ("How well does the Board do what it is supposed to do?") by responding to questions relating to the following areas namely: vision, mission and strategy; governance; financial stability; protection of assets; fundraising; mentoring/advisory; and management of risk. Board members were also asked to assess how well equipped the Board is to be effective in its responsibilities, by responding to questions relating to the following areas, namely: skills on the Board; knowledge of the organisation and its people; environment for team working; Board process management and follow up; interaction with the Executive.

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; whether reports from the management team are adequate; and whether the Board receives adequate reporting on key risks and on financial progress during the year. They agreed or agreed strongly with all these statements. The quality of information provided is of a high quality and is subject to continuing review and improvement.

The Governance committee considered responses to the Board effectiveness survey and recommended a number of actions arising from those responses, in particular that membership and remits of the Board's sub-committees should be reviewed once a year; that there should be a review of the scheme of delegation to management; and that there should be a change to ordering of Board agenda to give more priority to discussion of finance issues. The Board accepted those recommendations.

Risk Management

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

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

The Accounting Officer is responsible for managing risk and ensuring an effective system of internal control is in place. The Accounting Officer places assurance on the work of the Internal Controls Committee, an executive committee which meets 4-5 times a year (4 in 2015-16) to review actively the risk environment, to monitor the adequacy of controls and to assess emerging risks. The Committee's membership includes the Director of Finance and Operations, a number of Heads of Department responsible for areas of the Gallery's activity with high risk exposure, as well as the Head of Internal Audit, Secretary to the Board and the Senior Collection Registrar.

The Internal Controls Committee uses a comprehensive risk register as a tool for managing risk, and recommends areas for internal audit based on the analysis of risks in the register. The Internal Controls Committee also reviews and is informed by the work of Internal Audit. The minutes of the Internal Controls Committee, together with its assessment of key risks, are reviewed by the Audit Committee at each meeting. Overall, the levels of risk at the Gallery reduced during the year, as key uncertainties were resolved and new controls became established.

The Committee continued to monitor closely new risks that had been introduced around change and the process of change management. In 2014-15 there had been the addition of two specific risks tied to the Change Programme launched at the start of 2014-15; one of which tied to the risk that outsourcing may not realise the full benefits being sought, while the second relates to the planned upgrade of security infrastructure. By the end of 2015-16 the first risk was concluded on as having been resolved, following the commencement of the contract with Securitas and the TUPE transfer of affected staff on 1 November 2015. The risk around upgrade of security infrastructure has been maintained, but residual risk levels have moved closer to target, as there are agreed plans in place to work around any equipment failure, while the procurement process is underway to procure replacement equipment.

The Committee maintained close oversight of the risk that there might be loss or damage to picture loans in or out, whilst in transit; guided by the expert views of the Senior Collection Registrar and Head of Conservation. The residual risk increased in light of delays caused by riots at Calais, but the Collection Registrars ensured thorough preparation of pictures prior to transportation, including secure packaging; and carried out detailed checks on carriers and conditions of travel. In addition, they reinforced agreed procedures for security on route and during overnight stops, which by year end had embedded sufficiently to allow the residual risk level to fall again.

As discussed in last year's Annual Report, the Executive Committee, supported by the Board of Trustees, confirmed in July 2014 that we would be seeking a partner to manage the provision of some of our visitor-facing and security services. The decision to outsource led to industrial action, with many staff periodically withdrawing their services. The strike action continued from 2014-15 into 2015-16, before drawing to a close at the beginning of October 2015. The Gallery remained open, albeit with a number of room closures on each occasion. There has also been an impact on the Gallery's education activities, with some courses and school visits having to be cancelled on strike days. The implementation of contingency plans, along with the continued commitment of security shift teams to working throughout, resulted in departmental working being largely unaffected.

Following a full procurement process, the Gallery announced its partnership with Securitas in July 2015, noting that Securitas has a proven track record in security and visitor engagement roles within the arts and culture sector, globally. The transfer of security and front-of-house services and staff to Securitas took place successfully on 1 November 2015. All those staff affected had the option to move to Securitas with the same terms and conditions and remain a valued part of the National Gallery family. No members of staff were made redundant in the transfer process and all affected staff continued to be paid the London Living Wage. The Gallery was very pleased that only about 10% of staff eligible to transfer elected not to do so (some electing to retire instead), helping to ensure good continuity of staff in the outsourced services, and maintain the smooth operation of key controls and processes.

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 during the first half of the year, whilst the Gallery prepared its submission to DCMS in advance of the government Spending Review. In the event the Gallery received a settlement that amounted to 'flat cash' for the next 5 years, which whilst it will still result in a real terms reduction of around 5% by 2019-20, alleviates the immediate fear of significant cuts to Grant-in-Aid. Further action was taken to ensure the budgeting process maintained a downward pressure on costs and included a thorough review of income generation activities. The Gallery also continued to take a more long term view, extending its corporate planning period from three to five years, to align with the period of the Spending Review.

A significant transaction that took place during 2015-16 was the acquisition of *'Scenes from the Lives of the Virgin and other Saints'* by Giovanni da Rimini. A generous donation from Ronald S. Lauder provided the funding to enable the Gallery to purchase the painting, which is now on loan to him for his lifetime. The panel will return to Trafalgar Square regularly during the period of the loan – initially in 2017 – and then up to once every three years after that. At the end of the loan the painting will return to the Gallery permanently. The Board gave the transactions careful consideration, due to their unusual nature, but concluded that this method of securing works of art, agreed with the approval of DCMS, allowed the Gallery to add major paintings to the collection without using public money, at a time when the acquisition budget is extremely limited.

Internal Audit reviewed a number of areas of the Gallery's work during 2015-16, many of which were established policy areas that it was felt would benefit from an independent review. The majority of these reviews provided 'substantial' or 'reasonable' assurance, with just one review on *'Contractor compliance with HMG Baseline Personnel Security Standard (BPSS)'* providing 'limited' assurance. The *Contractor Compliance* review found that, contrary to the BPSS, not all of the contractors were undertaking pre-employment checks of employment history. The review also found potentially significant weaknesses in the Security Department's records, particularly around the audit trail for security clearance having been obtained, but also the accuracy of records held in the Contractor Database. However, Internal Audit has subsequently noted that management responded promptly to address the issues identified, and particularly commended the thoroughness with which the Head of Security had gone about this task, as reported at the Trustees' Audit Committee meeting in March 2016.

The Internal Audit plan also included follow-up reviews to assess whether recommendations made in the prior year had been implemented effectively. The November 2014 Internal Audit report on Social Media concluded that the absence of a clearly articulated strategy and a robust set of clear, enforceable policies and associated controls around business and personal use of social media in the workplace, left the Gallery vulnerable to potentially serious reputational and financial risks. This was reflected in the assurance level of 'limited assurance'. The Internal Audit follow-up review in 2015-16 found that all recommendations had been implemented, which provides comfort that any material risks in this area have been mitigated.

Internal Audit also referred to some internally and externally commissioned reviews when providing their opinion on the Gallery's framework in 2015-16. Some Information Systems penetration tests had been commissioned by the Gallery to examine its Internal Infrastructure and Web Application. Their report on the internal infrastructure tests identified a number of critical and high risk vulnerabilities that presented a threat to the Gallery. The Gallery is responding to the recommendations made and, given the number of vulnerabilities, is commissioning an onsite re-test.

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

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

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

Risk assessment

The Accounting Officer and Board of Trustees consider the framework of internal controls and risk management to be effective. The Internal Auditor's assurance to the Accounting Officer and the Audit Committee on the National Gallery's risk management, control and governance processes was that they are generally adequate and effective, with only one limitation noted in respect of the issues identified in the IS penetration testing of the internal infrastructure and web application. Audit recommendations have been accepted and corrective action is being taken.

The Gallery has suffered no protected personal data incidents during 2015-16 and has made no report on such a loss to the Information Commissioner's office.

Signed:
Gabriele Finaldi
Director and Accounting Officer

Dated: 07 July 2016

Signed:
Gautam Dalal
On behalf of the Board of Trustees

Dated: 07 July 2016

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 2016 under the Museums and Galleries Act 1992. The financial statements comprise: the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the National Gallery's affairs as at 31 March 2016 and of its net movement in funds, for the year then ended; and
- the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

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

Date: 12 July 2016

Statement of Financial Activities

for the year ended 31 March 2016

	OPERATING INCOME AND EXPENDITURE		Funded capital projects and revaluations (a)			Acquisitions for the collection (b)			TOTAL 2016			2015 Restated Total	
	Unrestricted funds	Restricted funds	Total core operations	Unrestricted funds	Restricted funds	Total capital projects and revaluations	Unrestricted funds	Restricted funds	Total collection acquisition funds	Unrestricted funds	Restricted funds		Permanent endowment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income													
Income from donations and legacies													
Grant-in-Aid	20,432	-	20,432	-	-	3,660	-	-	-	20,432	3,660	-	24,092
Other government grants	-	264	264	-	-	-	-	-	-	-	264	-	264
Donations	1,057	3,576	4,633	-	-	1,704	-	5,550	5,550	1,057	10,830	-	11,887
Legacies	834	-	834	-	-	-	-	-	-	834	-	-	834
Income from other trading activities													
Income	5,173	425	5,598	-	-	-	-	-	-	5,173	425	-	5,598
Investment income													
Income	20	107	127	-	1	1	42	102	144	62	210	-	272
Income from charitable activities													
Exhibitions	2,713	524	3,237	-	-	-	-	-	-	2,713	524	-	3,237
Educational activities	160	25	185	-	-	-	-	-	-	160	25	-	185
Total income	30,389	4,921	35,310	-	-	5,365	42	5,652	5,694	30,431	15,938	-	46,369
Expenditure on:													
Raising funds	(1,436)	-	(1,436)	-	-	-	-	-	-	(1,436)	-	-	(1,436)
Other	(5)	(4)	(9)	-	-	-	(1)	(2)	(3)	(6)	(6)	(9)	(21)
	(1,441)	(4)	(1,445)	-	-	-	(1)	(2)	(3)	(1,442)	(6)	(9)	(1,457)
Charitable activities													
Exhibitions	(2,452)	(1,442)	(3,894)	-	(507)	(507)	-	-	-	(2,452)	(1,949)	-	(4,401)
Broaden our appeal and provide an exceptional visitor experience	(13,094)	(61)	(13,155)	-	(1,712)	(1,712)	-	-	-	(13,094)	(1,773)	-	(14,867)
Preserve, enhance and develop the potential of our collections	(2,905)	(172)	(3,077)	-	(400)	(400)	-	-	-	(2,905)	(572)	-	(3,477)
Inspire learning and engagement	(1,735)	(1,066)	(2,801)	-	(365)	(365)	-	-	-	(1,735)	(1,431)	-	(3,166)
Invest in our staff, increase income and care for our physical facilities	(7,342)	(13)	(7,355)	-	(957)	(957)	-	-	-	(7,342)	(970)	-	(8,312)
	(27,528)	(2,754)	(30,282)	-	(3,941)	(3,941)	-	-	-	(27,528)	(6,695)	-	(34,223)
Total expenditure before exceptional items	(28,969)	(2,758)	(31,727)	-	(3,941)	(3,941)	(1)	(2)	(3)	(28,970)	(6,701)	(9)	(35,680)
Restructuring costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditure after exceptional items	(28,969)	(2,758)	(31,727)	-	(3,941)	(3,941)	(1)	(2)	(3)	(28,970)	(6,701)	(9)	(35,680)
Realised and unrealised investment gains/(losses)	-	(64)	(64)	-	-	-	(8)	(31)	(39)	(8)	(95)	(144)	(247)
Net income/(expenditure) before transfers and other recognised gains and losses	1,420	2,099	3,519	-	1,424	1,424	33	5,619	5,652	1,453	9,142	(153)	10,442
Transfers	646	(364)	282	-	6	6	(162)	(127)	(289)	484	(485)	1	0

Statement of Financial Activities for the year ended 31 March 2016 (continued)

	OPERATING INCOME AND EXPENDITURE		Funded capital projects and revaluations (a)			Acquisitions for the collection (b)			TOTAL 2016			2015 Restated Total	
	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 endowment		Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Note													
Net income/(expenditure) resources before other recognised gains and losses													
(Loss)/gain on revaluation of fixed assets for charity's own use													
13													
Net movement in funds													
Opening funds	2,066	1,735	3,801										
21													
Closing funds	2,066	1,735	3,801										
	1,297	6,132	7,429										
	3,363	7,867	11,230										

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

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

All operations continued throughout the period.

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

For full details of the prior year comparatives please see note 2. The comparatives for the Financial Year 2014-15 have been restated in 2015-16. For an explanation of transfers please see note 21.

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 income and expenditure.

The notes on pages 37 to 61 form part of these accounts.

Balance Sheet as at 31 March 2016

	Note	2016		2015 Restated	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible Assets	13	274,128		270,583	
Heritage Assets	14	295,910		290,204	
Investments	15a	11,853		11,886	
			581,891		572,673
Current Assets					
Stock		37		29	
Debtors	16	6,271		5,644	
Investments	15b	7,720		7,695	
Cash at bank and in hand	23b	4,557		4,008	
		18,585		17,376	
Creditors					
Amounts falling due within one year	17a	(8,434)		(10,705)	
Provisions					
Amounts falling due within one year	17c	–		(5)	
Net current assets			10,151		6,666
Total assets less current liabilities			592,042		579,339
Creditors:					
Amounts falling due in more than one year	17b		(687)		(108)
Net assets			591,355		579,231
Represented by:					
Restricted funds					
Restricted funds (excluding revaluation reserves)		490,229		481,572	
Revaluation reserves		89,353		87,671	
	21		579,582		569,243
Unrestricted funds					
Designated		1,740		1,869	
General funds		3,363		1,297	
	21		5,103		3,166
Total income funds			584,685		572,409
Endowment funds	21		6,670		6,822
Total funds			591,355		579,231

The notes on pages 37 to 61 form part of these accounts.

Signed:
Gabriele Finaldi
Director and Accounting Officer

Dated: 07 July 2016

Signed:
Gautam Dalal
On behalf of the Board of Trustees

Dated: 07 July 2016

Statement of Cash Flows

for the year ended 31 March 2016

		2016 £'000	2015 Restated £'000
Cash flows from operating activities:			
Net cash provided by (used in) operating activities	23a	<u>11,385</u>	<u>11,186</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		263	237
Proceeds from the sale of property, plant and equipment		–	10
Purchase of property, plant and equipment	13	(5,804)	(3,885)
Purchase of heritage assets	14	(5,056)	(3,650)
Proceeds from sale of investments		–	–
Purchase of investments		<u>(239)</u>	<u>(3,676)</u>
Net cash provided by (used in) investing activities		<u>(10,836)</u>	<u>(10,964)</u>
Change in cash and cash equivalents in the reporting period			
Cash and cash equivalents at the beginning of the reporting period		<u>4,008</u>	<u>3,786</u>
Cash and cash equivalents at the end of the reporting period		<u>4,557</u>	<u>4,008</u>

The notes on pages 37 to 61 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 2015, the Government's Financial Reporting Manual and FRS 102. The Gallery is a public benefit entity.

Fixed Asset 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. There are no material uncertainties about the Gallery's ability to continue.

b. Restatement

The Financial Reporting Standards under which these accounts are produced have been subject to significant change in this accounting period. This has resulted in the need to restate two key areas within the Statement of Financial Activities as set out in Note 1:

- i. the governance costs which have previously been shown separately to other costs on the face of the SoFA are now allocated across the other areas of activity;
- ii. potential costs relating to annual leave accrued by members of staff at the reporting date have been accrued, resulting in adjustments to the opening balance sheet at 1 April 2014 as well as costs in the year ended 31 March 2015. The change of value in that liability in the year to 31 March 2016 have been included within the current year SoFA.

Further details are shown in note 2.

c. Income

All income is included in the SoFA when the Gallery is legally entitled to the income, receipt is probable 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, receipt is probable and the amount is quantifiable.

Gifts in kind intended for use by the Gallery are recognised in the SoFA as income at a reasonable estimate of their current value on receipt. Contractual income is recognised as income 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 21 for further details.

d. Expenditure

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 9.

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 staff 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 9.

e. 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 21.

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 21.

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

f. 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 (2015: £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 102, section 17 – Property, Plant and Equipment, every five years. The last quinquennial 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. In the years in between the full five yearly valuations, the revaluation is based on a desktop exercise.

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

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.

The Gallery has chosen to account for property, plant and equipment under the revaluation model, in line with FRS 102, section 17 – Property, Plant and Equipment. We consider that there exists no market-based evidence of fair value of the freehold buildings because such property is rarely sold, except as part of a continuing business, therefore land and buildings and plant and machinery are revalued annually on a depreciated replacement cost basis. Movements are taken to the revaluation reserve.

g. 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 (FRoM) – which reflects the requirements of FRS 102, section 34 – Specialised Activities – 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 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 102, section 34 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 14.

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 14.

h. 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 held for investment purposes in 30-day and 90-day notice accounts is treated as a current asset investment.

i. Stocks

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

j. Debtors

The measurement of debtors is based on the anticipated recoverable value of cash or services owed to the Gallery at the year end.

k. Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

l. Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

m. 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.

n. Foreign currencies

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

Following the results of the EU referendum on 23 June 2016 there has been an increase in volatility on foreign currency markets. The Gallery undertakes the majority of its transactions in sterling, and so has limited exposure

to foreign currency risk. Any loss on exchange resulting from market volatility should be manageable through general contingency funds, without resulting in any material risk to the business.

The Gallery does hold some investments in US dollar denominated funds and the risk around these investments is discussed further in note 18, financial instruments.

o. 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 12.

p. 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.

q. Taxation

The Gallery is eligible under the Corporation Tax Act 2010 to seek from HMRC exemption from taxes on income arising from the pursuit of its charitable objectives. HMRC has granted this exemption.

2. Prior year SOFA

	Note	OPERATING INCOME AND EXPENDITURE		Funded capital projects and revaluations (a)				Acquisitions for the collection (b)			TOTAL 2015 – Restated			
		Unrestricted funds	Restricted funds	Total core operations	Unrestricted funds	Restricted funds	Total capital projects and revaluations	Unrestricted funds	Restricted funds	Total collection acquisition funds	Unrestricted funds	Restricted funds	Permanent endowment	Total
Income														
Income from donations and legacies														
Grant-in-Aid	3	21,202	-	21,202	-	4,685	4,685	-	-	21,202	4,685	-	25,887	
Other government grants	4	175	40	215	-	-	-	1	1	175	41	-	216	
Donations	5	918	2,303	3,221	-	300	300	3,034	3,034	918	5,637	-	6,555	
Legacies	5	204	-	204	-	-	-	-	-	204	-	-	204	
Income from other trading activities														
Investment income	6	4,763	39	4,802	-	-	-	-	-	4,763	39	-	4,802	
Income from charitable activities	7	36	74	110	-	-	-	89	127	74	163	-	237	
Exhibitions		3,928	-	3,928	-	-	-	-	-	3,928	-	-	3,928	
Educational activities		214	19	233	-	-	-	-	-	214	19	-	233	
Total income		31,440	2,475	33,915	-	4,985	4,985	38	3,124	31,478	10,584	-	42,062	
Expenditure on:														
Raising funds	9	(1,406)	-	(1,406)	-	-	-	-	-	(1,406)	-	-	(1,406)	
Charitable activities														
Exhibitions	9	(2,565)	(528)	(3,093)	-	(369)	(369)	-	-	(2,565)	(897)	-	(3,462)	
Broaden our appeal and provide an exceptional visitor experience	9	(10,617)	(374)	(10,991)	-	(1,308)	(1,308)	-	-	(10,617)	(1,682)	-	(12,299)	
Preserve, enhance and develop the potential of our collections	9	(7,675)	(35)	(7,710)	-	(918)	(918)	-	-	(7,675)	(953)	-	(8,628)	
Inspire learning and engagement	9	(1,789)	(764)	(2,553)	-	(304)	(304)	-	-	(1,789)	(1,068)	-	(2,857)	
Invest in our staff, increase income and care for our physical activities	9	(6,668)	(3)	(6,671)	-	(792)	(792)	-	-	(6,668)	(795)	-	(7,463)	
Total expenditure before exceptional items	9	(29,314)	(1,704)	(31,018)	-	(3,691)	(3,691)	-	-	(29,314)	(5,395)	-	(34,709)	
Restructuring costs	11	(30,720)	(1,704)	(32,424)	-	(3,691)	(3,691)	-	-	(30,720)	(5,395)	-	(36,115)	
Total expenditure after exceptional items		(31,204)	(1,704)	(32,908)	-	(3,691)	(3,691)	-	-	(31,204)	(5,395)	-	(36,599)	
Realised and unrealised investment gains/(losses)	15	-	374	374	-	-	-	61	249	310	623	863	1,547	
Net income/(expenditure) before transfers and other recognised gains and losses	21	236	771	1,007	-	1,294	1,294	38	3,124	3,162	5,189	-	5,463	
Transfers		(287)	-	(287)	-	(851)	(851)	-	1,138	(287)	287	-	-	
Net income/(expenditure) resources before other recognised gains and losses	13	(51)	1,145	1,094	-	443	443	99	4,511	4,610	6,099	863	7,010	
(Loss)/gain on revaluation of fixed assets for charity's own use		-	-	-	-	29,322	29,322	-	-	-	29,322	-	29,322	
Net movement in funds		(51)	1,145	1,094	-	29,765	29,765	99	4,511	4,610	35,421	863	36,332	
Opening funds		1,348	4,987	6,335	-	241,077	241,077	1,770	287,758	289,528	533,822	5,959	542,899	
Closing funds	21	1,297	6,132	7,429	-	270,842	270,842	1,869	292,269	294,138	569,243	6,822	579,231	

Note 2(b)

Prior Year Statement of Financial Activities (restated) as at 31 March 2015

Breakdown of Adjustments

	Note	Adjustments		Adjustments	
		Total as previously stated – 2015	Adjustment 1 – Governance Costs Adjustment (see Note 1 below)	Adjustment 2 – Annual Leave Accrual (see Note 2 below)	Total Restated – 2015
		£'000	£'000	£'000	£'000
Incoming resources					
Incoming resources from generated funds					
Voluntary income					
Grant in Aid	3	25,887	–	–	25,887
Other government grants	4	216	–	–	216
Donations	5	6,555	–	–	6,555
Legacies	5	204	–	–	204
Activities for generating funds	6	4,802	–	–	4,802
Investment income	7	237	–	–	237
Incoming resources from charitable activities					
Exhibitions		3,928	–	–	3,928
Educational activities		233	–	–	233
Total incoming resources		42,062	–	–	42,062
Resources expended					
Costs of generating funds					
Fundraising costs	9	(1,395)	(11)	–	(1,406)
		(1,395)	(11)	–	(1,406)
Charitable activities					
Exhibitions	9	(3,414)	(48)	–	(3,462)
Broaden our appeal and provide an exceptional visitor experience	9	(12,267)	(32)	–	(12,299)
Preserve, enhance and develop the potential of our collections	9	(8,527)	(101)	–	(8,628)
Inspire learning and engagement	9	(2,832)	(25)	–	(2,857)
Invest in our staff, increase income and care for our physical activities	9	(7,347)	(94)	(22)	(7,463)
		(34,387)	(300)	(22)	(34,709)
Governance costs	9	(311)	311	–	–
Total resources expended before exceptional items		(36,093)	–	(22)	(36,115)
Restructuring costs		(484)	–	–	(484)
Total resources expended after exceptional items		(36,577)	–	(22)	(36,599)
Net incoming/(outgoing) resources before transfers and other recognised gains and losses		5,485	–	(22)	5,463
Transfers	21	–	–	–	–
Net incoming/(outgoing) resources before other recognised gains and losses		5,485	–	(22)	5,463
Gain on revaluation of fixed assets for charity's own use	13	29,322	–	–	29,322
Realised and unrealised investment gains/(losses)	15	1,547	–	–	1,547
Net movement in funds		36,354	–	(22)	36,332
Opening funds		543,195	–	(296)	542,899
Closing funds	21	579,549	–	(318)	579,231

Notes

Adjustment 1 The Adjustment to the Governance Costs included re-alignment of the costs across the principal business areas. The governance costs which have previously been shown separately to other costs on the face of the SOFA are now allocated across the other areas of activity;

Adjustment 2 The Adjustment has calculated the Staff Annual Leave Accrual in line with FRS 102. Potential costs relating to annual leave accrued by members of staff at the reporting date have been accrued, resulting in adjustments to the opening balance sheet at 1 April 2014 as well as costs in the year ended 31 March 2015. The change of value in that liability in the year to 31 March 2016 have been included within the current year SOFA.

Note 2 (c)

Prior Year Statement of Financial Position (restated) as at 31 March 2015

Breakdown of Adjustments

	Note	As previously stated – 2015 £'000	£'000	Adjustment 1 – Governance Costs Adjustment £'000	Adjustment 2 – Annual Leave Accrual £'000	Restated – 2015 £'000	£'000
Fixed Assets							
Tangible Assets	13	270,583		–	–	270,583	
Heritage Assets	14	290,204		–	–	290,204	
Investments	15a	11,886		–	–	11,886	
			572,673				572,673
Current Assets							
Stock		29		–	–	29	
Debtors	16	5,644		–	–	5,644	
Investments	15b	7,695		–	–	7,695	
Cash at bank and in hand	23	4,008		–	–	4,008	
		17,376				17,376	
Creditors							
Amounts falling due within one year	17a	(10,387)		–	(318)	(10,705)	
Provisions							
Amounts falling due within one year	17c	(5)		–	–	(5)	
Net current assets							
Total assets less current liabilities			6,984	–	–		6,666
		579,657		–	(318)		579,339
Creditors:							
Amounts falling due in more than one year	17b	(108)		–	–	(108)	
Net assets							
		579,549		–	(318)		579,231
Represented by:							
Restricted funds							
Restricted funds (excluding revaluation reserves)		481,572		–	–	481,572	
Revaluation reserves	21	87,671		–	–	87,671	
			569,243				569,243
Unrestricted funds							
Designated		1,869		–	–	1,869	
Designated funds already expended on acquisitions		–		–	–	–	
General funds	21	1,615		–	(318)	1,297	
			3,484				3,166
Total Income Funds		572,727		–	(318)		572,409
Capital funds – permanent endowments							
Total Funds	21	6,822		–	–	6,822	
		579,549		–	(318)		579,231

3. Grant-in-Aid

	2016	2015
	£'000	£'000
Department for Culture, Media and Sport	<u>24,092</u>	<u>25,887</u>

This money is available for running costs, capital improvements and collection purchases. Of the total figure, £3.7 million (2015: £4.7 million) was restricted for capital purposes.

4. Other government grants

	2016	2015
	£'000	£'000
EU Charisma	–	34
EU Iperion	86	–
Titian's Diana & Callisto Public Programme	–	6
EU Cross Cultivation	178	–
Greater London Authority	–	175
Heritage Lottery Fund	<u>–</u>	<u>1</u>
	<u>264</u>	<u>216</u>

5. Donations and Legacies

	2016	2015
	£'000	£'000
Donations relating to Gallery activities excluding acquisitions and other capital expenditure can be split as follows:		
Individuals	1,337	1,149
Trusts and foundations	3,296	2,072
Legacies	834	204
	<u>5,467</u>	<u>3,425</u>

Restricted donations included above total £3,576k (2015: £2,303k).

	2016	2015
	£'000	£'000
Donations relating to collection acquisitions can be split as follows:		
Individuals	18	23
Trusts and foundations	4,882	2,511
Gifts in kind	650	500
	<u>5,550</u>	<u>3,034</u>

	2016	2015
	£'000	£'000
Donations relating to other capital expenditure can be split as follows:		
Trusts and foundations	1,693	250
Individuals	11	50
	<u>1,704</u>	<u>300</u>
Total donations	<u>12,721</u>	<u>6,759</u>

6. Income from other trading activities

	2016	2015
	£'000	£'000
<i>Activities for generating funds</i>		
Trading	4,396	3,565
Concessions	854	845
Miscellaneous	348	387
	5,598	4,797
<i>Other income</i>		
Gain on disposal of equipment	–	5

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

7. Investment income

	2016	2015
	£'000	£'000
Income from UK bank deposits	49	74
Income from overseas funds	223	163
	272	237

8. Trustees' remuneration

The Chairman and Board of Trustees neither received nor waived any remuneration for their services during the year (2015: £nil). The total value of expenses reimbursed to Trustees amounted to £nil for the year (2015: £nil). The total value of waived expenses based on an estimate of travel costs to attend meetings in the year was £2,676 (2015: £2,503).

9. Total expenditure

	Direct costs	Support costs	Depre- ciation	Total 2016	Total 2015 Restated
	£'000	£'000	£'000	£'000	£'000
Raising funds	1,258	178	–	1,436	1,406
Other Costs	21	–	–	21	–
	<u>1,279</u>	<u>178</u>	<u>–</u>	1,457	1,406
Exhibitions	3,705	189	507	4,401	3,462
Broaden our appeal and provide an exceptional visitor experience	12,516	639	1,712	14,867	12,299
Preserve, enhance and develop the potential of our collections	2,622	455	400	3,477	8,628
Inspire learning and engagement	2,265	536	365	3,166	2,857
Invest in our staff, increase income and care for our physical activities	6,707	648	957	8,312	7,463
	<u>27,815</u>	<u>2,467</u>	<u>3,941</u>	34,223	34,709
	<u>29,094</u>	<u>2,645</u>	<u>3,941</u>	35,680	36,115

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	Total	Basis of allocation
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Finance	5	80	135	50	33	230	533	Direct expenditure of activity
Human Resources	38	13	300	84	108	60	603	Headcount
Information Services	113	39	100	249	322	179	1,002	Headcount of office-based staff
Office Services	18	6	16	40	52	29	161	Headcount of office-based staff
Governance	4	51	88	32	21	150	346	Direct expenditure of activity
	<u>178</u>	<u>189</u>	<u>639</u>	<u>455</u>	<u>536</u>	<u>648</u>	<u>2,645</u>	

Analysis of governance costs:

	2016	2015
	£'000	£'000
Staff costs	171	168
Auditor's remuneration	37	36
Internal audit fees	24	20
Cost of meetings	3	5
Operational consultants	–	3
Legal fees	111	64
Other	–	15
	<u>346</u>	<u>311</u>

Total expenditure include the following:

	2016	2015
	£	£
Auditor's remuneration:		
Statutory audit	37,000	35,600
Leased rental payments on equipment and office space	471,720	467,568

There was expenditure of £nil on 'advisory consultancy' during the year (2015: £16,038 excluding VAT). All other consultancy fell within the 'business-as-usual' environment and has been classified as 'operational consultancy'.

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

Total expenditure also includes a grant to the National Gallery Trust of £1.5m for the furtherance of the National Gallery's charitable objectives (2015: £4.6m).

10. Staff costs

	2016	2015
	£'000	£'000
Wages and salaries	9,381	12,468
Social security costs	722	834
Pension costs	1,756	1,926
Agency staff	493	239
	<u>12,352</u>	<u>15,467</u>

Total spend on contingent labour is disclosed under the heading 'agency staff'. As at 31 March 2016 the Gallery had no off-payroll engagements for more than £220 per day lasting longer than six months. As at 31 March 2015 there was one off-payroll engagement, and during the period to 31 March 2016 this engagement existed beyond six months although it did not reach a year in duration. The individual was paid via a recruitment agency and the Gallery had sought and received assurances that the individual was meeting their income tax and National Insurance obligations.

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

	2016	2015
	No.	No.
£60,000 – £69,999	6	7
£70,000 – £79,999	2	-
£80,000 – £89,999	2	2
£90,000 – £99,999	1	2
£100,000 – £109,999	1	-
£120,000 – £129,999	-	1
£140,000 – £149,999	-	1
	<u>12</u>	<u>13</u>

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

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

	2016	2016	2016	2015
	Permanent	Other	Total	restated
	contracts	contracts	contracts	Total
	No.	No.	No.	No.
Fundraising	21	5	26	22
Exhibitions	5	4	9	9
Broaden our appeal and provide an exceptional visitor experience	181	23	204	365
Preserve, enhance and develop the potential of our collections	47	10	57	55
Inspire learning and engagement	30	44	74	76
Invest in our staff, increase income and care for our physical facilities	5	2	7	7
Support	28	6	34	32
Governance	2	-	2	1
	<u>319</u>	<u>94</u>	<u>413</u>	<u>567</u>

The average number of employees for 2015 has been restated to reflect the requirement to report headcount instead of full time equivalent staff.

In November 2015, visitor-facing and security staff services were transferred to Securitas, resulting in a drop in the number of employees employed by the Gallery.

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

11. Compensation payments

There were no exit packages agreed for staff that left between April 2015 and March 2016. This included staff that left on Voluntary Exit or Voluntary Redundancy. There were no staff leaving on Compulsory Redundancy terms during this period (2015: Nil).

Exit package cost band	2016	2016	2015	2015
	Departures agreed under Voluntary Exit	Total cost of exit packages by cost band	Departures agreed under Voluntary Exit	Total cost of exit packages by cost band
	No.	£	No.	£
£0 – £10,000	–	–	1	9,104
£10,000 – £25,000	–	–	13	223,474
£25,000 – £50,000	–	–	5	178,719
£50,000 – £100,000	–	–	1	72,373
Total number of exit packages	–	–	20	483,670

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.

12. 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) or the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha”.

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

For 2016, employer’s contributions of £1,692,254 were payable to the PCSPS (2015: £1,857,687) at one of four rates in the range 20% to 24.5% of pensionable pay (2015: 16.7% to 24.3%) based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer’s contributions of £63,508 (2015: £64,329) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £2,360 (2015: £4,203), 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 £4,969 (2015: £6,084).

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

13. 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 2015	201,827	71,597	13	4,330	277,767
Additions	3,702	1,897	8	197	5,804
Disposals	–	–	–	(225)	(225)
Revaluation	1,229	453	–	–	1,682
Transfers	–	–	(13)	13	–
As at 31 March 2016	<u>206,758</u>	<u>73,947</u>	<u>8</u>	<u>4,315</u>	<u>285,028</u>
Depreciation					
As at 1 April 2015	1,127	2,297	–	3,760	7,184
Disposals	–	–	–	(225)	(225)
Charge for year	1,231	2,450	–	260	3,941
Revaluation	–	–	–	–	–
As at 31 March 2016	<u>2,358</u>	<u>4,747</u>	<u>–</u>	<u>3,795</u>	<u>10,900</u>
Net book value					
31 March 2016	<u>204,400</u>	<u>69,200</u>	<u>8</u>	<u>520</u>	<u>274,128</u>
31 March 2015	<u>200,700</u>	<u>69,300</u>	<u>13</u>	<u>570</u>	<u>270,583</u>

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

The Gallery's freehold property was independently valued as at 31 March 2016 by BNP Paribas Real Estate, acting in the capacity of external valuers. The valuation was carried out as a desk top exercise, with the last quinquennial valuation carried out as at 31 March 2014. The valuation was in accordance with the requirements of the Government's Financial Reporting Manual, the Statement of Recommended Practice 'Accounting and Reporting by Charities' and the current RICS Valuation Standards and the International Valuation Standards. The valuation was on the basis of Market Value, subject to the following assumption:

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

In accordance with Treasury requirements, BNP Paribas Real Estate's opinion of market value as at 31 March 2016 was primarily derived using;

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

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

The Trustees consider the building to be effectively inalienable; it would not be possible to realise its value. The net book value at 31 March 2016 represents fixed assets held for charitable purposes only.

14. 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 2015	23,110	267,094	290,204
Additions	5,056	650	5,706
Reclassification	–	–	–
As at 31 March 2016	<u>28,166</u>	<u>267,744</u>	<u>295,910</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 during the year ending 31 March 2016 comprise:

- Giovanni da Rimini's *Scenes from the Lives of the Virgin and other Saints* was purchased at a cost of £4,885,188 with the support of a donation from Mr Ronald Lauder.
- Laurits Andersen Ring *Road in the Village of Baldersbrønde (Winter Day)*, funded by a campaign, bought with the support of a generous legacy from Mr David Leslie Medd OBE and with the support of Mr and Mrs Charles Booth-Clibborn, Sir Michael and Lady Heller, Mr Daniel Katz and other donors at a cost of £68,000.
- Luca Signorelli *Man on a Ladder*, accepted by HM Government in Lieu of Inheritance Tax and allocated to the National Gallery at a value of £630,000.
- Joos de Momper the Younger *Rocky Landscape with Saint John the Baptist*, gift received by the National Gallery, valued at £20,000.
- The research papers and notes of Sir Michael Levey on Thomas Lawrence and other art historical subjects purchased at a cost of £5,000.
- 17 frames for various pictures at an aggregate cost of £98,210.

Five year financial summary of acquisitions

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Donated assets and acquisitions funded by donations	5,604	3,873	17,386	24,728	106,198
Other acquisitions	<u>103</u>	<u>277</u>	<u>115</u>	<u>491</u>	<u>4,392</u>
Total cost/value of acquisitions	<u>5,707</u>	<u>4,150</u>	<u>17,501</u>	<u>25,219</u>	<u>110,590</u>

Significant additions over the last five years include:

- Jean-Baptiste-Camille Corot *The Four Times of Day: 'Morning', 'Noon', 'Evening' and 'Night'* bought with the assistance of the Art Fund (with a contribution from The Wolfson Foundation), in 2014, at a cost of £3,325,000.
- Italian, Venetian – *Christ carrying the Cross* was donated to the National Gallery by Angus Neill. The picture was valued for indemnity purposes at £500,000 when it was first received by the Gallery on long-term loan in autumn 2014. The unknown Venetian painter was influenced by Giovanni Bellini and Giorgione.
- George Bellows' *Men of the Docks* which was purchased at a cost of \$25.5 million (£15,436,000). The painting was bought with a grant from the American Friends of the National Gallery, made possible by Sir Paul Getty's fund, and by private appeal, 2014.
- The archive of Thos. Agnew & Sons was acquired by The National Gallery Trust and donated to the National Gallery. The firm of Agnew's has a long history dating back to 1817 and during the later nineteenth century and early twentieth century was one of two major London dealers in old master paintings. The

archive has been included in the accounts at a value of £300,000. The post 1984 section of the archive remains on loan to Agnews, but this is not viewed as being significant in the context of the valuation of the archive as a whole.

- Titian's *Diana and Callisto*, acquired jointly with the National Galleries of Scotland in 2012, is the companion painting of *Diana and Actaeon* which was acquired in 2009, also as a joint acquisition with the National Galleries of Scotland. The two works join the already rich collection of Titian masterpieces at the National Gallery, establishing it as a world centre for the study of Venetian Renaissance painting.

Heritage assets are not capitalised on the Balance Sheet

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

	Total number of items	Number capitalised	% capitalised	Number not capitalised	% not capitalised
Pictures	<u>2,359</u>	<u>74</u>	<u>3%</u>	<u>2,285</u>	<u>97%</u>

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

Heritage asset management

Acquisitions

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

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

- to obtain masterpieces of outstanding quality;
- to develop the Gallery's uniquely coherent narrative of Western European painting beyond the canon established during the nineteenth 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 2,359 paintings and approximately 2,459 frames. As at 31 March 2016 1,296 (55%) paintings were on public display at the Gallery, 89 (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.

15. Investments

a. Fixed asset investments

	2016 £'000	2015 £'000
Market value as at 1 April	11,886	10,183
Investment portfolio additions	214	156
Realised and unrealised (losses)/gains	(247)	1,547
Market value as at 31 March	<u>11,853</u>	<u>11,886</u>

Fixed asset investments comprise the following:

	2016 £'000	2015 £'000
Authorised funds	11,391	11,637
Cash held as part of the investment portfolio	462	249
	<u>11,853</u>	<u>11,886</u>

Fair value reserve:

	2016 £'000	2015 Restated £'000
Investment in funds at historic cost	8,086	8,085
Fair value reserve	3,305	3,552
Cash held as part of the investment portfolio	462	249
Market value of investments	<u>11,853</u>	<u>11,886</u>

b. Current asset investments

	2016 £'000	2015 £'000
Current asset investments	<u>7,720</u>	<u>7,695</u>
Movement in the year		
Total as at 1 April	7,695	4,175
Net transfers in year	25	3,520
Total as at 31 March	<u>7,720</u>	<u>7,695</u>

Cash held for investment purposes in 30-day and 90-day notice accounts is treated as a current asset investment.

16. Debtors

	2016	2015
	£'000	£'000
Amounts falling due within one year		
Trade debtors	1,271	1,085
Other debtors	533	1,173
Tax and social security	1,139	653
Prepayments and accrued income	3,328	2,820
Less:		
Provision for bad debts	<u>–</u>	<u>(87)</u>
	<u>6,271</u>	<u>5,644</u>

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

	2016	2015
	£'000	Restated £'000
Trade creditors	2,790	2,855
Other creditors	1,867	5,277
Accruals and deferred income	3,777	2,573
	<u>8,434</u>	<u>10,705</u>

b. Creditors: amounts falling due in more than one year

	2016	2015
	£'000	£'000
Amounts falling due in more than one year		
Accruals and deferred income	687	108
	<u>687</u>	<u>108</u>
In more than one year but not more than two years	130	54
In more than two years but not more than five years	557	54
	<u>687</u>	<u>108</u>

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

	2016	2015
	£'000	£'000
As at 1 April	1,673	1,118
Amounts released from previous years	(1,552)	(956)
Incoming resources deferred in the current year	2,574	1,511
As at 31 March	<u>2,695</u>	<u>1,673</u>

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

c. Provisions: amounts falling due within one year

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

	2016	2015
	£'000	£'000
As at 1 April	5	6
Charged in the year	–	5
Released in the year	(5)	(6)
As at 31 March	<u>–</u>	<u>5</u>

In 2014-15 a provision of £5k was made in relation to an employee claim which was settled in 2015-16.

18. Financial instruments

The Gallery's financial instruments, as defined in FRS 102 section 11, are set out by category below:

	Measured at cost	Measured at fair value
	£'000	£'000
At 31 March 2016		
Cash	4,557	–
Current asset investments	7,720	–
Trade and other debtors	2,443	–
Fixed asset investments	–	11,853
Trade and other creditors	(4,291)	–
	<u>10,429</u>	<u>11,853</u>
At 31 March 2015		
Cash	4,008	–
Current asset investments	7,695	–
Trade and other debtors	3,767	–
Fixed asset investments	–	11,886
Trade and other creditors	(8,367)	–
	<u>7,103</u>	<u>11,886</u>

Information on the Gallery's overall approach to financial risk management may be found in the investment, reserves, and risk sections of the Annual Report. The significance of financial instruments to the risk profile is as follows:

Credit risk

The Gallery's credit risk arises from its investments, bank deposits, and trade and other debtors. Other than cash within the investment portfolio, term deposits and cash holdings are spread across regulated UK banks. The Gallery has not suffered any loss in relation to cash held by its bankers. Trade debtors of £1.3 million (2015: £1.0 million) are not considered a significant risk since 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. No provision was deemed necessary this year (2015: £87k). Write-offs in the year for bad debts amounted to £89k (2015: £1k), provided against in the prior year in respect of balances held by a coin collection agent at the point at which they went into administration.

Liquidity risk

The Gallery's reserves policy, set out in the Annual Report, helps provide a safeguard against volatile and unpredictable income streams. Grant-in-aid from the Department for Culture, Media and Sport represents 52% (2015: 61%) of the Gallery's income before transfers and revaluations. Current asset investments of £7.7m (2015: £7.7m) and a further £11.9m (2015: £12m) of readily realisable fixed asset investments help mitigate exposure to liquidity risk. 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 Gallery has no borrowings. Interest receivable is 0.1% of incoming resources before transfers and revaluations. The interest rate is not considered to be a significant risk for the Gallery.

b. Price risk

The Gallery is exposed to market fluctuations on its investments, mitigated through diversification. This risk is monitored by a sub-committee of the Board, as described in the investment policy above. For non-investment transactions, exposure is reduced by competitive tendering and the securing of multi-year fixed-price contracts where appropriate.

c. Foreign currency risk

At the end of the year £11.1 million (2015: £12 million) was invested in US dollar denominated funds. Given the value compared to overall net assets, exposure to currency fluctuations is not considered significant enough to require sensitivity analysis.

19. Financial commitments*Capital Commitments*

The Gallery has no capital commitments (2015: £nil).

Commitments under operating leases

As at 31 March 2016 the National Gallery had commitments under operating leases for photocopiers and rent payable as set out below:

	2016	2015
	£'000	Restated £'000
Operating leases which expire:		
Within 1 year	470	472
Between 2 and 5 years	1,740	85
Over 5 years	<u>–</u>	<u>–</u>

20. Contingent liability

As at 31 March 2016 the Gallery recognised a contingent liability in respect of three outstanding public liability claims that are currently being investigated by the Gallery's advisers. The claims are for injuries that are alleged to have occurred after slips or falls in Gallery spaces. For each of these claims the likelihood of the Gallery being found liable is not assessed as probable, but the insurer has placed reserves on two of the claims; and for the third claim there is no reserve.

In addition, the Gallery also recognises an unquantifiable liability in respect of funds received from Ronald S. Lauder. These funds enabled the Gallery to purchase the painting 'Scenes from the Lives of the Virgin and other Saints' by Giovanni da Rimini, in July 2015. The Deed between the Gallery and the Donor states that a part of the consideration is in relation to the lease of the Painting to the Donor in the period from the acquisition of the Painting for the remainder of the Donor's lifetime. However, the Gallery is unable to measure the value of the obligation, so it has been recorded as an unquantifiable contingent liability at 31 March 2016.

The Gallery did not recognise any contingent liabilities as at 31 March 2015.

21. Statement of funds

	At 1 April 2015 Restated £'000	Income £'000	Expendi- ture £'000	Net movement on invest- ments and re- valuation £'000	Transfers between reserves £'000	At 31 March 2016 £'000
Unrestricted funds						
Designated funds:						
Designated funds for the purchase of heritage assets	1,477	6	–	–	–	1,483
Trust funds designated for the purchase of heritage assets	392	36	(1)	(8)	(162)	257
Total designated funds	1,869	42	(1)	(8)	(162)	1,740
General funds	1,297	30,389	(28,969)	–	646	3,363
Total unrestricted funds	3,166	30,431	(28,970)	(8)	484	5,103
Restricted income funds						
Capital assets reserve	183,171	5,365	(3,941)	–	6	184,601
Building revaluation reserve	53,256	–	–	1,229	–	54,485
Plant and machinery revaluation reserve	34,415	–	–	453	–	34,868
Donated works of art reserve	247,644	5,529	(1)	–	(5,015)	248,157
Heritage assets acquired	42,678	–	–	–	5,056	47,734
Exhibitions programme fund	499	1,743	(1,446)	–	(329)	467
Running cost fund	1,348	3,086	(1,308)	–	(347)	2,779
Curatorial fund	1,555	6	–	–	–	1,561
Collection purchases fund	147	21	–	–	(22)	146
Collection purchases trust fund	1,800	102	(1)	(31)	(146)	1,724
Art historical research	2,730	86	(4)	(64)	312	3,060
Total restricted income funds	569,243	15,938	(6,701)	1,587	(485)	579,582
Endowment funds						
Collection purchase endowments	3,738	–	(5)	(79)	2	3,656
Art historical research endowment	1,268	–	(2)	(27)	(1)	1,238
General purpose endowments	1,816	–	(2)	(38)	0	1,776
Total endowment funds	6,822	–	(9)	(144)	1	6,670
Total funds	579,231	46,369	(35,680)	1,435	(0)	591,355

Transfers between reserves relate to the matching to the relevant fund of expenditure incurred and allocated against unrestricted funds in earlier years as well as to the purchase of fixed and heritage assets.

The statement of funds at 31 March 2016 comprises a number of individual funds which divide into distinct categories as defined below:

Unrestricted funds

- Funds designated for the purchase of heritage assets are for the acquisition of works of art for the collection.
- General funds may be applied to general use and are expendable at the discretion of the Trustees.

Restricted income 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 subsequent to 1 April 2001 and capitalised as well as donations for future acquisitions.
- Heritage assets acquired represents the cost at the date of acquisition of works of art acquired since 1 April 2001. These are treated as restricted because the collection is inalienable.
- Exhibitions programme funds are those raised specifically to support the Gallery's exhibition programme.
- Running cost funds are those raised to support other Gallery projects, including educational initiatives.

- Curatorial funds are those raised specifically for the financing of curatorial activities, including the funding of certain curatorial posts.
- Collection purchases funds comprise bequests received specifically for the acquisition of works of art for the collection.
- Art historical research represents funds raised specifically towards the financing of curatorial research into the collection.

Endowment funds

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

22. Analysis of net assets between funds

	Unrestricted Funds £'000	Restricted Funds £'000	Permanent Endowment £'000	Total Funds 2016 £'000	Total Funds 2015 Restated £'000
Tangible assets	–	274,128	–	274,128	270,583
Heritage assets	–	295,910	–	295,910	290,204
Investments	398	4,785	6,670	11,853	11,886
Other net assets/(liabilities)	4,705	4,759	–	9,464	6,558
Total net assets	<u>5,103</u>	<u>579,582</u>	<u>6,670</u>	<u>591,355</u>	<u>579,231</u>

23. Note to the cash flow statement

a. Reconciliation of net income to net cash flow from operating activities:

	2016 £'000	2015 Restated £'000
Net income/(expenditure) for the reporting period (as per the SoFA)	10,442	7,032
Adjustments for:		
Donations to the collection	(650)	(500)
Depreciation charges	3,941	3,689
(Gains)/losses on investments	247	(1,547)
Dividends, interest and rents from investments	(263)	(237)
Loss/(profit) on the sale of fixed assets	–	(5)
(Increase)/decrease in stocks	(8)	(26)
(Increase)/decrease in debtors	(627)	(1,505)
Increase/(decrease) in creditors	(1,697)	4,285
Net cash provided by (used in) operating activities	<u>11,385</u>	<u>11,186</u>

b. Composition of the cash balance at the end of the year:

	2016	2015
	£'000	£'000
Balance with Government Banking Services	1,455	2,374
Balances held with commercial banks	3,067	1,623
Cash in hand	35	11
Cash balance at end of year	<u>4,557</u>	<u>4,008</u>

24. 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.

All balances with related parties are settled in cash.

The Charity SORP 2015 also requires disclosure of donations received from Trustees and other related parties. During the year, £57,300 (2014-15: £45,000) was received from Trustees and £1,050 (2014-15: £150) from Executive Directors in respect of general donations. In addition, a Trustee, donated £6,000 (2014-15: £nil) for the purchase of an XRF scanner.

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	Mark Getty and Lord King, Directors of the related party, served as Trustees of the National Gallery during the year.	730	–	–	Grants for specific projects during the year.
British Museum	Entity sponsored by DCMS.	–	38	(11)	Internal audit fee.
Courtauld Institute of Art	Dr N Penny is a member of the Board.	3	–	–	Professional services in delivering the Virtual Display module.
CQS	Sir Michael Hintze, Chief Executive of the related party, served as Trustee of the National Gallery during the year.	20	–	–	Corporate membership.
Imperial War Museum	Entity sponsored by DCMS.	–	9	–	Museum subscription.
Museo Nacional del Prado	Garbriale Finaldi was Deputy Director of Collections & Research at the related party.	–	1	–	Image for hoardings.

Related party	Nature of relationship	Value of income received during the year	Value of expenditure during the year	Outstanding balances due from/(to) related party at year end	Nature of transaction
		£'000	£'000	£'000	
National Gallery Company Ltd	Lance Batchelor, Chair of the related party, served as Trustee of the National Gallery during the year. Gabriele Finaldi and Nicholas Penny, Director and former Director of the National Gallery served as Non-Executive Directors of NGC during the year. Susan Foister, Deputy Director of NG, served as a Non-Executive Director of NGC during the year.	949	611	104	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.	1,173	1,500	(887)	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.	231	1	-	Utility supply and electrical main upgrade recharges.
Tate	Hannah Rothschild, Lisa Milroy and Monisha Shah are Trustees of the related party. They all served as Trustees of the National Gallery during the year.	1	-	-	Shared net funds for the dismantling of Goya: the Portraits exhibition.
The British Council Advisory Panel	Dexter Dalwood is a Trustee and a Member of the related party.	1	-	-	Group Lectures.
The Burlington Magazine	Gabriele Finaldi and Dr N Penny are Trustees of the related party and served as Directors of the National Gallery during the year. Lady Heseltine, former Trustee of the National Gallery is a Trustee of the related party.	-	1	-	Magazine subscription.
The National Archives	Entity sponsored by DCMS.	-	3	-	Digital copies of stock books.
The Metropolitan Museum of Art	Katrin Henkel is a Member of the Visiting Committee of Department of Prints and Drawings and served as a trustee of the National Gallery during the year.	-	5	-	Goya Portraits Exhibition: packing and labour.
The NGT Foundation	Lady Heseltine and Mark Getty, Trustees of the related party, served as Trustees of the National Gallery during the year.	34	652	32	Rental of office space, annual management and accounting fee recharge.
The Royal Academy of Arts	Lisa Milroy is a Royal Academician at the related party and serves as a trustee at the National Gallery.	1	-	-	Shared courier costs for the dismantling of Goya: the Portraits exhibition.

Related party	Nature of relationship	Value of	Value of	Outstanding	Nature of transaction
		income received during the year	expenditure during the year	balances due from/(to) related party at year end	
		£'000	£'000	£'000	
The Ridley Family Charity	Anya Hurlbert is a Trustee of the related party.	5	–	–	XRF Scanner.
The Rothschild Foundation	Hannah Rothschild is a Director and Trustee.	400	–	400	XRF Scanner and Digital services.
The Walpole Society	Charles Sebag-Montefiore is a Member of the related party and a Trustee at the National Gallery.	–	1	–	Periodicals.
Victoria and Albert Museum	Entity sponsored by DCMS and Sir Michael Hintze serves as a member on the International Council of the V&A Museum.	–	1	–	Conservation work on items used in exhibitions.
Wallace Collection	Dr Ashok Roy, Director of Collections, is a Trustee.	–	1	–	Miscellaneous cost

25. Post Balance Sheet events

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

The financial statements were authorised for issue by the Accounting Officer and Trustees on the date shown on the audit certificate.

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