

THE NATIONAL GALLERY

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2019

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

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Objectives and activities

The National Gallery exists so that people can engage with great art.

It is a public museum with a uniquely important collection of pictures for the benefit of all. It tells a coherent story of European painting spanning seven centuries and reflects how artists and the societies in which they lived have responded to myth and religion, history and contemporary events, landscape and the human form, and to the tradition of art itself. The National Gallery constitutes a living legacy of humanity's highest cultural achievements in painting and is an inestimable resource for understanding the world as we have inherited it.

We believe the National Gallery has an important role to play in enabling people to understand and negotiate the changes that society is undergoing by providing long-term historical perspective; through mediated access to works of art of great significance and beauty, and by the provision of a safe environment for reflection on questions of identity, beliefs, and on the relationship between the past and the present.

The Gallery's charitable objectives are written into statute by the Museums and Galleries Act 1992 and underpin all the activity we undertake. The objectives are that the Gallery will care for and add to the collection; that it will display the collection to the public; that it will advance scholarship and research; and that it will promote the enjoyment and understanding of art.

Our strategic vision

In March 2018 the Gallery published its new Strategic Plan, which set out its vision for the future. Rooted in the Gallery's traditions and strengths, it took the changing world our audience lives in as its context, and responded to both the new opportunities and new challenges we face as the Gallery approaches its bicentenary in 2024.

Our vision for the coming years is based on seven strategic pillars, which we began work on delivering in the last year. These are:

- We will significantly expand our programmes and activities and work more with contemporary artists. Museum learning will be central to our ambition to foster engagement with the public.
- We will seek to acquire major paintings and to build up the collection in little-represented or unrepresented areas of the history of art.
- We will create a National Gallery with digital at its heart, to reflect a more digital world.
- We will share our pictures with people across the UK and we will share our expertise to support regional museums.
- We will invest in and develop our research capabilities to be an intellectual leader in the fields of technical art history and conservation science.
- We will make a significant investment in our staff and undertake a major infrastructure project to accommodate them on a single site, the One Gallery Accommodation Hub.
- To deliver these plans, we will grow our income with the aim of being 50% self-funding by 2022/3.

The outcome of our Strategic Plan will be a stronger, more resilient museum, well prepared to fulfil our large ambitions for the decades ahead. Below we describe the actions we have taken in the last year to begin our plan's delivery.

Review of achievements and performance in 2018-19

To significantly expand our programmes and activities to engage with the contemporary audience¹

Our aim is to connect great art with people, and people with great art. We believe the Gallery's pictures speak across time and place and we will address our existing audience and engage new generations of visitors from Britain and abroad with new displays of the collection, with a more varied and lively series of special events and activities.

In 2018-19 we have delivered this goal through an exceptional year for exhibitions, at Trafalgar Square, nationally and internationally, and through an expansion in the activities of the Learning department, providing wider range of events and facilities aimed at developing new audiences.

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

Exhibition	Attendance	Venue
<i>Drawn in Colour: Degas from the Burrell</i> 20 September 2017 – 7 May 2018	61,405 (from 1 April 2018)	Ground Floor Galleries
<i>Reflections: Van Eyck & the Pre-Raphaelites</i> (£) 2 October 2017 – 2 April 2018	939 (from 1 April 2018)	Sunley Room
<i>Murillo: The Self-Portraits</i> 28 February – 21 May 2018	36,990 (from 1 April 2018)	Room 1
<i>Tacita Dean: Still Life</i> 15 March - 28 May 2018	19,793 (from 1 April 2018)	Room 20
<i>The Credit Suisse Exhibition: Monet & Architecture</i> (£) 9 April 2018 - 29 July 2018	190,676	Sainsbury Wing
<i>Ed Ruscha: Course of Empire</i> 11 June 2018 - 7 October 2018	101,090	Room 1
<i>Thomas Cole: Eden to Empire</i> (£) 11 June 2018 - 7 October 2018	33,350	Galleries B & C
<i>Courtauld Impressionists: From Manet to Cézanne</i> (£) 17 September 2018 - 20 January 2019	141,718	Rooms 42 - 46

¹ 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".

<i>Mantegna and Bellini (£)</i> 1 October 2018 - 27 January 2019	121,864	Sainsbury Wing
<i>Rachel Maclean: The Lion and the Unicorn</i> 29 November 2018 - 3 February 2019	121,274	Sunley Room
<i>Landseer's The Monarch of the Glen</i> 29 November 2018 - 3 February 2019	117,415	Room 1
<i>Lorenzo Lotto Portraits</i> 5 November 2018 - 10 February 2019	228,178	Galleries B, D & E
<i>Boilly: Scenes of a Parisian Life</i> 28 February 2019 - 19 May 2019	41,261 (to 31 March 2019)	Room 1
<i>Sorolla: Spanish Master of Light (£)</i> 18 March 2019 - 7 July 2019	21,815 (to 31 March 2019)	Sainsbury Wing

Over 1.7million people world-wide engaged with National Gallery exhibitions in the last year. At Trafalgar Square, the programme featured an unprecedented 14 exhibitions covering a substantial breadth and depth of subjects. Major names, such as Monet, offered our visitors the opportunity to see significant paintings by some of the most well-known artists in the world. Other exhibitions, such as *Murillo: The Self Portraits* provided an in-depth, more specialist look at a particular facet of an artist's oeuvre, whilst first-ever UK exhibitions of Thomas Cole, Sorolla and Lorenzo Lotto positioned the Gallery as a place to discover new artists. The increased involvement of contemporary artists with the Gallery gave added dynamism to the programme, and we were pleased to work closely with George Shaw, Ed Ruscha, Rachel Maclean and Tacita Dean. Internationally, five exhibitions were created in collaboration with international partners including major museums in the US, Spain, Germany and Ireland.

Our Learning activities have seen growth in our schools and adult programmes, and through new ways of engaging with different audiences. Our schools programme has grown to attract a greater number of secondary school pupils. At the beginning of the financial year, the *Monet and Architecture* exhibition provided a focus for delivering an evening event aimed at teachers of A Level Art History. In the spring of 2019 the schools team ran GCSE preparation days and took part in STEAM (Science Technology Engineering Art and Maths) week in conjunction with Westminster secondary schools. The adult programme has reached out to new audiences through its work with community groups. The access team worked with Resonate, a Dementia charity, to run a series of sessions with Dementia sufferers and their carers in July 2018.

The families programme started using family festivals as a way of bringing in new audiences. Nearly 6,000 people, many from London's Chinese community, took part in this year's Chinese New Year family festival in February. The Gallery also developed valuable community partnerships through hosting the Mental Wealth festival in September.

To seek to acquire major paintings and to build up the collection in little-represented or unrepresented areas of the history of art.²

² 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".

The Gallery's collection has grown organically through acquiring works by the recognized artists of the European canon and also by advancing into the lesser known territories of art history. The collection must continue to be enhanced with preeminent paintings, adding excellence to excellence, and also reflect a broader interpretation of European art and its wider influence, including unrepresented schools and genres. We aim to acquire distinguished works by artists from outside the established European canon.

Our key acquisition in the last year on this basis has been of Artemisia Gentileschi's *Self Portrait as Saint Catherine of Alexandria*, an oil painting from about 1615–17. The painting underwent conservation treatment before going on display in early 2019. Artemisia Gentileschi is considered one of the most accomplished painters among the followers of Caravaggio, whom she must have known personally through her father Orazio. In an era when female artists were not easily accepted, she was the first woman to become a member of the Accademia del Disegno in Florence and she had a truly international clientele, including the Grand Duke of Tuscany, Charles I of England, and Philip IV of Spain.

During the year we were delighted to receive Lucas Cranach the Elder's painting *Venus and Cupid* from the Drue Heinz Charitable Trust, painted in 1529. This gift further augments the Gallery's collection of paintings by an artist widely considered a master of the German Renaissance. The painting is one of a series that Cranach produced during the 1520s and 30s, including another painting of *Cupid complaining to Venus* (about 1525), already in the National Gallery's collection. With this new acquisition, Gallery visitors are now able to see the small variations made over time between two of Cranach's depictions of Venus and Cupid, and understand how a much sought-after Renaissance artist organised his workshop to produce pictures on popular subjects.

The practice of making oil sketches in the open air, of which Italy was the undisputed centre during the late eighteenth and early nineteenth centuries, has become recognised for its vital role in the artistic process of landscape painting. The distinguished picture dealer and pioneering collector of such sketches, John Lishawa, has presented to the National Gallery a group of eight, of which six are by French artists, one by an Italian and one by a British artist long resident in Italy. They join a select group of oil sketches, the first two of which, Jean-Baptiste-Camille Corot's *The Roman Campagna, with the Claudian Aqueduct* (probably 1826), and Théodore Rousseau, *The Valley of Saint-Vincent* (1830), were acquired at the sale of Edgar Degas's collection in 1918. Over the last two decades the Gallery has sought to expand this collection, purchasing in 1996 a sketch by the Flemish artist Simon Denis (*Sunset in the Roman Campagna*, about 1800). In 1999 it accepted the loan of the renowned collection formed by Charlotte and the late John Gere. In recent years its task has been supported by generous donors, including Lishawa himself, who, upon the death of his first wife Kate in 2005, donated, with his children, Paul Huet's *Trees in the Park at Saint-Cloud* (about 1820) in her memory. Other private collectors have further increased the collection with such gifts as studies by Jean-Michel Cels and Vilhelm Petersen. None of the artists in this present gift is as yet represented in the Gallery; Jean Joseph Xavier Bidault and François-Marius Granet are representatives of the early generation of neo-classical landscapists; Théodore Caruelle d'Aligny and Charles Rémond of that of Corot and the Barbizon artists; with George Augustus Wallis and Erminio Soldera epitomising the truly international character of oil-sketching.

To create a digital National Gallery for a digital world³

We have committed to an ambitious five-year programme of investment in digital transformation. The basis of this transformation is the simple insight that every aspect of the Gallery's activity from displays to education, from frontline scientific research to social communication, from publishing to broadcasting, has digital purchase.

In the last year we have delivered on the three key principles underpinning our digital transformation programme. We are committed to creating a unified digital visitor experience, and we have been

³Objective supports the requirement of the Museums and Galleries Act 1992 s2(1)(d) that the Board shall "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".

redeveloping The National Gallery website to start presenting a continuous experience before, during and after the visit. Change is ongoing but since April 2018, changes to homepage have resulted in greater traffic to the Exhibitions pages by 914%, the Membership page by 130%, the Events page by 36%, and the Gallery shop website by 20%.

Our Data & Insight team have been working to enable data-driven business decisions, including the introduction of new exhibition forecasting models, delivering a series of data-focussed workshops for Gallery staff, and the delivery of a new data analytics dashboard, Perspective. Launched in January 2019, the Perspective dashboard has been designed to give instant access to key audience and exhibition data and KPIs. For the first time staff across the Gallery are able to interact with dynamic data regarding general and exhibition attendance, ticket sales and revenue, all mapped against dynamic forecasting models for exhibition attendance.

We are committed to understanding how new technologies from Facebook Live to virtual reality and beyond create new models for the display and consumption of art. Last year we worked with Google Arts & Culture to deliver the *'Monet was here'* project to explore this area. This used an array of interactive technologies to transport visitors to the exact locations where Monet painted his works. We also announced the launch of an Innovation Lab focussed on immersive storytelling as part of DCMS' 'Culture is Digital' policy. This will open in 2019.

To create a National Gallery for all, sharing our pictures across the UK and sharing our expertise to support regional museums⁴

Great art should enrich the daily life of everyone in Britain today, and we are committed to ensuring that the inspiration it brings can reach as many people as possible. The National Gallery is a resource and source of support for the entire country, not only for those who are able to visit the collection in Trafalgar Square. We are delivering on this aim through our touring exhibitions, partnerships, learning and training programmes.

In the last year we have delivered two touring exhibitions to five regional venues, none of whom had worked with the Gallery previously. The Gallery supported each venue to develop their own presentation of the exhibition, National partnerships with the Burrell Collection, Tate and the Courtauld Gallery also played an important role in the staging of three on-site exhibitions, each bringing together National Gallery and other major UK collections for the first and probably only ever time. The Gallery was also thrilled to open the first of the *Artemisia Visits* projects at Glasgow Women's Library as part of an unprecedented tour that will see the painting displayed in a number of non-museum locations across the UK.

Our annual Take One Picture exhibition, based on Joseph Wright of Derby's *Experiment on a Bird with the Air Pump*, attracted entries from UK primary schools from Newcastle to Exeter. The Gallery's youth programme brought people together from Inverness to Plymouth with a professional choreographer at the Gallery to develop and perform a dance piece called 'Unknown Territories'. Our curatorial traineeship scheme places two trainees into museums, galleries or historical sites across the UK. The Subject Specialist Network for European paintings pre-1900, provides opportunities for collaboration, professional development and knowledge exchange between staff working with historic painting collections all over the country. This financial year, the network has held study days and conferences on a variety of professional issues in Edinburgh, Barnsley and London.

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 the documents are available to persons seeking to inspect them in connection with study or 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".

To invest in and develop our research capabilities to advance our intellectual leadership⁵

The Gallery is a world leader in several of its areas of research, notably in the fields of collection cataloguing, conservation science and technical art history. To continue to be a beacon institution we must be in a position to create an attractive and stimulating environment which yields significant research outcomes. Equally important is to find innovative ways to make the results of the Gallery's research available and relevant both to specialist audiences and to the general public.

We responded to this, this year, through the creation of a new research strategy and through our work in archiving, conservation and scientific research. Our research strategy will set out the programme which leads to the development of a National Gallery Research Centre which is at the cutting edge of research on painting. It will have a clear and ambitious remit and will be a significant generator of new art historical and technical research.

In our active research programmes, this year saw the conclusion of the joint pilot project with King's Digital Laboratory at King's College London. Our cataloguing data has now been added to COPAC, the foremost union catalogue of collections in over 100 major UK and Irish research libraries. Work has continued on the digitisation of selected National Gallery catalogues. The earliest National Gallery catalogues have been placed on our website and on the Getty Research Portal. The first 100 years of the Board Minutes are now also available via the internet!

This year, the use of advanced technical imaging equipment, macro X-ray fluorescence scanning and high specification hyperspectral imaging system, enabled the Gallery to remain at the forefront of developments in this field. The first painting to be examined using the latter technique was the new Artemesia Gentileschi acquisition, *Self Portrait as Saint Catherine of Alexandria*. The EPSRC-funded ARTICT project, in collaboration with University College London and Imperial College London, will further advance our capabilities for complex processing of the large data sets being produced by the new imaging systems.

2019 brought the end of the CrossCult project, funded by the EU under the Horizon2020 programme. It brought together digital humanities, social scientists, computer scientists and museum professionals to develop an innovative digital platform, which was tested and demonstrated through four flagship pilots, including one based at the National Gallery. A prototype Mobile Application (app) was developed that was designed to stimulate new digital interactions with the National Gallery collection and enhance visitor experiences within the Gallery.

To invest in our people and deliver the One Gallery Accommodation Hub

The Gallery's employees are of fundamental importance in enabling us to meet our strategic goals. The employment experience at the National Gallery must be a beacon of excellence in the sector and we will ensure that this is a feature of our recruitment, career progression, learning and development, health and wellbeing and retention plans. The delivery in 2020 of the One Gallery Accommodation Hub in the North East corner of the Wilkins Building is a fundamental strategic objective: it will bring together in a single inspiring space most of the staff creating unprecedented opportunities for synergetic working.

In the last year, we have delivered on these goals through our new pay framework, new accreditation through a culture change programme, and by breaking ground on the new accommodation hub.

⁵ Objective supports the requirement of the Museums and Galleries Act 1992 s2(1)(a) and (c) that the Board shall "care for, preserve and add to the works of art and documents in their collection" and "secure that the works of art and the documents are available to persons seeking to inspect them in connection with study or research".

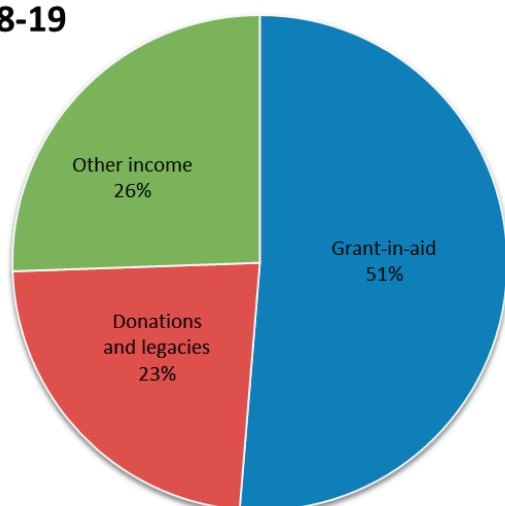
During the year, the Gallery's pay framework was successfully revised and modernised, with an extensive investment made to realign employee pay with the public sector median. This has set a new basis for future pay and reward development over the coming three years. The Gallery also achieved accreditation as a Disability Confident employer and has now made the commitment to invest in the development of its workforce and management teams to work towards a Disability Leader accreditation. Our culture change programme is part of the preparations for our new shared accommodation programme, and addresses the flexible and agile working necessary to support this.

To be 50% self-funding by 2022-23

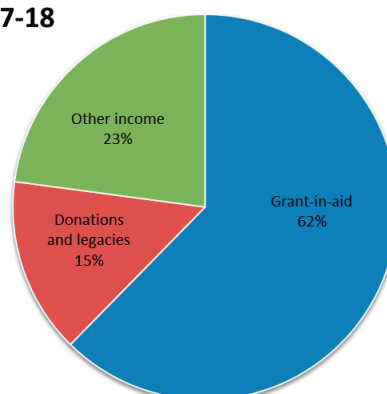
To realize our ambition of matching self-generated income to Grant-in-aid in order to deliver our activity plans and increase resilience, we will need to raise significantly more income from digital initiatives, developing new commercial opportunities (with the National Gallery Company) and increasing membership, among other activities.

Income (excluding donations for picture acquisitions)

2018-19



2017-18



This year, self-generated income reached 49% of total income excluding donations for picture acquisitions (2018: 38%). This includes donations contributing to the One Gallery Accommodation Hub building project, which accounts for 8% of the income shown above (2017: 2%). Self-generated income includes exhibition ticketing income and educational events, donations and legacies, investment income, membership schemes and corporate sponsorship income. Grant-in-aid income has remained at £24.1m over the two years.

Exhibitions continued to provide a good source of income for the Gallery through:

- Ticket sales for the five ticketed exhibitions;
- Membership offer;
- Publishing and merchandise, with national and international partnerships offering expanded opportunities for merchandise and catalogue sales at partner venues in the UK and abroad.

Revenue potential was further maximised from efficiencies made through partnership working, and revenue-generation from international touring projects.

Private, public and corporate support plays a central role in realising the National Gallery's aim to become 50% self-funding by 2022-23. During the last twelve months, a major area of focus has been the continued growth of supporter and membership groups, fostering long-term relationships with individuals, trusts, foundations and companies who share a passion for the Gallery and its work. In 2018 Credit Suisse celebrated ten years as Partner of the National Gallery and sponsored our landmark show, *The Credit Suisse Exhibition: Monet & Architecture*.

DCMS Key performance indicators

Specific information relevant to the Gallery's contribution to DCMS performance indicators for 2018-19 as set out in the Funding Agreement agreed with DCMS:

	Performance in 2018-19	Performance in 2017-18 (restated)
1. Number of visits to the Gallery (excluding virtual visitors)	5.9m	5.1m
2. Number of unique users visiting the website	4.4m	3.8m
3. Number of visits by children under 16	0.5m	0.5m
4. Number of overseas visits	3.9m	3.2m
5. (a) Number of facilitated and self-directed visits to the Gallery by visitors under 18 in formal education	170k	157k
5. (b) Instances of visitors under 18 participating in on-site organised activities	10k	11k
6. % of visitors who would recommend a visit	94%	95% ⁶
7. Number of UK loan venues	22	24 ⁷
8. (a) Self-generated income – admissions	£4.4m	£1.8m
8. (b) Self-generated income – trading	£3.7m	£3.5m
8. (c) Self-generated income – fundraising	£24.7m ⁸	£27.1m

⁶ In 2017-18 the % of visitors recommending a visit was overstated due to an error in interpretation of the measurement.

⁷ This figure has been amended from 23 venues as stated incorrectly in the prior year accounts.

⁸ 'Self-generated income – fundraising' includes donation and legacy income, together with income from corporate and individual membership schemes which contributed £4.0m in 2018-19 (2017-18: £3.6m).

Plans for the future

The National Gallery has made strong progress in the first year of implementing our new Corporate Plan in support of our vision for the future.

In the next year, we will continue this work, which will have the following outcomes for our strategic goals:

- We will continue to significantly expand our programmes through the implementation of our new exhibitions strategy. This consolidates our learnings from the last 4 years into a new framework to best support the creation and promotion of great exhibitions for all of our different audiences.
- Our revised acquisitions strategy helps us to focus on and prioritise the pictures we will look to acquire both over the short and long term.
- We will build our digital capabilities through the launch of a new innovation lab, which will create a deviated space and programme for experimenting with new technologies, processes and partners.
- We will invest in and develop our research capabilities through the development of our new research strategy, and the planning for a significant redevelopment of our research centre.
- We will move to near completion of the One Gallery Accommodation Hub project, ready for our staff to begin moving in later in 2020. Supporting this will be significant work in technology and working culture change, helping us to provide an environment for a mobile, flexible, agile twenty-first century workforce.
- We will move further towards our aim of being 50% self-funding by 2022-23 by creating a new commercial strategy for our Commercial Services group, focusing on how to achieve significant growth in our Membership, Ticketing and Audio Guides businesses.

Financial Review

Financial performance

The Statement of Financial Activities is set out on pages 44 - 45 of this document. The Gallery presents its income and expenditure across three groups of columns, being:

- Operating income and expenditure – any income or expenditure not relating to the acquisition or development of assets
- Funded capital projects and revaluations – building works, depreciation and any further income or expenditure relating to physical assets other than the collection
- Acquisitions for the collection – income to acquire, or gifts of, paintings

The income in each of these areas is split between unrestricted income - that the Gallery may spend as it chooses, and restricted income - that donors have instructed the Gallery to spend in a particular way. Where expenditure incurred by the Gallery meets the criteria of any unspent restricted income this is allocated against the same column. All expenditure not met by restricted income is allocated to the first column, unrestricted operating income.

Income for 2019 amounted to £57.0 million (2018: £56.8 million); total expenditure amounted to £41.6 million (2018: £37.6 million), resulting in initial net income of £16.1 million (2018: £19.5million). Adding in the gain on property and plant & equipment of £7.7 million (2018: £21.4million), we achieved final net income of £23.9 million (2018: £40.9 million).

Income

Income is disclosed in the Statement of Financial Activities by method of income generation:

- Income from donations & legacies
- Income from other trading activities
- Investment income
- Income from charitable activities

Further detail is available in notes 3-7 on pages 53 –54.

Income from donations and legacies for the year totalled £45.0 million (2018: £47.9 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 fundraised income in relation to two paintings acquired in the year and pictures donated to the Gallery, for which we raised £3.9 million in total. The pictures purchased were Artemisia Gentileschi's *Self Portrait as Saint Catherine of Alexandria* for which we raised £3.6 million, and Bridget Riley's *Messengers*, for which £250k was raised. Pictures which were donated to the Gallery in 2018-19 were valued at just over £5.7 million in total (in the prior year the Gallery received five donated works of art valued at £4.7 million in total).

Income from charitable activities for the year totalled £4.4 million (2018: £1.8 million), this includes admission to exhibitions and other educational events.

The balance of income, £7.6 million (2018: £7.1 million), is mainly from the Gallery's corporate and individual membership schemes, and sponsorship income.

Expenditure

Expenditure is disclosed in the Statement of Financial Activities, analysed according to the activities that the expenditure relates to; being either the raising of funds or one of the Gallery's charitable activities to which the spend relates, which are:

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

Further analysis of our expenditure is available in notes 8-11 on pages 55 – 58.

The Gallery allocates support costs across our charitable activities; full details of this allocation are shown in note 9 on page 55. It should be noted that the costs of front of house and security staff are included within the activity 'Broaden our appeal and provide an exceptional visitor experience'.

The Gallery's total expenditure for the year was £41.6 million (2018: £37.6 million). Spend on preserving, enhancing and developing the potential of our collections was £1.4 million higher than in 2017-18, following an increased level of activity in 2018-19. An additional £0.2 million was invested in raising funds, helping to generate the income from donations and legacies. Expenditure on learning and engagement increased by £0.3 million.

Financial position

The Balance Sheet is shown on page 46 of this document, with further analysis shown in notes 12-21 on pages 59-71.

The net movement in funds for the year amounted to £23.9 million (2018: £40.9 million). Of the net income of £23.9 million, £23.4 million relates to restricted funds; including £7.7 million revaluation on the Gallery property (including land and buildings, and plant and machinery) and £5.7 million in donated works of art.

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 £7.7 million (2018: £21.4 million) and investment gains of £0.7 million (2018: £0.3 million).

In accordance with the Government Financial Reporting Manual (FReM) – 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 National Gallery 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 National Gallery 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 13 and on the Gallery's website.

Details of the treatment of pension liabilities are disclosed in the Remuneration Report and the effect of the revaluation of land, buildings, and plant and machinery is disclosed in note 12.

Fundraising and resources

Grant-in-Aid from the Department for Digital, Culture, Media and Sport (DCMS) amounted to £24.1 million for the year ended 31 March 2019 (2018: £24.1 million). Additional income was generated as a result of the Gallery's exhibitions, educational activities and fundraising programme. Fundraising is carried out by the Gallery's Development department, through donations, patrons and corporate supporter schemes.

Our Development department 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 activities and capital development. Our education work benefited significantly as a result of major donations and grants from individual donors and charitable trusts.

The Gallery continues to benefit from private support for several senior curatorial posts and curatorial fellow positions, academic colloquia and the publication of catalogues. Charitable income also supported the work of the framing, scientific and conservation departments. We were grateful for the support of donors who helped the Gallery acquire *Self Portrait as Saint Catherine of Alexandria* by Artemisia Gentileschi, who was the most famous female artist of the 17th century and whose painting has already become a treasured addition of the national collection.

In January 2019 we were excited to break ground for the One Gallery Accommodation Hub, embarking on an initiative which will transform working areas for staff. Donor support has helped enable work to begin on this major building project, which will continue to be a focus for fundraising in the coming year. We are also enormously grateful for support for funding the extensive refurbishment of Room 32.

In 2018 Credit Suisse celebrated ten years as Partner of the National Gallery and sponsored our landmark show, *The Credit Suisse Exhibition: Monet & Architecture*. The Gallery also benefited from the ongoing sponsorship from Hiscox who became the first Contemporary Art Partner of the National Gallery, supporting a programme of exhibitions by living artists including Tacita Dean and Ed Ruscha during the past year.

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. We remain indebted to every individual, trust and company for their support during the course of this year.

Fundraising is undertaken largely by National Gallery staff and Boo Consultancy Ltd. In order to ensure that vulnerable people and other members of the public are not put under undue pressure to give money the Gallery monitors fundraising activities through a programme of training and induction, weekly meetings with fundraising managers, dip sampling assessments and feedback from colleagues and visitors.

The National Gallery is registered with the Fundraising Regulator and individual members of staff are members of the Institute of Fundraising which has set standards of best practice in fundraising. We are part of the Fundraising Preference Centre service to ensure we do not contact people who do not wish to receive communications from us. We have recently undertaken an organisation wide review of our data handling policies in preparation for the General Data Protection Regulation (GDPR) and in doing so have ensured we are open and transparent about our data handling practices. As part of the process we have carried out legitimate interest assessments to ensure we consider the rights of all individuals whose personal data is processed by us.

In the year to 31 March 2019 there have been no failures to comply with the fundraising schemes and standards that the Gallery has committed to. During this period we received seven formal complaints, all of which related to front of house fundraising activities. Each of the complaints received a prompt response in line with the Gallery's operating procedure for dealing with complaints and other feedback.

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 2012 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. National Gallery Funds are split between:

- *Unrestricted:* These include funds designated by the Gallery for Picture Purchase and funds held for contingency. In normal circumstances the Gallery will hold £2.0m as operating contingency, but may increase this sum in specific circumstances – for example to cover anticipated fluctuations in income from exhibitions. The assets representing these funds are short term and should be readily realisable.
- *Restricted:* These funds are held for a wide range of specific purposes ranging from current projects which are expected to be delivered in the next 12 months and ongoing staffing commitments, to Picture purchase and longer term research work. The assets representing these funds are matched to the purposes for which the funds are held and are a mix of short and long term.
- *Non spendable 'endowment':* These are historic funds held for picture purchase and research work. The assets representing these funds are expected to be invested for the long term with a minimum time horizon of five years.

The overall objective of long term funds is to maintain the real value of the portfolio and produce the best financial return within an acceptable level of risk. Long term returns over rolling three year periods are compared to UK RPI +3% and over shorter periods returns are compared to appropriate indices for the asset classes the investment manager has invested in.

The investment objective for the short term funds is to ensure certainty of value i.e. preserve capital with minimum level of risk. Some or all of this portfolio should be readily available to meet potential acquisition/expenditure requirements.

Attitude to risk

The National Gallery recognises that the key risk to the investment portfolio is the erosion of capital value by inflation and therefore the long term portfolio needs to be invested in assets which mitigate that risk. The Trustees understand that this is likely to mean that the investments will be concentrated in real assets (that is equities, fixed interest instruments and property) though diversified by asset class.

The National Gallery accepts that although diversification reduces risk, the capital value will fluctuate. Since the Unrestricted Funds, and a significant portion of the Restricted Funds, may be required at short notice, capital volatility cannot be tolerated. These assets are held in sterling cash or via cash funds.

Types of investment

The National Gallery's assets can be widely invested and should be diversified by asset class. The base currency is Sterling, but investments may be made in non-sterling assets and hedging is permitted in the Non spendable Endowment Funds and a significant portion of the Restricted Funds. The majority of cash deposits will be held in Sterling, other than modest sums held in currency for operational purposes, and, where practicable, will be spread by counterparty and deposited with institutions with a minimum rating of BBB- or invested in a diversified money market fund.

The Funds to be held as long term investments should be invested in assets which can be realised within three months. The short term Funds held within net current assets should be invested in cash or near term cash deposits to ensure immediate liquidity and certainty of value.

Investment management

The Finance Committee has the responsibility of overseeing the National Gallery Funds, and usually meets four times a year. The Committee aims to meet the investment managers once a year and receives quarterly reports and valuations. The Finance Committee is responsible for agreeing strategy and monitoring the investment assets.

The Finance Committee will review and, if it sees fit, approve any change in Investment Manager or Fund into which National Gallery assets are placed. The Finance Committee will also approve any substantial change in the approach or nature of investments made by the incumbent Fund Manager.

Investment performance

Permanent endowments and restricted funds held for the longer term were invested in a multi asset managed index fund from March 2018. The gross total return on the managed index fund during the year to 31 March 2019 before fees was 4.27%. The fund is a target risk fund, seeking a moderate risk profile, and as such, there is no specific market benchmark to compare performance against.

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 2019 the fixed-rate weighted average interest rate was 0.46% (2018: 0.29%) compared with the weighted average base rate of 0.67% (2018: 0.35%).

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

Reserves policy

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

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

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

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

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

The aggregate value of reserves is £662.9 million (2018: £639.0 million). A breakdown of these is shown in the Balance Sheet and in the Statement of Funds (note 20). A significant proportion of the funds (£305.5 million; 2018: £300.7 million) relate to the Gallery's land and buildings, being the Trafalgar Square site, plant and machinery, and equipment. £325.0 million (2018: £315.2 million) is represented by the value at the date of acquisition of donations to the Collection and pictures acquired since 1 April 2001, and £4.0 million (2018: £2.2 million) relates to funds restricted for future acquisitions.

Of the remaining £28.4 million (2018: £21.0 million), £9.0 million (2018: £8.6 million) is in permanent endowments, where the capital must be retained, and £15.4 million (2018: £8.3 million) represents other restricted funds. A further £2.0 million (2018: £2.0 million) is income, mainly from bequests, which the Trustees have designated for picture purchases. The remaining balance of £2.0 million (2018: £2.0 million) represents undesignated general funds arising from the Gallery's fundraising, trading, and charitable activities. At their meeting in March 2019, the Board 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 for Digital, Culture, Media and Sport with the consent of HM Treasury in accordance with Sections 9(4) and 9(5) of the Museums and Galleries Act 1992, the Government's Financial Reporting Manual and the Accounting and Reporting by Charities: Statement of Recommended Practice (2015) (FRS 102).

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 the House of Commons agreed to pay £57,000 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 Digital, 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 Drapers Gardens, 12 Throgmorton Avenue London EC2N 2DL	

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 40 days (2018: 45 days) due to a very high level of invoices received shortly before the year end.

Immunity from Seizure Report 2018-19

Legislation passed under Part 6 of the Tribunals, Courts and Enforcement Act 2007 provides 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.

For each exhibition loan, the Gallery compiles details of provenance, researches and records further information and carefully considers 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 2018-19 are as follows:

The Credit Suisse Exhibition: Monet & Architecture

9 April - 29 July 2018

Thomas Cole: Eden to Empire

11 June – 7 October 2018

Lorenzo Lotto Portraits

29 November 2018 – 10 February 2019

Mantegna and Bellini

1 October 2018 – 27 January 2019

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

Sustainability report

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

We have prepared this Sustainability Report in order to provide information on the plans we have in place for reducing carbon emissions. The report has been prepared in accordance with HM Treasury Public Sector Annual Reports: Sustainability Reporting 2018-19.

Summary of performance

We are in the process of implementing our second Carbon Management Plan to cover the period 2015-2020. During 2018-19 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:

- Installation of replacement LED lighting,
- Low energy filters continue to be installed to air handling plant across the site,
- Plant replacements / upgrades (primary CHW pumps, HWS calorifiers),
- BMS controls upgrades and optimisation of control strategies,
- Consolidation of computer server rooms.

Our performance is summarised in the table below:

Area		2018-19		2017-18		2016-17	
		Actual	Target	Actual	Target	Actual	Target
Greenhouse Gas Emissions (Scopes 1, 2 & 3) tCO ₂ e		5,763 ⁹	4,819 ¹⁰	5,335	5,105	5,746	5,405
Estate energy	Consumption (million KWh)	27.0	-	24.6	-	24.8	-
	Expenditure (£ million)	1.26	-	0.95	-	1.07	-
Estate waste	Amount (tonnes)	532	-	497	-	673	-
	Expenditure (£'000)	65.0	-	73.5	-	84.5	-
Estate water	Consumption ('000 m3)	37.9 ¹¹	-	66.5	-	34.9	-
	Expenditure (£'000)	49	-	56.1	-	77	-
Paper Use	A3 (Reams)	117	-	180	-	125	-
	A4 (Reams)	1,965	-	1,620	-	2,201	-
	A3 and A4 Expenditure (£'000)	4.40	-	4.03	-	4.86	-

Overall, the National Gallery carbon emissions increased during the 2018-19 reporting period (+7.6%). In relative terms, this equates to 0.97kgCO₂e emissions per visitor based on 5,922,958 (+17.2%) visitors during 2018-19, this is a -8.2% decrease per visitor compared with 2017-18 relative emissions when visitor numbers equated to 5,052,789.

The increase in absolute emissions can be attributable in part to the focus on the internal hub project, increase in emissions associated with refrigerant and the failure of the main gas valve forcing the

⁹ The CO₂ emissions in this table have been calculated using the latest DEFRA (2018) emissions factors. This Table has historically been reported in CO₂ but has been corrected to CO₂e to meet the requirements of HM Treasury Public Sector Annual Reports: Sustainability Reporting 2018-19.

¹⁰ Please note that the 2018-2019 target is based on a 5% annual reduction from the 2014-2015 baseline, this is in line with the Carbon Management Plan.

¹¹ The 2018-19 estate water consumption has been calculated using meter reads whereas in previous years a mixture of meter reads and invoices have been used, some of which have included estimated consumption figures.

shutdown of the CHP unit and reliance on grid electricity and oil for an extended period during 2018-19. The overall emissions translate into an increase by 11.7% of Scope 1 emissions sources, a reduction by -2.4% of Scope 2 emissions sources and a reduction by -6.4% of Scope 3 emissions sources when compared with 2018-19 emissions results.

Summary of future strategy

Our 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;
- Photovoltaic Panels (PV);
- Optimisation of humidifiers;
- Continue with BMS optimisation strategies;
- Chiller flow control optimisation;
- Air in-take screens for the chillers;
- Replacement LED lighting.

Greenhouse gas (GHG) emissions

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

Our Carbon Management Plan sets out the direction we are taking to reduce our GHG emissions. A fundamental strategy for reduction was the installation of a combined heat and power unit, commissioned in 2012. During 2018-19 we have made every effort to ensure the continued operation of the CHP to maximise our proportion of self-generated electricity and minimise our draw of electricity from the national grid.

The National Gallery is committed to integrating energy saving and carbon reduction measures into its activities and to adopting the best environmental practices, where possible, into all areas of its operation.

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

Greenhouse gas emissions		2018-19	2017-18	2016-17
Non-financial indicators (tCO ₂ e)	Total gross emissions	5,763	5,355	5,764
	Gross emissions Scope 1 (direct)	4,302	3,851	4,167
	Gross emissions Scope 2 (indirect)	1,300	1,332	1,417
	Gross emissions Scope 3 (indirect) ¹²	162	173	180
Related energy consumption (million KWh)	Grid electricity	4.6	3.8	3.4
	Electricity generated on site	6.90	6.67	7.0
	Natural gas	22.2	20.8	21.3
Financial indicators (£ million)	Expenditure on energy	1.26 ¹³	0.95	1.1
	CRC license expenditure	0.075	0.078	0.086
	Expenditure on accredited offsets	-	-	-
	Expenditure on official business travel	0.044	0.035	0.04

Key performance indicators (KPI)

While the number of visitors has increased by 17.2% on 2017-18, analysis shows a relative decrease of - 8.2% in carbon emissions per visitor in 2018-19¹⁴. 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	2018-19	2017-18	2016-17
Total visitors	5,922,958	5,052,789	6,173,344
Total carbon (tCO ₂ e) ¹⁵	5,763	5,335	5,764
Emissions per visitor (tCO ₂ e)	0.00097	0.00106	0.00093

Waste management

We aim to reduce waste and to ensure as much waste as possible is reused or recycled. We continue to utilise two cardboard balers reducing the volume of waste requiring collection and reducing our upstream environmental impact by decreasing the number of waste collections. Continued communications are carried out on waste management both with employees and visitors to decrease waste generation at the Gallery. The waste management contract in place aims to increase volumes of waste being recycled along with training for staff and contractors, particularly those working in the restaurants regarding waste minimisation, this is an on-going process. No waste from the National Gallery is sent to landfill.

¹² Due to the complexity of calculating business travel from the data available, assumptions have been made with regard to the methodology used; these are in line with Guidance requirements. This emissions source accounts for less than 0.2% of the total emissions inventory and therefore this calculation falls within the materiality threshold of <5% of the total carbon footprint. Moving forward efforts will be made to facilitate the collection and reporting of staff travel.

¹³ There was a marked increase in energy consumption and costs for the year 2018-19 due to a number of factors. Firstly an increased number of visitors (+17%), secondly an exceptionally hot summer producing a higher cooling load from May through to August, and thirdly the failure of the main gas valve shutting down our CHP unit and relying on grid electricity and oil as the main fossil fuel supply for heat and hot water.

¹⁴ Please note that alternative metrics may be more appropriate and will be investigated in future years.

¹⁵ This Table has historically been reported in CO₂ but has been corrected to CO₂e to meet the requirements of HM Treasury Public Sector Annual Reports: Sustainability Reporting 2018-19.

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

Waste			2018-19	2017-18	2016-17
Non-financial indicators (tonnes)	Total waste		532	497	673
	Hazardous waste	Total	-	-	-
		Landfill	-	-	-
	Non-hazardous waste	Reused/recycled	299.8	197.4	378.6
		Anaerobic digestion	48.4	48.9	47.6
		Incinerated with energy recovery	184.0	251.1	246.6
		Incinerated without energy recovery	-	-	-
Financial indicators (£'000)	Total disposal cost		65.04	73.5	84.5

Use of resources

Our water performance is summarised in the table below:

Finite resource consumption		2018-19	2017-18	2016-17
Non-financial indicators ('000m3)	Water consumption	37.9	66.5	34.9
Financial indicators (£'000)	Water supply costs	49	56	77

Water consumption has decreased from 2017-18 to 2018-19 by 43% from 66,500m3 to 37,900m3. This reduction can be explained by the location of a water leak that was fixed in February 2018 and the reconciliation of estimated billing following the replacement of the main water meter. Work continues to reduce the water consumption of the gallery and efforts are being made to record water data at a more granular level, as well as the timely submission of monthly reads to ensure consumption and billing are correctly received from our supplier.

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 (2018: £nil).

Director’s remuneration and benefits

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

		Salary £’000	Performance related pay £’000	Benefits in kind (to nearest £100) £’000	Pension benefits (to nearest £’000) £’000	Total £’000
Dr Gabriele Finaldi <i>Director</i>	2019	150 - 155 ¹⁶	35 - 40 ¹⁷	1.9	57	245 - 250
	2018	140 - 145	35 - 40 ¹⁸	0.9	56	235 - 240

The Director’s performance-related bonus is determined by the Remuneration Committee. The Remuneration Committee (which comprised Hannah Rothschild, Rosemary Leith and Charles Sebag-Montefiore, 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 Digital, Culture, Media and Sport and the National Gallery.

Dr Finaldi is eligible for a performance-related bonus in the range of 0% to 25%. In the year to 31 March 2019, Dr Finaldi was offered and accepted a 25% performance-related, nonconsolidated bonus of £37,060 relating to performance for that year. In the year to 31 March 2018, Dr Finaldi was offered and accepted a 25% performance-related, nonconsolidated bonus of £35,980 relating to performance in the same year.

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. The notice period of the Director is six months.

¹⁶ The Director’s basic salary for the year was £146,439, reflecting an in-year consolidated increase of 3%. The Director also opted to sell unused annual leave from 2017-18, as permitted through the Gallery’s flexible benefit programme which came into effect on 1 April 2018 and is available to all employees. This resulted in a further payment of £6,089 in taxable earnings.

¹⁷ Performance related pay of £37,060 was awarded for the period to 31 March 2019.

¹⁸ Performance related pay of £35,980 was awarded for the period to 31 March 2018.

Senior managers' remuneration and benefits

The remuneration details for the senior managers, including any compensation benefits, are as follows:

		Salary £'000	Performance related pay £'000	Benefits in kind (to nearest £100) £'000	Pension benefits (to nearest £'000) £'000	Total £'000
Dr Caroline Campbell <i>Director of Collections and Research</i> <i>(from 28 March 2018)</i>	2019	90 - 95	-	1.1	173 ¹⁹	265 - 270
	2018	0 - 5 ²⁰	-	0.5	2	0 - 5
Dr Susan Foister <i>Director of Public Programmes and Partnerships</i>	2019	90 - 95	-	2.1	10	105-110
	2018	90 - 95	-	-	14	105-110
Paul Gray <i>Chief Operating Officer</i> <i>(from 16 May 2018)</i>	2019	105 - 110 ²¹	10 - 15 ²²	0.8	41	155 - 160
	2018	-	-	-	-	-
Andy Hibbert <i>Director of Finance</i> <i>(from 7 January 2019)</i>	2019	15 - 20 ²³	-	-	6	20 - 25
	2018	-	-	-	-	-
Larry Keith <i>Interim Director of Collections</i> <i>(until 27 March 2018)</i>	2019	-	-	-	-	-
	2018	70 - 75 ²⁴	-	-	5	75 - 80
Chris Michaels <i>Director of Digital, Communications and Technology</i> <i>(from 10 April 2017)</i>	2019	90 - 95	-	1.2	11	105 - 110
	2018	90 - 95 ²⁵	-	0.6	10	100 - 105
Chris Walker <i>Director of Finance and Operations</i> <i>(until 30 June 2018)</i>	2019	110 - 115 ²⁶	-	-	20	130 - 135
	2018	95 - 100	-	-	37	135 - 140

The Gallery's remuneration policy applies to all staff, including senior management. Other than the Chief Operating Officer, whose pay is determined by his contract, from 1 September 2018 the individuals mentioned above are paid a consistent and equal rate which will be determined each year during the annual pay award process.

The office of Chief Operating Officer at the National Gallery was filled for the first time on 16 May 2018. The role reports directly to the Director. Mr Gray is eligible for a performance-related bonus in the range of 0% to 10%. In the year to 31 March 2019 Mr Gray was offered and accepted a 10% performance-related, nonconsolidated bonus of £10,500 relating to performance for that year and pro-

¹⁹ Dr Campbell's promotion and increase in salary accounts for the large increase in pension benefit arising during the year.

²⁰ Full year equivalent is £90,000 - £95,000

²¹ Full year equivalent is £115,000 - £120,000

²² Performance related pay of £10,500 was awarded, reflecting performance for the year to 31 March 2019 and pro-rated for time in office.

²³ Full year, full time equivalent is £90,000 - £95,000

²⁴ Full year equivalent is £70,000 - £75,000

²⁵ Full year equivalent is £90,000 - £95,000

²⁶ Full year equivalent is £95,000 - £100,000. Chris Walker left under Voluntary Exit terms on 30 June 2018. He received a compensation payment of £85,000 - £90,000, of which £48,000 was redundancy payment.

rated for time in office. No other individuals named in the table above are entitled to performance related bonuses.

No further provision is made within the contracts of the above individuals for non-cash benefits. 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 2019 for senior managers and the Director are as follows:

Pension	Accrued pension at pension age as at 31 March 2019 and related lump sum £'000	Real increase (decrease) in pension and related lump sum at pension age £'000	CETV at 31 March 2019 £'000	CETV at 31 March 2018 £'000	Real increase (decrease) in CETV ²⁷ £'000
Caroline Campbell	30 - 35	7.5 - 10	389	247	97
Gabriele Finaldi	10 - 15	2.5 - 5	159	102	33
Susan Foister	40 - 45 plus 130 - 135 lump sum	0 - 2.5 plus 0 - 2.5 lump sum	941	939	9
Andy Hibbert	0 - 5	0 - 2.5	5	0	4
Paul Gray	0 - 5	0 - 2.5	28	0	20
Chris Walker	10 - 15	0 - 2.5	182	156	2
		(as at 30 June 2018)			

Chris Michaels is a member of the Civil Service Partnership pension scheme, and accrued pension benefits are therefore not disclosed. Employer contributions to Mr Michaels' Partnership pension in the year to 31 March 2019 were £10,700 (2018: £10,400).

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

²⁷Taking account of inflation, the CETV funded by the employer may have decreased in real terms.

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 2019 was in the range £190,000 to £195,000 (2018: £180,000 to £185,000). This is 5.4 times (2018: 5.4 times) the median remuneration of the workforce, which was £35,500 (2018: £33,716). Remuneration ranged from £22,649 to £191,476 on a full year basis as at 31 March 2019 (2018: £21,014 to £180,795).

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:
Dr Gabriele Finaldi
Director and Accounting Officer

Dated: 26 June 2019

Signed:
Sir John Kingman
On behalf of the Board of Trustees

Dated: 26 June 2019

Staff report

The figures in this report have been subject to audit.

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. Following implementation of the pay and grading review in September 2018, there are ten salary bands.

A full analysis of staff numbers and costs is presented in Account Note 10.

Staff composition

The split of permanent and fixed term staff (excluding agency staff) by gender at 31 March 2019 was:

	Female	Male
Directors	2	4
Other employees	185	88

Sickness absence management

The average number of days of employee absence due to sickness was 2.8 days (2018: 5.2 days). Excluding long term sickness, the average number of days of absence was 2.1 days (2018: 2.9 days).

Supporting diversity

The Gallery is committed to giving full and fair consideration to applications for employment by the company made by disabled persons, having regard to their particular aptitudes and abilities. We operate the Guaranteed Interview Scheme (GIS), and we are updating recruitment processes to include 'name free' applications to ensure fair consideration on merit alone. Once recruited, the Gallery supports disabled employees through the implementation of capability policies and procedures. All training programmes are open access and able to be tailored to the needs of the employee.

The Gallery maintains a complete suite of policies and procedures which are regularly reviewed for suitability and to ensure compliance with current employment legislation. These include a grievance policy and related procedure to support positive working relationships and to provide a mechanism for employees to raise disputes, a whistleblowing procedure for protected disclosures, Health and Safety policy and procedures, new Recognition Agreements covering aspects of change, consultation and negotiation within the collective agreements, a pay policy and related procedures. The Gallery has no formal 'career management' provision at present however, over the next five years we plan to complete our substantial programme of modernisation and improvement in respect of the Gallery's employment model which will incorporate this.

Employees receiving remuneration over £60,000

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

	2019 No.	2018 No.
£60,000 - £69,999	8	7
£70,000 - £79,999	3	3
£80,000 - £89,999	1	-
£90,000 - £99,000	3	3
£100,000 - £109,999	1	-
£150,000 - £159,999	1	-
£180,000 - £189,999	-	1
	17	14

All but three of the employees earning more than £60,000 participated in the Principal Civil Service Pension Scheme (PCSPS) pension schemes (2018: all but one participated in the Civil Service Pension arrangements).

Compensation payments

There were seven exit packages agreed for staff that left between April 2018 and March 2019. This included staff that left on Voluntary Exit or Voluntary Redundancy. No members of staff left on Compulsory Redundancy terms during this period (2018: one).

	2019			2018		
Exit package cost band	Number of compulsory redundancies No.	Number of other departures agreed No.	Total cost of exit packages by cost band £	Number of compulsory redundancies No.	Number of other departures agreed No.	Total cost of exit packages by cost band £
£0 - £10,000	-	2	13,152	1	-	8,521 ¹
£10,000 - £25,000	-	2	34,730	-	2	32,048
£25,000 - £50,000	-	3	123,080	-	-	-
Total number of exit packages	-	7	170,962	1	2	40,569

¹ A further £1,534 was paid in the year to 31 March 2018 to a member of staff who left in the year to 31 March 2017, and whose exit package was disclosed within the £0 - £10,000 disclosure band for that year.

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.

Whistleblowing policy and procedure

In 2018-19 the National Gallery reported no whistleblowing cases. All cases are investigated in accordance with whistleblowing policy.

The National Gallery's whistleblowing guidance, policy and procedure document is available for all staff to refer to and can be located through the Gallery's intranet.

Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 requires the Gallery to publish information in relation to paid facility time taken by trade union officials.

Relevant union officials

Number of employees who were relevant union officials during the relevant period	3
Full-time equivalent employee number	2.6

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	3
1-50%	0
51%-99%	0
100%	0

Percentage of pay bill spent on facility time

Total cost of facility time	£0
Total pay bill	£11,467,003
Percentage of the total pay bill	0%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours ²⁸	0%
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Off payroll engagements and advisory consultancy

During the year ended 31 March 2019 the Gallery had no off-payroll engagements for more than £245 per day lasting longer than six months (2018: nil).

There was no expenditure on 'advisory consultancy' during the year (2018: £30,000 expenditure, excluding VAT). All other consultancy fell within the 'business-as-usual' environment and has been classified as 'operational consultancy'.

Signed:

Dr Gabriele Finaldi
Director and Accounting Officer

Dated: 26 June 2019

Signed:

Sir John Kingman
On behalf of the Board of Trustees

Dated: 26 June 2019

²⁸ This is calculated as (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100

Statement of Trustees' and Director's responsibilities

Under Section 9(4) of the Museums and Galleries Act 1992 the Secretary of State for Digital, Culture, Media and Sport, with the consent of HM 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 income and expenditure, 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 Direction²⁹ issued by the Secretary of State for Digital, Culture, Media and Sport, 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 Digital, 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 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:
Dr Gabriele Finaldi
Director and Accounting Officer

Dated: 26 June 2019

Signed:
Sir John Kingman
On behalf of the Board of Trustees

Dated: 26 June 2019

²⁹ 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 17 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, usually for a period of four years with the possibility of renewal. Tate appoints one Trustee from its own Board.

The Board usually meets 6 times a year and also convenes at least once annually for an offsite strategy day. In the year to 31 March 2019 there were 6 regular Board meetings and two offsite strategy days. 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 2019, together with a summary of their attendance at meetings which they were eligible to attend. The strategy meetings are treated as Board meetings for the purpose of calculating attendance. Overall, attendance by Board members at meetings they were eligible to attend during the year averaged 86.9%.

	Attendance at Board meetings
Ms Hannah Rothschild CBE (Chair)	6/8
Mr John Nelson (Deputy Chair) (retired 10 October 2018)	4/4
Sir John Kingman (Deputy Chair)	8/8
Mr Lance Batchelor (retired 9 January 2019)	4/5
Mr Dexter Dalwood	8/8
Mr John Singer	8/8
Mr Charles Sebag- Montefiore	7/8
Lord King of Lothbury (retired 22 September 2018)	2/4
Ms Katrin Henkel	8/8
Ms Rosemary Leith	7/8
Mr David Marks	8/8
Dame Moya Greene	5/8
Ms Tonya Nelson (appointed 2 July 2018)	4/6
Professor Molly Stevens (appointed 2 July 2018)	5/6
Mr Douglas Gurr (appointed 23 January 2019)	2/2

The Chair 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 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 2017*.

The Board has a Code of Practice for individual Trustees (based on and consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies 2011), 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 Chair; 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 ensuring the Gallery operates within the provisions of its governing statute and charity law; for the Gallery's statements of values, aims and strategy; for statements of required governance, procedures, standards and structures; for specific decisions which are not delegated to the Executive and the holding of management to account for implementation and performance.

The Chair's responsibilities, (last approved by the Board in May 2016 and reviewed from time to time), are consistent with the requirements of the Gallery's Management Agreement with DCMS. These responsibilities include responsibilities for leadership; composition and effective working of the Board; effective conduct of Board business; sub-committees of the Board, standards of Governance; close working with the Director and external relations and fundraising.

The Deputy Chair's responsibilities (last approved by the Board in May 2016 and reviewed from time to time) include deputising for the Chair as and when required; leading the annual process of appraisal of the Chair's performance; acting as an intermediary in the event of a serious breakdown of relations between the Chair and Director; and acting as an intermediary for other Board members to raise concerns which they feel it is inappropriate to raise with the Chair direct.

The Board delegates operational responsibility to management within an agreed framework. The Director and Accounting Officer as at 31 March 2019 is 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 2019 were:

Dr Susan Foister
 Dr Caroline Campbell
 Paul Gray
 Andy Hibbert
 Chris Michaels
 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, email, additional electronic means and staff notices. The two 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 a footnote. 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.	Sir John Kingman (Chair) Gautam Dalal ³⁰ Hannah Rothschild CBE Charles Sebag-Montefiore John Singer	4 4 3 4 4	4 4 4 4 4
Finance	To support the Board and Accounting Officer in their responsibilities for effective financial management of the Gallery and to invest funds in the National Gallery's Trust Funds Pool.	Sir John Kingman (Chair) Gautam Dalal ³⁰ Hannah Rothschild CBE Charles Sebag-Montefiore John Singer	6 6 4 6 6	6 6 6 6 6
Governance	To support the Board in its responsibilities for governance procedures and standards.	Charles Sebag-Montefiore (Chair) Dexter Dalwood John Singer Dame Moya Greene (from November 2018)	1 1 1 0	1 1 1 0

³⁰ Independent Committee member

Nominations	To keep under review the balance of skills and experience on the Board so as to ensure that the Board has the range of diverse skills, backgrounds and experience it requires for the achievement of its statutory, charitable and financial objectives; it participates in the process of appointment of new Trustees which is run by DCMS in accordance with the OCPA Code.	Hannah Rothschild (Chair)	4	4
		Dexter Dalwood	4	4
		Katrin Henkel	4	4
Remuneration	To advise the Board on the terms of appointment of the Director and on his remuneration and on other remuneration issues.	Hannah Rothschild (Chair)	0	1
		John Nelson (deputising for the Chair)	1	1
		Lance Batchelor (until January 2019)	1	1
		Rosemary Leith	1	1
		Charles Sebag-Montefiore (from March 2019)	0	0
Masterplan	To support the Board in developing a Masterplan in relation to the Gallery's buildings and estate	David Marks(Chair)	8	9
		Hannah Rothschild	6	9
		Sir John Kingman	9	9

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 continued to monitor Internal Audit progress and outstanding actions. One area of focus was the Gallery's fire safety audit, requesting global best practice comparisons in order to provide key assurances in this area.

The Finance Committee has continued to monitor the finances of the Gallery during the year and in particular the Gallery's approach to planning for an ambitious exhibition programme, which is expected to make a greater contribution to the Gallery's financial results. The Committee recommended the adoption of the budget set out within the corporate plan for 2019-23, having recommended that the Gallery's spending plans be more closely aligned to the strategic objectives developed by the Director, 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 2019. The Corporate Plan was reviewed and approved by the Board in March 2019.

The Finance Committee also ensured that the Gallery received value for money for contracts in relation to changes in working practices to improve the visitor experience and take advantage of technological advances.

The Governance Committee met once during the year. It agreed by correspondence the form of a Board effectiveness survey questionnaire which was distributed to the Board; it considered responses to the questionnaire and made recommendations to the Board arising out of those responses; it also reported

to the Board on actions taken to implement recommendations arising from the Board effectiveness survey in 2017-18.

The Nominations Committee met four times during the year. At the beginning of the year there were two vacancies on the Board and appointments to fill these vacancies were made by the Prime Minister in July 2018. In the course of the year, two Trustees left the Board by virtue of their terms of office coming to an end and one Trustee retired early. The Nominations committee reviewed the balance of skills and experience on the Board which would exist following those departures and recommended that a search be instituted for two new Trustees. The Board endorsed this recommendation. Proposed role and person specifications for these roles were approved by Ministers and a search was conducted by DCMS in accordance with OCPA rules. At the end of the process, only one appointment was made by the Prime Minister and at the end of the year there were two vacancies on the Board.

The Remuneration Committee met once during the year to review the performance of the Director, Dr Gabriele Finaldi, for the period to 31 March 2018; to agree a recommended bonus for the Director for the period to 31 March 2018 (which recommendation was accepted by the Board); and to agree recommended performance objectives for the Director for the year to 31 March 2019 (which were accepted by the Board subject to minor modifications). The Committee also considered and recommended to the Board an extension to its terms of reference; the Board approved the amended terms of reference subject to limited amendments.

The Masterplan Committee met nine times during the year; in respect of the Masterplanning exercise started in 2017-18. It continued to oversee the preparation by the external professional team of a major Masterplan document, which was presented to the Board in June 2018. Following that presentation and the identification of the Board's preferred option for taking forward the Masterplan, it oversaw the preparation of a further feasibility study which was presented to the Board in February 2019. It also oversaw work on other capital projects during the year including considering regular reports in relation to the One Gallery Accommodation Hub project.

Achievements and Effectiveness of the Board

Significant achievements of the Gallery during 2018-19 are recorded under the heading of '*Review of achievements and performance in 2018-19*', within the Annual Report.

In relation to achievements of the Board during the course of the year, the Board:-

- Approved a new Contemporary Art strategy for the Gallery in May 2018, which included the commissioning of new work by Bridget Riley entitled *Messengers*;
- Approved a Corporate Plan for the period to 2023 in May 2018 and amended plan in March 2019;
- Gave detailed consideration to a Masterplan presented to the Board in June 2018 and agreed next steps;
- Gave detailed consideration to and made input into a proposed new Development strategy in May and July 2018;
- Gave approval to the final budget for the proposed new One Gallery Accommodation Hub and to the signing of the construction contract, in September 2018 ;
- Gave input into and approved a new Exhibition strategy for the Gallery in November 2018;
- Endorsed proposals for a new Research strategy for the Gallery in February 2019 ;
- Approved amendments to a number of key Gallery policies , including the Anti –Slavery Policy and Sponsorship and Donation Acceptance Policy ;
- Approved the acquisition of and (where required) funding for a number of key acquisitions for the Gallery's collection including the purchase of Artemisia Gentileschi's *Self Portrait as Saint Catherine of Alexandria*;
- Approved the carrying out of all conservation work involving cleaning of paintings in the collection, and following completion of such cleaning approved the paintings as ready to go back on display.

- Approved all loans out including approval to national touring of paintings within the UK and the proposed tour to Japan in 2020 of Masterpieces from the National Gallery;
- Received regular reports at Board meetings in relation to key areas of Gallery activity including finance, security, education, national programmes, exhibitions, staffing, digital, marketing and buildings and facilities.
- Contributed to the Gallery's fundraising activities, both through representation on the Gallery's Development Committee and by giving direct support and assistance to the Gallery's Development office.

In relation to Board effectiveness, the Board reviewed its own effectiveness in November 2018. 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 and maximising 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 work and leadership; 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 made a number of recommendations arising from those responses, including in relation to:

- fundraising strategy;
- ordering of items on the Board agenda;
- the way in which outstanding items from the Minutes are dealt with in Board meetings;
- matters to be covered in the Director's report, and
- skills coverage on the Board .

The Board accepted all these recommendations.

The Chair conducts an appraisal of individual performance of each Trustee once every other year; during the year to 31 March 2019 she carried out one appraisal.

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 2018-19) 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, 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 Legal Counsel 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 remained stable during the year, as some project risks that were resolved were replaced by other new risks as activities continued to develop.

The Committee continued to monitor closely risks that had been introduced around change and the process of change management. The project-based risks continue around two significant building projects: the One Gallery accommodation hub and the refurbishment of room 32. The risk register recognises the potential for project creep leading to financial or reputational damage, as well as the possible impact on visitor flows and access during the works. In mitigation, a separate governance structure has been put in place for these projects, with Board and Director participation, and delivery against key milestones is being monitored closely.

The Internal Controls Committee continues to closely monitor financial risk. In the 2015 government Spending Review the Gallery received a settlement that remains flat for a 5 year period. There are continuing financial pressures from the Gallery's ambitious strategic plan, which includes expansion of digital services, further development of its National Programmes and research activities, as well as some significant capital projects. The corporate planning round continued to look ahead across the next 5 years, from 2019-23, with the Gallery setting out a clear goal to increase self-generated income, publicly stating its aim to be 50% self-funding by 2022-23.

The Gallery's risk register continues to monitor a number of risks that recognise the possibility of damage to the collection, whether accidental or malicious. These risks continue to have high inherent scores, because of the impact that any such damage could have, but the Gallery's mitigating controls, including a detailed conservation plan to deal with any such incidents, means that the residual risk is tracking at the target level, and has been throughout the year. The Gallery did specifically recognise the additional emphasis to these risks as a result of an expanding events programme. The use of space for events is carefully scrutinised and there are procedures in place to deal with any issue that might arise.

Internal Audit performed reviews across a number of areas of the Gallery's activities during 2018-19. These included reviews of key controls in Finance and Payroll, and also high level reviews of buildings and facilities, security, acquisitions, art handling and conservation activities.

In addition, more specific detailed audits were performed in the areas of human resource management, data protection and GDPR, income generation, capital projects and fire safety. All but one of the reviews provided either substantial or reasonable assurance that the controls in these areas were operating effectively and that risks were being appropriately managed. The exception was the review of fire safety which provided limited assurance and has given rise to a detailed set of recommendations, largely around matters of governance.

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. Audit recommendations have been accepted and corrective action is being taken.

The Gallery suffered two protected personal data incidents during 2018-19 but were not required to report on such incidents to the Information Commissioner's office.

Signed:
Gabriele Finaldi
Director and Accounting Officer

Dated: 26 June 2019

Signed:
Sir John Kingman
On behalf of the Board of Trustees

Dated: 26 June 2019

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

Opinion on financial statements

I certify that I have audited the financial statements of the National Gallery for the year ended 31 March 2019 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, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). I have also audited the information in the Remuneration Report and the Staff Report that is described in that report as having been audited.

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 2019 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 regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the National Gallery in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Gallery's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Board of Trustees and Accounting Officer

As explained more fully in the Statement of Trustee's and Director's responsibilities, the Board of 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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Museums and Galleries Act 1992.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the National Gallery's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Board of Trustees and Accounting Officer are responsible for the other information. The other information comprises information included in the Annual Report, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have

performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Remuneration Report and of the Staff Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Museums and Galleries Act 1992;
- in the light of the knowledge and understanding of the National Gallery and its environment obtained in the course of the audit, I have not identified any material misstatements in the Annual Report; and
- the information given in Annual Report which I provide a positive consistency opinion on 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 parts of the Remuneration Report and of the Staff 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.

Gareth Davies

Date: 16 July 2019

Comptroller and Auditor General

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

Statement of Financial Activities

for the year ended 31 March 2019

	Note	OPERATING INCOME AND EXPENDITURE			Funded capital projects and revaluations (a)			Acquisitions for the collection (b)			TOTAL 2019				2018
		Unrestricted funds £'000	Restricted funds £'000	Total core operations £'000	Unrestricted funds £'000	Restricted funds £'000	Total capital projects and revaluations £'000	Unrestricted funds £'000	Restricted funds £'000	Total collection acquisition funds £'000	Unrestricted funds £'000	Restricted funds £'000	Permanent endowment £'000	Total £'000	Total £'000
Income															
Income from donations and legacies															
Grant-in-Aid	3	20,432	-	20,432	-	3,660	3,660	-	-	-	20,432	3,660	-	24,092	24,092
Other government grants	4	-	174	174	-	-	-	-	-	-	-	174	-	174	151
Donations	5	1,250	5,874	7,124	-	3,737	3,737	-	9,880	9,880	1,250	19,491	-	20,741	22,631
Legacies	5	10	-	10	-	-	-	-	4	4	10	4	-	14	1,001
Income from other trading activities	6	7,582	4	7,586	-	-	-	-	-	-	7,582	4	-	7,586	6,773
Investment income	7	52	2	54	-	-	-	1	2	3	53	4	-	57	309
Income from charitable activities															
Exhibitions		4,146	-	4,146	-	-	-	-	-	-	4,146	-	-	4,146	1,559
Educational activities		208	-	208	-	-	-	-	-	-	208	-	-	208	255
Total income		33,680	6,054	39,734	-	7,397	7,397	1	9,886	9,887	33,681	23,337	-	57,018	56,771
Expenditure on:															
Raising funds	9	(2,539)	(9)	(2,548)	-	-	-	-	-	-	(2,539)	(9)	-	(2,548)	(2,322)
Other	9	14	-	14	-	-	-	-	-	-	14	-	-	14	-
		(2,525)	(9)	(2,534)	-	-	-	-	-	-	(2,525)	(9)	-	(2,534)	(2,322)
Charitable activities															
Exhibitions	9	(3,798)	(1,498)	(5,296)	-	(553)	(553)	-	-	-	(3,798)	(2,051)	-	(5,849)	(4,702)
Broaden our appeal and provide an exceptional visitor experience	9	(12,178)	(136)	(12,314)	-	(1,774)	(1,774)	-	-	-	(12,178)	(1,910)	-	(14,088)	(13,749)
Preserve, enhance and develop the potential of our collections	9	(4,613)	(343)	(4,956)	-	(672)	(672)	-	(59)	(59)	(4,613)	(1,074)	-	(5,687)	(4,243)
Inspire learning and engagement	9	(2,076)	(1,617)	(3,693)	-	(302)	(302)	-	-	-	(2,076)	(1,919)	-	(3,995)	(3,668)
Invest in our staff, increase income and care for our physical facilities	9	(7,914)	(381)	(8,295)	-	(1,174)	(1,174)	-	-	-	(7,914)	(1,555)	-	(9,469)	(8,900)
		(30,579)	(3,975)	(34,554)	-	(4,475)	(4,475)	-	(59)	(59)	(30,579)	(8,509)	-	(39,088)	(35,262)
Total expenditure	9	(33,104)	(3,984)	(37,088)	-	(4,475)	(4,475)	-	(59)	(59)	(33,104)	(8,518)	-	(41,622)	(37,584)

Statement of Financial Activities for the year ended 31 March 2019 (continued)

	Note	OPERATING INCOME AND EXPENDITURE			Funded capital projects and revaluations (a)			Acquisitions for the collection (b)			TOTAL 2019				2018
		Unrestricted funds £'000	Restricted funds £'000	Total core operations £'000	Unrestricted funds £'000	Restricted funds £'000	Total capital projects and revaluations £'000	Unrestricted funds £'000	Restricted funds £'000	Total collection acquisition funds £'000	Unrestricted funds £'000	Restricted funds £'000	Permanent endowment £'000	Total £'000	Total £'000
Realised and unrealised investment gains/(losses)	14	-	193	193	-	-	-	33	115	148	33	308	400	741	295
Net income/(expenditure) before transfers and other recognised gains and losses		576	2,263	2,839	-	2,922	2,922	34	9,942	9,976	610	15,127	400	16,137	19,482
Transfers	20	(576)	(155)	(731)	-	247	247	2	482	484	(574)	574	-	-	-
Net income/(expenditure) resources before other recognised gains and losses		-	2,108	2,108	-	3,169	3,169	36	10,424	10,460	36	15,701	400	16,137	19,482
(Loss)/gain on revaluation of fixed assets for charity's own use	12	-	-	-	-	7,745	7,745	-	-	-	-	7,745	-	7,745	21,376
Net movement in funds		-	2,108	2,108	-	10,914	10,914	36	10,424	10,460	36	23,446	400	23,882	40,858
Opening funds		2,019	8,312	10,331	-	300,688	300,688	1,983	317,369	319,352	4,002	626,369	8,639	639,010	598,152
Closing funds	20	2,019	10,420	12,439	-	311,602	311,602	2,019	327,793	329,812	4,038	649,815	9,039	662,892	639,010

(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. For an explanation of transfers please see note 20.

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

The notes on pages 48 to 73 form part of these accounts.

Balance Sheet as at 31 March 2019

		2019		2018	
	Note	£'000	£'000	£'000	£'000
Fixed Assets					
Tangible Assets	12	305,501		300,686	
Heritage Assets	13	324,920		315,191	
Investments	14a	16,765		15,969	
			647,186		631,846
Current Assets					
Stock		39		54	
Debtors	15	13,835		9,453	
Investments	14b	3,067		3,550	
Cash at bank and in hand	22b	10,466		4,707	
		27,407		17,764	
Creditors					
Amounts falling due within one year	16a	(9,383)		(7,793)	
Provisions					
Amounts falling due within one year	16c	(362)		-	
Net current assets			17,662		9,971
Total assets less current liabilities			664,848		641,817
Creditors:					
Amounts falling due in more than one year	16b		(1,956)		(2,807)
Net assets			662,892		639,010
Represented by:					
Restricted funds					
Restricted funds (excluding revaluation reserves)		531,177		515,476	
Revaluation reserves		118,638		110,893	
	20		649,815		626,369
Unrestricted funds					
Designated		2,019		1,983	
General funds		2,019		2,019	
	20		4,038		4,002
Total income funds			653,853		630,371
Endowment funds	20		9,039		8,639
Total funds			662,892		639,010

The notes on pages 48 to 73 form part of these accounts.

Signed:
Dr Gabriele Finaldi
Director and Accounting Officer

Dated: 26 June 2019

Signed:
Sir John Kingman
On behalf of the Board of Trustees

Dated: 26 June 2019

Statement of Cash Flows

for the year ended 31 March 2019

	2019 £'000	2018 £'000
Cash flows from operating activities:		
Net cash provided by (used in) operating activities	22a <u>10,374</u>	<u>18,034</u>
Cash flows from investing activities:		
Dividends, interest and rents from investments	57	309
Proceeds from the sale of property, plant and equipment	2,600	
Purchase of property, plant and equipment	(3,713)	(5,008)
Purchase of heritage assets	13 (3,988)	(13,868)
Purchase of investments	429	1,900
Net cash provided by (used in) investing activities	<u>(4,615)</u>	<u>(16,667)</u>
Change in cash and cash equivalents in the reporting period	5,759	1,367
Cash and cash equivalents at the beginning of the reporting period	<u>4,707</u>	<u>3,340</u>
Cash and cash equivalents at the end of the reporting period	<u>10,466</u>	<u>4,707</u>

The notes on pages 48 to 73 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 Digital, 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.

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. 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 Digital, 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 20 for further details.

c. 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.

d. Fund accounting

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

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

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

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

e. Tangible fixed assets

Tangible fixed assets, other than collection acquisitions, are accounted for using modified historic cost accounting. However, adjustments to the net book value are only made where material. The Gallery applies a £5,000 threshold to the capitalisation of all fixed assets (2018: £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 as at 31 March 2019. 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

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.

f. Heritage assets

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

In accordance with the Government Financial Reporting Manual (FReM) – which reflects the requirements of 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 13.

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

g. Investments

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

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

h. Stocks

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

i. Debtors

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

j. 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.

k. Creditors

Creditors 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 are normally recognised at their settlement amount after allowing for any trade discounts due.

l. 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.

m. 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.

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 17, financial instruments.

n. Pensions

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

o. 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.

p. 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.

q. Provisions

Provisions are made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

2. Prior year SOFA

OPERATING INCOME AND EXPENDITURE				Funded capital projects and revaluations (a)			Acquisitions for the collection (b)			TOTAL 2018				2017
Note	Unrestricted funds £'000	Restricted funds £'000	Total core operations £'000	Unrestricted funds £'000	Restricted funds £'000	Total capital projects and revaluations £'000	Unrestricted funds £'000	Restricted funds £'000	Total collection acquisition funds £'000	Unrestricted funds £'000	Restricted funds £'000	Permanent endowment £'000	Total £'000	Total £'000
Income														
Income from donations and legacies														
Grant-in-Aid	3	20,432	-	20,432	-	3,660	3,660	-	-	20,432	3,660	-	24,092	24,092
Other government grants	4	-	151	151	-	-	-	-	-	-	151	-	151	-
Donations	5	1,290	3,496	4,786	-	950	950	-	16,895	1,290	21,341	-	22,631	7,628
Legacies	5	1	-	1	-	-	-	-	1,000	1	1,000	-	1,001	296
Income from other trading activities	6	6,775	(2)	6,773	-	-	-	-	-	6,775	(2)	-	6,773	6,108
Investment income	7	16	106	122	-	-	-	55	132	16	238	-	309	305
Income from charitable activities														
Exhibitions		1,559	-	1,559	-	-	-	-	-	1,559	-	-	1,559	2,550
Educational activities		255	-	255	-	-	-	-	-	255	-	-	255	250
Total income		30,328	3,751	34,079	-	4,610	4,610	55	18,027	30,383	26,388	-	56,771	41,229
Expenditure on:														
Raising funds	9	(2,310)	(12)	(2,322)	-	-	-	-	-	(2,310)	(12)	-	(2,322)	(2,049)
Other	9	21	(5)	16	-	-	-	(1)	(3)	20	(8)	(12)	-	(17)
		(2,289)	(17)	(2,306)	-	-	-	(1)	(3)	(2,290)	(20)	(12)	(2,322)	(2,066)
Charitable activities														
Exhibitions	9	(2,636)	(1,618)	(4,254)	-	(448)	(448)	-	-	(2,636)	(2,066)	-	(4,702)	(4,776)
Broaden our appeal and provide an exceptional visitor experience	9	(11,325)	(500)	(11,825)	-	(1,924)	(1,924)	-	-	(11,325)	(2,424)	-	(13,749)	(13,675)
Preserve, enhance and develop the potential of our collections	9	(3,245)	(447)	(3,692)	-	(551)	(551)	-	-	(3,245)	(998)	-	(4,243)	(5,351)
Inspire learning and engagement	9	(1,767)	(1,601)	(3,368)	-	(300)	(300)	-	-	(1,767)	(1,901)	-	(3,668)	(3,252)
Invest in our staff, increase income and care for our physical facilities	9	(7,443)	(191)	(7,634)	-	(1,266)	(1,266)	-	-	(7,443)	(1,457)	-	(8,900)	(8,741)
		(26,416)	(4,357)	(30,773)	-	(4,489)	(4,489)	-	-	(26,416)	(8,846)	-	(35,262)	(35,795)
Total expenditure	9	(28,705)	(4,374)	(33,079)	-	(4,489)	(4,489)	(1)	(3)	(28,706)	(8,866)	(12)	(37,584)	(37,861)
OPERATING INCOME AND EXPENDITURE				Funded capital projects and revaluations (a)			Acquisitions for the collection (b)			TOTAL 2018				2017
Note	Unrestricted funds £'000	Restricted funds £'000	Total core operations £'000	Unrestricted funds £'000	Restricted funds £'000	Total capital projects and revaluations £'000	Unrestricted funds £'000	Restricted funds £'000	Total collection acquisition funds £'000	Unrestricted funds £'000	Restricted funds £'000	Permanent endowment £'000	Total £'000	Total £'000
Realised and unrealised investment gains/(losses)	14	-	76	76	-	-	-	12	44	12	120	163	295	3,265
Net income/(expenditure) before transfers and other recognised gains and losses		1,623	(547)	1,076	-	121	121	66	18,068	1,689	17,642	151	19,482	6,633
Transfers	20	(1,637)	(83)	(1,720)	-	1,426	1,426	-	294	(1,637)	1,637	-	-	-
Net income/(expenditure) resources before other recognised gains and losses		(14)	(630)	(644)	-	1,547	1,547	66	18,362	52	19,279	151	19,482	6,633
(Loss)/gain on revaluation of fixed assets for charity's own use	12	-	-	-	-	21,376	21,376	-	-	-	21,376	-	21,376	164
Net movement in funds		(14)	(630)	(644)	-	22,923	22,923	66	18,362	52	40,655	151	40,858	6,797
Opening funds		2,033	8,942	10,975	-	277,765	277,765	1,917	299,007	3,950	585,714	8,488	598,152	591,355
Closing funds	20	2,019	8,312	10,331	-	300,688	300,688	1,983	317,369	4,002	626,369	8,639	639,010	598,152

3. Grant-in-Aid

	2019	2018
	£'000	£'000
Department for Digital, Culture, Media and Sport	<u>24,092</u>	<u>24,092</u>

This money is available for running costs, capital improvements and collection purchases. Of the total figure, £3.7 million (2018: £3.7 million) was restricted for capital purposes.

4. Other government grants

	2019	2018
	£'000	£'000
EU Cross Cultivation	-	84
EU Iperion	127	62
Open Cloud for Social Sciences & Humanities	47	-
British Council - Gulf Project		5
	<u>174</u>	<u>151</u>

5. Donations and legacies

	2019	2018
	£'000	£'000
Donations and legacies relating to Gallery activities excluding acquisitions and other capital expenditure can be split as follows:		
Individuals	1,283	1,011
Trusts and foundations	5,709	3,388
Gifts in kind	132	387
Legacies	10	1
	<u>7,134</u>	<u>4,787</u>

Restricted donations and legacies included above total £5,874k (2018: £3,496k).

	2019	2018
	£'000	£'000
Donations and legacies relating to collection acquisitions can be split as follows:		
Individuals	772	307
Trusts and foundations	8,449	11,698
Legacies	4	1,000
Gifts in kind	16	-
Acceptance-in-lieu	643	4,890
	9,884	17,895
	2019	2018
	£'000	£'000
Donations relating to other capital expenditure can be split as follows:		
Trusts and foundations	3,737	900
Individuals	-	50
	3,737	950
Total donations and legacies	20,755	23,632

6. Income from other trading activities

	2019	2018
	£'000	£'000
Activities for generating funds		
Trading	6,165	5,414
Concessions	1,054	1,015
Miscellaneous	367	344
	7,586	6,773

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

7. Investment income

	2019	2018
	£'000	£'000
Income from UK bank deposits	52	16
Income from overseas funds	5	293
	57	309

8. Trustees' remuneration

The Chairman and Board of Trustees neither received nor waived any remuneration for their services during the year (2018: £nil). The total value of expenses reimbursed to Trustees amounted to £nil for the year (2018: £nil).

9. Total expenditure

	Direct costs	Support costs	Depreciation	Total 2019	Total 2018
	£'000	£'000	£'000	£'000	£'000
Raising funds	2,083	465	-	2,548	2,322
Other Costs	(14)	-	-	(14)	-
	2,069	465	-	2,534	2,322
Exhibitions	5,073	223	553	5,849	4,702
Broaden our appeal and provide an exceptional visitor experience	11,390	924	1,774	14,088	13,749
Preserve, enhance and develop the potential of our collections	4,144	871	672	5,687	4,243
Inspire learning and engagement	3,169	524	302	3,995	3,668
Invest in our staff, increase income and care for our physical facilities	7,919	396	1,154	9,469	8,900
	31,695	2,938	4,455	39,088	35,262
	33,764	3,403	4,455	41,622	37,584

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	31	106	315	43	14	236	745	Direct expenditure of activity
Human Resources	185	36	220	354	220	36	1,051	Headcount
Information Services	210	40	251	404	251	40	1,196	Headcount
Office Services	29	6	35	56	35	6	167	Headcount
Governance	10	35	103	14	4	78	244	Direct expenditure of activity
	465	223	924	871	524	396	3,403	

Analysis of governance costs:

	2019 £'000	2018 £'000
Staff costs	116	183
Auditor's remuneration	39	36
Internal audit fees	34	33
Operational consultants	-	54
Legal fees	55	65
	<u>244</u>	<u>371</u>

Total expenditure includes the following:

	2019 £	2018 £
Auditor's remuneration:		
Statutory audit	39,000	35,600
Leased rental payments on equipment and office space	628,578	625,719

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

A grant was made to the National Gallery Trust of £250k for the furtherance of the National Gallery's charitable objectives. There was no similar grant in 2018.

10. Staff costs

	2019 £'000	2018 £'000
Wages and salaries	9,281	8,549
Social security costs	949	906
Pension costs	1,734	1,627
Apprenticeship levy	31	28
Agency staff	593	310
	<u>12,588</u>	<u>11,420</u>

Total spend on contingent labour is disclosed under the heading 'agency staff'.

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

	2019	2019	2019	2018
	Permanent contracts	Other contracts	Total	Total
	No.	No.	No.	No.
Fundraising	25	7	32	29
Exhibitions	9	3	12	12
Broaden our appeal and provide an exceptional visitor experience	46	5	51	47
Preserve, enhance and develop the potential of our collections	58	9	67	65
Inspire learning and engagement	37	43	80	72
Invest in our staff, increase income and care for our physical facilities	10	1	11	11
Support	31	4	35	33
Governance	2	-	2	2
	218	72	290	271

The employees shown above under 'Other contracts' includes freelance lecturers who provide ad-hoc talks on specialist areas but who do not undertake established posts within the Gallery. Further information relating to staff pay can be found in the Staff Report.

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

11. Pension costs

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

All present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) 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 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensionscheme.org.uk/about-us/resource-accounts/).

For 2019, employer's contributions of £1,676,136 were payable to the PCSPS (2018: £1,560,492) at one of four rates in the range 20% to 24.5% of pensionable pay based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018-19 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £92,946 (2018: £78,077) 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 £3,409 (2018: £2,987), 0.5% (2018: 0.5%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum

benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were £8,611 (2018: £8,156).

No individuals retired early on ill-health grounds during the year ended 31 March 2019 (2018: none).

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

12. Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Assets in the course of construction £'000	Equipment £'000	Total £'000
Cost or valuation					
As at 1 April 2018	232,799	82,143	-	5,239	320,181
Additions	1,094	768	2,054	229	4,145
Disposals	(2,657)	-	-	(330)	(2,987)
Revaluation	10,975	(3,230)	-	-	7,745
Transfers	(953)	(953)	1,906	-	-
As at 31 March 2019	241,258	78,728	3,960	5,138	329,084
Depreciation					
As at 1 April 2018	4,999	9,943	-	4,553	19,495
Disposals	(57)	-	-	(311)	(368)
Charge for year	1,396	2,665	-	395	4,456
As at 31 March 2019	6,338	12,608	-	4,637	23,583
Net book value					
31 March 2019	234,920	66,120	3,960	501	305,501
31 March 2018	227,800	72,200	-	686	300,686

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 freehold property was independently valued as at 31 March 2019 by Mark Thompson BA (Hons) MRICS IRRV of BNP Paribas Real Estate, (the "Valuer") acting in the capacity of an external valuer. 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', the current RICS Valuation – Professional Standards' and FRS 102 the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

The valuation was on the basis of Fair Value, subject to the following assumption;

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

The Valuer's opinion of Fair Value was primarily derived using;

- The depreciated replacement cost method of valuation because the specialised nature of the asset means that there are no market transactions of this type of asset except on the basis of a sale as part of the business or entity in occupation.

The Valuer has reported a total Fair Value of £305,000,000 (three hundred and five million pounds).

Had the revaluation model not been applied, the carrying amount that would have been recognised had the assets been carried under the historical cost model for each class of revalued assets is as follows:

	Freehold land and buildings £'000	Plant and machinery £'000
Effective value under historical cost model	150,331	32,071

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

The net book value at 31 March 2019 represents fixed assets held for charitable purposes only.

13. Heritage assets

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

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

Heritage assets capitalised in the Balance Sheet are shown below:

	Cost £'000	Valuation £'000	Total £'000
As at 1 April 2018	42,122	273,069	315,191
Additions	3,988	5,741	9,729
As at 31 March 2019	<u>46,110</u>	<u>278,810</u>	<u>324,920</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 2019 comprise:

- Artemisia Gentileschi's *Self Portrait as Saint Catherine of Alexandria*, bought with the support of American Friends of the National Gallery, the National Gallery Trust, Art Fund (through the legacy of Sir Denis Mahon), Lord and Lady Sassoon, Lady Getty, Hannah Rothschild CBE, Mrs Mollie W. Vickers, the Hon. Mrs Ashley Dawson-Damer, The Society of Dilettanti Charitable Trust Fund, Mr Andrew Green QC and Ms Hirschl, Mr Matthew Santos and Mrs Mary Kuusisto, Mr Peter Scott CBE QC and Dr Richard Ballantine, the Diane Apostolos-Cappadona Trust, Mr Stephen Allcock, Mr James and Lady Emma Barnard, Miss Maxine White and Mr James Mortimer, Michael and Felicia Crystal, The W T J Griffin Charitable Settlement and other donors including those who wish to remain anonymous at a cost of £3,600,000.
- Lucas Cranach the Elder's *Venus and Cupid*, a gift from the Drue Heinz Charitable Trust at a value of £4,654,902.
- François-Marius Granet's *Rivoli Rooves*, a gift from John Lishawa at a value of £20,000.
- Théodore Caruelle d'Aligny's *Ruined Column in the Baths of Caracalla, Rome*, a gift from John Lishawa at a value of £18,000.
- Charles Rémond's *View in Italy*, a gift from John Lishawa at a value of £60,000.
- George Augustus Wallis *View of the Roman Campagna*, a gift from John Lishawa at a value of £30,000.
- French *The Sky at Sunset*, a gift from John Lishawa at a value of £30,000.
- Charles Rémond *View of Capri from Ana Capri*, a gift from John Lishawa at a value of £60,000.
- Jean-Joseph-Xavier Bidault *A view of Tivoli Cascade*, a gift from John Lishawa at a value of £200,000.
- Erminio Soldera *View of Trees and Vegetation*, a gift from John Lishawa at a value of £5,000.
- Richard Parkes Bonnington *On the Seine - Morning*, accepted by HM Government in lieu of Inheritance Tax and allocated to the National Gallery at a value £643,365.
- Bridget Riley *Messengers*, bought with the support of Rothschild & Co at a cost of £286,558.
- Hollis & Webb Archive, bought with the support of Mark Storey at a cost of £3,824.
- 14 frames for various pictures purchased at an aggregate cost of £100,686.
- 2 frames for various pictures donated at an aggregate value of £16,000.

Five year financial summary of acquisitions

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Donated assets and acquisitions funded by donations	9,650	18,738	523	5,604	3,873
Other acquisitions	79	20	-	103	277
Total cost/value of acquisitions	9,729	18,758	523	5,707	4,150

Significant additions over the last five years include:

- Artemisia Gentileschi's *Self Portrait as Saint Catherine of Alexandria*, bought with the support of American Friends of the National Gallery, the National Gallery Trust, Art Fund (through the legacy of Sir Denis Mahon), Lord and Lady Sassoon, Lady Getty, Hannah Rothschild CBE, Mrs Mollie W. Vickers, the Hon. Mrs Ashley Dawson-Damer, The Society of Dilettanti Charitable Trust Fund, Mr Andrew Green QC and Ms Hirschl, Mr Matthew Santos and Mrs Mary Kuusisto, Mr Peter Scott CBE QC and Dr Richard Ballantine, the Diane Apostolos-Cappadona Trust, Mr Stephen Allcock, Mr James and Lady Emma Barnard, Miss Maxine White and Mr James Mortimer, Michael and Felicia Crystal, The W T J Griffin Charitable Settlement and other donors including those who wish to remain anonymous at a cost of £3,600,000. Artemisia Gentileschi is the most celebrated female painter of the 17th century, working in Rome, Florence, Venice, Naples and London for the highest echelons of European society, including the Grand Duke of Tuscany and Philip IV of Spain. In this portrait, she paints herself in the guise of Saint Catherine of Alexandria, a Christian saint martyred in the early 4th century.
- Lucas Cranach the Elder's *Venus and Cupid*, a gift from the Drue Heinz Charitable Trust at a value of £4,654,902. Cranach was one of the leading German painters and printmakers of the early 16th century. As court painter of the Elector of Saxony, the patron of Luther, Cranach is remembered as the chief artist of the Reformation. In this painting, Cupid complains to Venus of being stung by bees when stealing a honeycomb. This is to be taken as a moral commentary; as the inscription observes: 'life's pleasure is mixed with pain.'
- Richard Parkes Bonington *On the Seine - Morning*, accepted by HM Government in lieu of Inheritance Tax and allocated to the National Gallery at a value £643,365. Bonington was one of the most important artists of the early nineteenth century, vital to the understanding of French and British art of the Romantic period. He was one of the stars of the 1824 Paris Salon, where British art was so triumphant, and along with John Constable and Copley Fielding received a gold medal.
- Bernardo Bellotto's *The Fortress of Königstein, from the North* bought with the support of the American Friends of the National Gallery, The National Gallery Trust, the Estate of Mrs Madeline Swallow, the Art Fund (with a contribution from The Wolfson Foundation), Howard and Roberta Ahmanson, The Deborah Loeb Brice Foundation, The Manny and Brigitta Davidson Charitable Foundation, The Sackler Trust and through private appeal in 2017 at a cost £11,670,000. This is one of five large-scale views of Königstein commissioned from Bellotto by his most important and prestigious patron, Augustus III, King of Poland and Elector of Saxony.
- Juan de Zurbaran *Still Life with Lemons in a Wicker Basket* bought with the support of the American Friends of the National Gallery, and the National Gallery Trust in 2017 at a cost £2,096,070. This is one of only a dozen or so still life paintings by Juan de Zurbarán, son of the celebrated painter Francisco de Zurbarán.
- John Singer Sargent *Wineglasses* accepted by HM Government in lieu of Inheritance Tax and allocated to the National Gallery in 2018 at a value £1,540,000. The study of a sun-dappled veranda at St-Enogat in Brittany reveals the influence of the Impressionists, whose work was encountered by Sargent in Paris, where he was studying.
- Giovanni da Rimini *Scenes from the Lives of the Virgin and other Saints* acquired with a generous donation from Ronald S. Lauder in 2015 at a cost of £4,885,188. The painting is divided into four narrative scenes, each of which depicts episodes from the lives of holy figures key to late Medieval Christian devotion.
- Luca Signorelli *Man on a Ladder* Accepted by HM Government in Lieu of Inheritance Tax and allocated to the National Gallery in 2016 at a value of £630,000. The painting is part of a larger altarpiece depicting the Lamentation over Christ's dead body.

- 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.

Heritage assets not capitalised on the Balance Sheet

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

	Total number of items	Number capitalised	% capitalised	Number not capitalised	% not capitalised
Pictures	2,381	96	4%	2,285	96%

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 for Digital, 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 2,381 paintings and approximately 2,503 frames. As at 31 March 2019 1,078 (45%) paintings were on public display at the Gallery, 106 (4%) on loan elsewhere and the remainder were in the conservation and photographic studios or in storage.

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

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

Disposals

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

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

	2019 £'000	2018 £'000
Market value as at 1 April	15,969	15,381
Investment portfolio additions	54	293
Realised and unrealised gains	742	295
Market value as at 31 March	<u>16,765</u>	<u>15,969</u>

Fixed asset investments comprise the following:

	2019 £'000	2018 £'000
Authorised funds	15,697	14,954
Cash held as part of the investment portfolio	1,068	1,015
	<u>16,765</u>	<u>15,969</u>

Fair value reserve:

	2019 £'000	2018 £'000
Investment in funds at historic cost	14,880	14,880
Fair value reserve	817	74
Cash held as part of the investment portfolio	1,068	1,015
Market value of investments	<u>16,765</u>	<u>15,969</u>

b. Current asset investments

	2019 £'000	2018 £'000
Current asset investments	<u>3,067</u>	<u>3,550</u>
Movement in the year		
Total as at 1 April	3,550	5,743
Net transfers in year	<u>(483)</u>	<u>(2,193)</u>
Total as at 31 March	<u>3,067</u>	<u>3,550</u>

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

15. Debtors

	2019	2018
	£'000	£'000
Amounts falling due within one year		
Trade debtors	1,565	1,436
Other debtors	297	303
Tax and social security	1,552	798
Prepayments and accrued income	9,278	6,916
	12,692	9,453
Amounts falling due in more than one year		
Prepayments and accrued income	1,143	-
	13,835	9,453

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

	2019	2018
	£'000	£'000
Trade creditors	3,749	4,056
Other creditors	603	669
Accruals and deferred income	5,031	3,068
	9,383	7,793

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

	2019	2018
	£'000	£'000
Amounts falling due in more than one year		
Accruals and deferred income	1,956	2,807
	1,956	2,807
In more than one year but not more than two years	481	1,388
In more than two years but not more than five years	1,475	1,419
	1,956	2,807

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

	2019	2018
	£'000	£'000
As at 1 April	4,358	2,798
Amounts released from previous years	(2,648)	(1,430)
Income deferred in the current year	3,628	2,990
As at 31 March	5,338	4,358

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

	2019 £'000	2018 £'000
As at 1 April	-	-
Charged in the year	362	-
Released in the year	-	-
As at 31 March	362	-

A provision of £362k (2018: £nil) has been made as at 31 March 2019 in respect of the Gallery recognising that it has an obligation to settle an employment tribunal claim and associated legal costs.

17. Financial instruments

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

	Measured at cost £'000	Measured at fair value £'000	Total £'000
At 31 March 2019			
Cash	10,466	-	10,466
Current asset investments	3,067	-	3,067
Trade and other debtors	2,788	-	2,788
Fixed asset investments	-	16,765	16,765
Trade and other creditors	(6,215)	-	(6,215)
	10,106	16,765	26,871
At 31 March 2018			
Cash	4,707	-	4,707
Current asset investments	3,550	-	3,550
Trade and other debtors	2,300	-	2,300
Fixed asset investments	-	15,969	15,969
Trade and other creditors	(5,434)	-	(5,434)
	5,123	15,969	21,092

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 £1.6 million (2018: £1.4 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 (2018: £nil). Write-offs in the year for bad debts amounted to £2,461 (2018: £20,351).

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 Digital, Culture, Media and Sport represents 42% (2018: 42%) of the Gallery's income before transfers and revaluations. Current asset investments of £3.1m (2018: £3.6m) and a further £17m (2018: £16.0m) 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 less than 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 £15.4 million (2018: £14.7 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.

18. Financial commitments

Capital Commitments

The Gallery has no capital commitments (2018: £nil).

Commitments under operating leases

As at 31 March 2019 the National Gallery had commitments under operating leases for photocopiers and rent payable as set out below:

	2019	2018
	£'000	£'000
Operating leases which expire:		
Within 1 year	630	623
Between 2 and 5 years	639	1,258
Over 5 years	-	-
	<u>1,269</u>	<u>1,881</u>

19. Contingent liability

As at 31 March 2019 the Gallery recognised a contingent liability in respect of two (2018: 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 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 the two claims (2018: four).

In addition, the Gallery continues to recognise 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 2019 as it was in the prior year.

The National Gallery was involved in legal action in the United States concerning the rightful ownership of Portrait of Greta Moll by Henri Matisse. In September 2016 the descendants of Greta Moll filed a lawsuit against the National Gallery and Her Majesty's Government (HMG), claiming possession of the painting or at least \$30m as an alternative to the painting being returned. The National Gallery and HMG filed Motions to Dismiss the claim on the basis of absence of jurisdiction and any viable cause of action. In September 2017, the trial court granted the motion and dismissed the action on the basis that both the National Gallery and HMG are entitled to sovereign immunity, that the claims are barred by the applicable statute of limitations, and that the claims are barred by laches. The claimants filed an appeal with the Federal Court of Appeals who upheld in full the decision of the court of first instance. Consequently the claimants failed to establish any basis for pursuing this claim in the US courts and no provision for any contingent liability is made in the accounts.

The Gallery recognises that there may be a liability in respect of other future possible claimants of the employment Tribunal case. However, as there is no information on the possible number of claimants, the amount of the contingent liability is unquantifiable as at 31 March 2019.

20. Statement of funds

	At 1 April 2018 £'000	Income £'000	Expenditure £'000	Net movement on investments and revaluation £'000	Transfers between reserves £'000	At 31 March 2019 £'000
Unrestricted funds						
Designated funds:						
Designated funds for the purchase of heritage assets	1,554	-	-	13	-	1,567
Trust funds designated for the purchase of heritage assets	429	1	-	20	2	452
Total designated funds	1,983	1	-	33	2	2,019
General funds	2,019	33,680	(33,104)	-	(576)	2,019
Total unrestricted funds	4,002	33,681	(33,104)	33	(574)	4,038
Restricted income funds						
Capital assets reserve	189,795	7,397	(4,475)	-	247	192,964
Building revaluation reserve	73,614	-	-	10,975	-	84,589
Plant and machinery revaluation reserve	37,279	-	-	(3,230)	-	34,049
Donated works of art reserve	267,309	5,767	(59)	-	-	273,017
Heritage assets acquired	48,216	-	-	-	3,701	51,917
History Collection reserve	-	-	-	-	287	287
Exhibitions programme fund	355	1,686	(1,418)	-	(75)	548
Running cost fund	2,223	4,370	(2,566)	-	(80)	3,947
Curatorial fund	1,567	-	-	-	-	1,567
Collection purchases fund	(643)	4,113	-	-	(3,506)	(36)
Collection purchases trust fund	2,487	2	-	115	-	2,604
Art historical research	4,167	2	-	193	-	4,362
Total restricted income funds	626,369	23,337	(8,518)	8,053	574	649,815
Endowment funds						
Collection purchase endowments	4,736	-	-	219	-	4,955
Art historical research endowment	1,604	-	-	74	-	1,678
General purpose endowments	2,299	-	-	107	-	2,406
Total endowment funds	8,639	-	-	400	-	9,039
Total funds	639,010	57,018	(41,622)	8,486	-	662,892

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 2019 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. The deficit on this fund relates to a funded picture acquisition where pledges of funding will be received over the next four financial years.
- 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.

21. Analysis of net assets between funds

	Unrestricted Funds	Restricted Funds	Permanent Endowment	Total Funds 2019	Total Funds 2018
	£'000	£'000	£'000	£'000	£'000
Tangible assets	1	305,500	-	305,501	300,686
Heritage assets	-	324,920	-	324,920	315,191
Fixed asset investments	760	6,966	9,039	16,765	15,969
Other net assets/(liabilities)	3,277	12,429	-	15,706	7,164
Total net assets	4,038	649,815	9,039	662,892	639,010

22. Note to the cash flow statement**a. Reconciliation of net income to net cash flow from operating activities:**

	2019 £'000	2018 £'000
Net income/(expenditure) for the reporting period (as per the SoFA)	16,137	19,482
Adjustments for:		
Donations to the collection	(5,741)	(4,890)
Depreciation charges	4,456	4,487
(Gains)/losses on investments	(742)	(295)
Dividends, interest and rents from investments	(57)	(309)
Loss/(profit) on the sale of fixed assets	19	2
Other provisions	362	-
(Increase)/decrease in stocks	15	(42)
(Increase)/decrease in debtors	(4,382)	(34)
Increase/(decrease) in creditors	307	(367)
Net cash provided by (used in) operating activities	10,374	18,034

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

	2019 £'000	2018 £'000
Balance with Government Banking Services	4,348	987
Balances held with commercial banks	6,097	3,698
Cash in hand	21	22
Cash balance at end of year	10,466	4,707

23. Related party transactions

The National Gallery is a Non-Departmental Public Body whose sponsor department is the Department for Digital, 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 £77,000 (2018: £6,000) was received from Trustees and £718 (2018: £nil) from Executive Directors in respect of general donations.

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
		£	£	£	
American Friends of the National Gallery, London, Inc	Hannah Rothschild, Lord King (until January 2019), and Rosemary Leith, Trustees, are or were Directors of the related party	8,369,607	-	3,588,269	Grant income and recharge for UK administrative work
Arts Council England	Chris Michaels, Director, is a member of External Reference Board, Caroline Campbell, Director, is a member of the Designation Panel and Tonya Nelson, Trustee, is Director, Arts Technology and Innovation of the related party	69,471	-	34,579	Registrar service for Arts Council England Reviewing Committee and Grant income
BBC	Entity sponsored by DCMS	1,600	-	1,920	Filming fees
British Library	Entity sponsored by DCMS	-	110	(17)	Book loan costs
British Museum	Entity sponsored by DCMS	-	39,305	(34,470)	Internal audit fees - shared service
Collections Trust	Chris Michaels, Director, is a Trustee of the related party	-	98	-	Conference fees
Courtauld Institute of Art	Gabriele Finaldi, Director, is a member of the Governing Board and Caroline Campbell, Director, is a member of the Conservation Board of the related party	300	-	2,941	Donation in lieu of Lecture fee for Larry Keith
Creative Industries Federation	Hannah Rothschild, Trustee, is a member of the board of the related party	-	3,800	-	Annual membership fee
Metropolitan Museum of Art	Katrin Henkel, Trustee, is a member of the Visiting Committees of Prints & Drawings and Sherman Fairchild Centre for Works On Paper and Photograph Conservation at the related party	4,588	68,124	(500)	Rechargeable expenditure and costs associated with exhibitions and income from venue hire
Museo Nacional del Prado	Hannah Rothschild, Trustee, is a member of the International Council of the related party Gabriele Finaldi, Director, is a member of the Consultative Committee of the Boletín del Museo del Prado	554	367	-	Transport costs for loaned pictures
National Gallery Company Ltd	Douglas Gurr and Lance Batchelor (until January 2019), Trustees, are or were Non-Executive Chairs of the related party Gabriele Finaldi, Paul Gray and Chris Walker (until April 2018), Directors, are or were Non-Executive Directors of the related party	1,750,569	347,237	58,333	Income for use of commercial space within the National Gallery, payment for publications and other transactional services
National Gallery Trust	Hannah Rothschild and Lance Batchelor (until January 2019), Trustees, are or were also Trustees of the related party	3,140,527	795,509	2,745,613	Grant income and recharge of costs for administrative services provided
National Museums Liverpool	Entity sponsored by DCMS	-	370	-	Loan fees for exhibition
National Portrait Gallery	Entity sponsored by DCMS	2,880,659	1,292	63,198	Sale of east wing and charge for use of space and associated utilities
Royal Mail Group Ltd	Dame Moya Greene, Trustee, was until September 2018, Chief Executive of the related party	-	546	-	Postage costs

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
Science Museum	Molly Stevens, Trustee, is a member of the Advisory Board of the related party. Entity also sponsored by DCMS	45	1,407	7,155	Subscription fee
Sir John Soane's Museum	Katrin Henkel, Trustee, is also a trustee of the related party. Entity also sponsored by DCMS	318	-	382	Rechargeable costs
Society of Dilettanti Charitable Trust	Charles Sebag-Montefiore, Trustee, is a trustee and treasurer of the related party	10,000	-	-	Picture purchase grant
State Hermitage Museum	Gabriele Finaldi, Director, is a member of the International Advisory Board	297	915	297	Loan fees for exhibition and rechargeable costs
Tate Gallery	Dexter Dalwood (until February 2019), Katrin Henkel and Dame Moya Greene, Trustees, are or were, Trustees of the related party Entity also sponsored by DCMS	45	100	-	Royalties and image usage fees
The Burlington Magazine	Gabriele Finaldi, Director, is a Trustee of the related party	150	1,400	-	Donation, subscription cost and advertising costs
The NGT Foundation	Hannah Rothschild (until October 2018), David Marks (from October 2018) and Katrin Henkel, Trustees, are or were Directors of the related party	34,614	727,504	194,927	Recharge of costs for administrative services provided, costs of renting office space.
The Rothschild Foundation	Hannah Rothschild, Chair and Trustee, is a Director and Trustee of the related party	100,000	-	100,000	Exhibition and picture purchase donations
University College London	Tonya Nelson, Trustee, was until February 2019, Director of Museums and Cultural Programme at the related party	19,385	12,714	19,385	Grant income and maintenance
Victoria & Albert Museum	Entity sponsored by DCMS	-	1,580	-	Training and preparation of paintings for exhibitions
Wallace Collection	Entity sponsored by DCMS	-	2,125	-	Transport & Conservation costs
Wolfson Foundation	Wife of David Marks, is a Trustee of the related party	2,821	-	-	Security and Portage for event
YouGov	Rosemary Leith, Trustee, is a Director of the related party	-	-	-	Audience market research

24. Post Balance Sheet events

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

