

# The National Gallery Annual Report and Accounts for the year ended 31 March 2021



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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 is a museum for both the nation and the world. In a year profoundly affected by the Coronavirus, its role has rarely been so important.

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.

The financial year 2020-21 was profoundly affected by the Covid-19 pandemic, and the impact on the Gallery will be felt for the foreseeable future. Visitor numbers, especially those from overseas, are not expected to return to the levels the Gallery experienced in 2019 for several years. This will influence the Gallery's ability to generate its own income. However, the Gallery has adapted to these challenges with resilience, commitment and creativity. This year has been the last of our current strategic plan as we have responded to the pandemic, and used it as a moment to create a new vision for the future. However within this year we have worked towards the vision and strategic pillars set out below:

- 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 continue to endeavour to grow our income with the aim of being 50% self-funding by 2022/3.

The outcome of this Strategic Plan, despite all the challenges of the last year, has been a stronger, more agile institution, which has weathered the worst of the pandemic whilst remaining ambitious in both its current work and in its preparations to fulfil our large ambitions for the decades ahead. Below we describe the actions we have taken in the last year to advance our plan's delivery.

## Review of achievements and performance in 2020-21

To significantly expand our programmes and activities to engage with the contemporary audience<sup>1</sup>

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 2020-21 we delivered on this goal despite the constraints of the pandemic through a year of innovation in exhibitions, at Trafalgar Square, nationally and internationally, and through the creation of a new Learning strategy.

The impact of Coronavirus on the London exhibition programme was severe, necessitating the postponement and re-scheduling of the entire programme. Upon re-opening after the first lockdown in July we had been able to negotiate the extension of exhibitions which had been forced to close, including "Titian: Love Desire Death". In the autumn we also opened the acclaimed Artemisia exhibition – the first exhibition in the UK of this important but long over-looked artist. Alongside this, we also showed new work by the Gallery's first Artist-in-Residence, Rosalind Nashishibi. "Sensing the Unseen", our second digital exhibition, enabled visitors to engage with Jan Gossaert's *Adoration of the Magi*.

The following exhibitions were open at the Gallery during the period 2020-2021 (£ denotes a ticketed exhibition). All exhibitions closed during periods of national lockdown 19 March – 7 July 2020; 4 November – 2 December 2020; and 16 December 2020 – 17 May 2021:

Exhibition	Attendance	Location
<i>Nicolaes Maes: Dutch Master of the Golden Age</i> 22 February – 20 September 2020	18,345 (from 1 April 2020)	Ground Floor Galleries
<i>Titian: Love Desire Death</i> (£) 16 March 2020 – 17 January 2021	49,123 (from 1 April 2020)	Rooms 4 – 7
<i>Artemisia</i> (£) 3 October 2020 – 24 January 2021	35,451	Sainsbury Wing Temporary Exhibition Galleries
<i>Sin</i> 7 October 2020 – 3 January 2021	19,096	Ground Floor Galleries
<i>National Gallery Artist in Residence: Rosalind Nashishibi An Overflow of Passion and Sentiment</i> 25 November 2020 – 27 June 2021	Attendance not recorded <sup>2</sup>	Room 30
<i>Sensing the Unseen Step into Gossaert's 'Adoration'</i> 9 December – 13 June 2021	776 (to 31 March 2021)	Room One
<i>Take One Picture</i> 16 November 2020 – 31 January 2021	2,010	Sunley Room

Our international touring exhibition, "Masterpieces from the National Gallery", London had been also prevented from opening at the National Museum of Western Art, Tokyo. This long-anticipated exhibition included some 60 of the most important paintings from the collection in a selection which told the unique history of the National Gallery and was due to be shown in two venues in Japan and one in Australia during 2020. Working closely with our partners, the Yomiuri Shimbun and Art Exhibitions Australia, we were able to re-schedule the entire tour and were thrilled that the exhibition was on view at the National Museum of Western Art, Tokyo (18 June – 18 October 2020) and the National Gallery of Art, Osaka (3 November 2020 – 31 January 2021) where it was seen by almost 500,000 people in total. The exhibition is now open at the National Gallery of Australia, Canberra (4 March – 4 June) where it has been met with significant public and press enthusiasm.

This year, due to Covid-19, the Learning programme moved online. Over 51,000 members of the public and 5,000 school pupils took part in live, online talks, courses and learning sessions. Working digitally enabled us to reach audiences of all ages, from early years to older people, across the UK and beyond. In July, in the spirit of Dame Myra Hess, who organised daily, free concerts in the Gallery during the Second World War, the London Philharmonic

<sup>1</sup> 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".

<sup>2</sup> The exhibition was held on the main Gallery floor, so specific attendance figures are not available.



Orchestra played inside the Gallery to bring music and art to an audience again living through a time of crisis. However, this time, our audience was not in the Gallery but watching and listening online from their homes.

As part of our annual Take One Picture programme, children from 37 primary schools from across the UK contributed to an exhibition in the Sunley Room inspired by George Bellows' 1912 painting, *Men of the Docks* (1912). An online tour of the exhibition was created for the website, and children spoke about the picture in a film which was viewed by the public 298,360 times. A partnership between the National Gallery and Ocean Outdoor meant that some of the children's artworks appeared on sixty large-format outdoor digital screens in England and Scotland, viewed more than 10,882,000 times.

### To seek to acquire major paintings and to build up the collection in little-represented or unrepresented areas of the history of art.<sup>3</sup>

The Gallery's collection must continue to grow, both in the acquisition of pre-eminent paintings, adding excellence to excellence, and in expanding the canon of Western art, including artists and geographical areas underrepresented or absent from our holdings.

We have continued to make acquisitions, despite the Covid-19 pandemic, thanks to the Acceptance in Lieu scheme, and philanthropic supporters and foundations. In 2020-21 we embarked on a campaign to fund our commitment to acquire Sir Thomas Lawrence's masterpiece *The Red Boy*, painted by one of the Gallery's first Trustees, a year after the Gallery opened to the public in 1824. Thomas Lawrence was one of the finest European portrait artists of the late eighteenth and early nineteenth centuries. Lawrence's brilliance in handling paint – admirably shown in the glorious red velvets worn by The Red Boy – positions his work alongside his greatest predecessors, notably Van Dyck, Rubens and Velázquez.

Other acquisitions made during the year were:

- Isaack Luttichuys, *Portrait of a Girl*, c. 1650.
  - Accepted in lieu of Inheritance Tax by HM Government from the estate of George Pinto and allocated to the National Gallery, 2020
- Lovis Corinth 1858 – 1925, *Portrait of Dr Ferdinand Mainzer*, 1899.
  - Accepted in lieu of Inheritance Tax by HM Government from the collection of Gisela Stone (1924-2016) and Evan Stone QC (1928-2018).

### To create a digital National Gallery for a digital world<sup>4</sup>

One of the most visible impacts of the last year has been the way Covid-19 has pushed our digital efforts centre stage. This happened both from virtue and necessity as during the long periods of closure only the digital National Gallery was open. What we did and how we did it over that time demonstrates our creativity and agility.

With the closure of the Gallery in March 2020 came a new moment of opportunity for our Digital teams. In those early weeks, as countries across the world entered lockdown, people went online looking for art and culture on an unprecedented scale. Virtual tours, YouTube videos and web pages all saw traffic at record new levels. Recognising our urgent responsibility to reach out to our audiences, we developed a series of new digital storytelling formats that could reflect not only the increased demand for content, but also something of the unique social context Covid-19 had put us in.

We quickly expanded into other areas such as meditation videos and 'make and create' activities for families. We introduced new voices to talk about our art. We also launched a digital events programme which has rapidly become the centrepiece of our activity, with a rich and wide-ranging offer for members, the general public, donors and specialists. As the year progressed we commissioned new art specifically for the digital space through our innovation lab, National Gallery X (NGX). As the disruption to our exhibition programme continued, we became the first major museum to introduce an 'on demand' offer, with both the *Artemisia* and *Titian: Love, Desire, Death* shows having unique long-form films.

The impact of this work has been significant. Most importantly, it has provided a service that is both informative and relevant. In a moment of national crisis we set out to be both useful and sensitive to the needs of our audience.

<sup>3</sup> 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".

<sup>4</sup> Objective 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".

Our digital audience has grown in remarkable ways – our total digital reach has expanded to over 440 million people per year and our audiences have doubled in size on YouTube and Instagram. As we look ahead to the future the opportunity to be a digital museum at global scale will be key to what we become in our third century and maybe beyond.

## To create a National Gallery for all, sharing our pictures across the UK and sharing our expertise to support regional museums<sup>5</sup>

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. The following examples demonstrate the diversity of activities we are delivering in our national programme.

The events of 2020 posed a significant challenge to national touring exhibitions, with all planned venues closed and the exhibitions delayed or postponed. Nevertheless, we were pleased to maintain strong and supportive links with all our national partners, working with them to re-schedule and re-shape exhibitions to ensure they could go ahead as soon as possible. Imagine a Castle: Paintings from the National Gallery, London showcased the Gallery's recent acquisition Bernardo Bellotto's *The Fortress of Königstein from the North* alongside other works from the collection featuring castles, in exhibitions curated by three partners across the UK. Having opened at its first venue, the National Museum of Wales, Cardiff in January 2020, it had received almost 14,500 visitors before the museum had to close.

The Curatorial Traineeship Programme was jointly established in 2011 by the National Gallery and Art Fund as a training programme for the UK museums sector. Despite many challenges this year this has contributed to the development of *Creating a National Collection*, which opens in May 2021 at Southampton City Art Gallery, the first exhibition to explore the unique relationship and influence the National Gallery has had on the evolution of Southampton's collection.

## To invest in and develop our research capabilities to advance our intellectual leadership<sup>6</sup>

The Gallery is a global leader in several of its areas of research, notably in the fields of collection cataloguing, conservation science and technical art history. In order to continue our work at this level we must be in a position to create an attractive and stimulating environment which produces significant research outcomes. Equally important is to find ways to share this research for public benefit with the general public and with specialist audiences in the museum and academic communities. Major research activity undertaken this year on site was led by the conservation treatment and technical study of Rubens' great late landscape, *Het Steen*, which will be shown together with its pair, *The Rainbow Landscape*, at the Wallace Collection in Spring 2021, for the first time in several hundred years.

The Gallery is engaged in many different activities in the digital humanities. It was awarded funding as Principal Investigator from the Arts and Humanities Research Council (AHRC) for the project 'Practical applications of IIF as a building block towards a digital National Collection'. We have made a particular focus of engaging wider academic and general audiences with National Gallery research, primarily using digital tools. We held our first digital Research Seminar in June 2020. Throughout the year, we have drawn strong audiences from across the UK and internationally for our regular programme of monthly research events.

We have produced very popular filmed online content that shows research activity that usually takes place behind closed doors, and can be therefore be hard to share. As a result, visitors have been able to follow long and complex research projects, such as the conservation treatment and scientific analysis of Peter Paul Rubens' great landscape painting, *Het Steen*, or the combination of technical and academic study that enabled the removal of a 200-year-old frame wrongly attached to Sandro Botticelli's and Filippino Lippi's *Adoration of the Kings*.

<sup>5</sup> 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".

<sup>6</sup> 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".

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

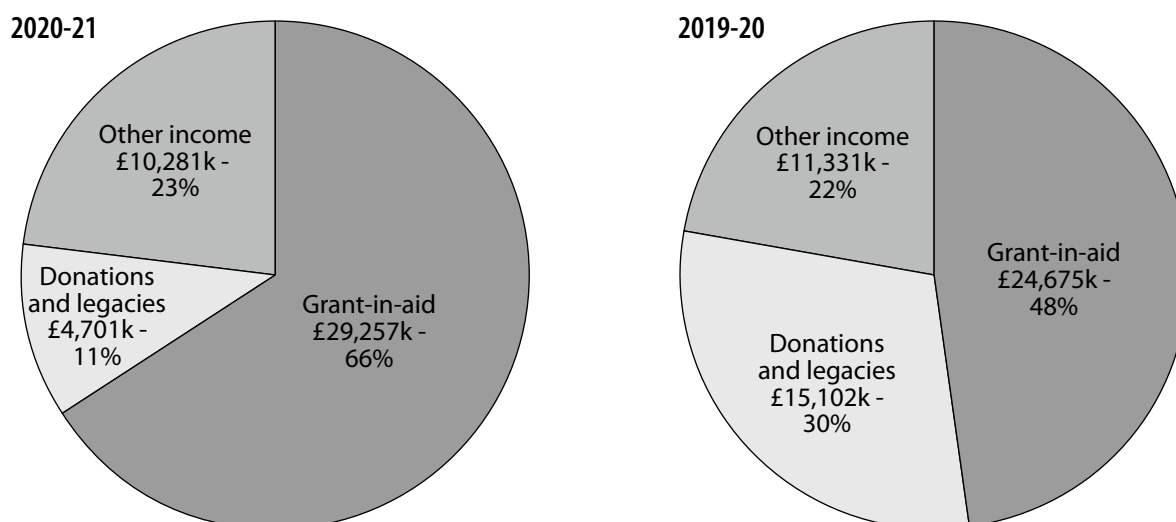
The past year brought significant and unexpected changes to working practices at the Gallery as a direct result of the pandemic and the need for the Gallery to close its doors to the public and for its employees to comply with Government restrictions on social movement. Forward planning supported by technology enabled the Gallery's lockdown to be smoothly implemented as the entire workforce transitioned to 'agile working', carrying out all but essential work remotely from the Gallery. The workforce has been supported with diagnostic and preventative healthcare measures to enable safe working on site when needed and an enhanced internal communications offering has provided ongoing information, newsletters and occasionally surprises for each employee to promote wellbeing and engagement.

In a year that has been financially challenging and difficult for the museum sector, the Gallery's foresight in earlier years to deliver an effective working model rewarded us with the ability to maintain the workforce without redundancies so prevalent in the sector and without the need to apply to the Government Job Retention Scheme ('furloughing'). However, the challenges remain: pay and reward at the Gallery, whilst remaining advantageous within the sector, are likely to be subject to medium-term constraint as in the past year where no pay award was made.

## To be 50% self-funding by 2022-23

Our ambition of matching self-generated income to grant-in-aid in order to deliver our activity plans and increase resilience was inevitably impacted by the challenges of the Coronavirus pandemic. The primary areas where this was felt was in self-generated income associated with physical visitors to the Gallery. However, there were notable financial successes this year, with individual membership income generating record levels of revenue within the year, due in part to the significant online programme created for members. Our expanded digital Learning offer also exceeded our expectations in terms of income generation, and will be a particular focus for growth over the coming years.

### Income (excluding donations for picture acquisitions)



This year, self-generated income fell to 34% of total income excluding donations for picture acquisitions (2020: 52%) due to the impact of the Covid-19 pandemic. Self-generated income includes exhibition ticketing income and educational events, donations and legacies, investment income, membership schemes and corporate sponsorship income.

Whilst we have sought to mitigate the income loss as much as possible, in the short to medium term we do not foresee self-generated income returning to pre pandemic levels for at least two to three years. Further details as to the impact of the pandemic on our income can be found in the financial review.

## DCMS Key performance indicators

Specific information relevant to the Gallery's contribution to DCMS performance indicators for 2020-21 as set out in the Funding Agreement agreed with DCMS:

	<b>Performance in 2020-21</b>	<b>Performance in 2019-20</b>
1. Number of visits to the Gallery (excluding virtual visitors)	234k	5.5m
2. Number of unique users visiting the website	5.1m	4.8m
3. Number of visits by children under 16	28k	0.4m
4. Number of overseas visits	5.6k	3.5m
5. (a) Number of facilitated and self-directed visits to the Gallery by visitors under 18 in formal education <sup>7</sup>	0	108k
5. (b) Instances of visitors under 18 participating in on-site organised activities	0	11k
6. % of visitors who would recommend a visit	91%	92%
7. Number of UK loan venues	8	21
8. (a) Self-generated income – admissions <sup>8</sup>	£5.5m	£3.3m
8. (b) Self-generated income – trading	£1.1m	£4.1m
8. (c) Self-generated income – fundraising	£17.6m	£50.2m

## Plans for the future

In 2024 the National Gallery will be 200 years old. That gives us a unique chance not only to celebrate the collection and all its wonderful paintings, but also to re-dedicate it to the people that own it – the citizens of the United Kingdom.

The Covid-19 pandemic has brought with it unprecedented difficulties – months of closure, the disappearance of mass visiting and a collapse in our income. But we have responded with resilience, vastly increasing our online presence, reopening with a spectacular programme of activities and exhibitions, supporting our staff, working towards the completion of a major capital project and planning significant corporate reorganisation. In April 2021 the Gallery launched our new 2021-2026 strategic plan based around 4 strategic priorities.

### The Gallery at 200

- The Bicentenary year commencing in May 2024 will be the moment when we show what the National Gallery can be for our audiences of the future.
- We will complete or begin a set of major capital projects (NG200) that will reshape the Gallery estate for our third century: a new welcome in the Sainsbury Wing, a new Research Centre and a remodelled public realm on Jubilee Walk.
- We will celebrate the role our audiences and our wider partners play in helping others engage with great art by staging a programme of inspirational exhibitions, events and outreach across the nation.

### The Gallery across the Nation

- We will raise the profile of our national work – demonstrating that we are a national institution at the heart of national life.
- We will create a national learning service, increasing participation in areas of greatest need.
- We will share our collection across the UK in innovative ways, creating new partnerships and strengthening existing ones, and support the work of collections throughout the nation by sharing our skills.

<sup>7</sup> Data for 2019-20 incomplete due to collection issues encountered during the year. The figure reported is therefore likely to be understated.

<sup>8</sup> Increase in 2020-21 attributable to international touring income

## The Gallery across the World

- We will redefine the Gallery as a global digital institution.
- We will dramatically increase our digital audience and build a membership business anchored in digital content.
- We will build the revised process, teams and infrastructure to support our work as a digital media organisation that can potentially reach hundreds of millions of people across the world.

## Research for Public Benefit

- Research underpins our entire programme of public engagement, both digital and physical, from exhibitions and display, to publications, talks and films.
- We will build a new Research Centre at the Gallery and online and create a digital dossier that makes everything we know about our pictures available to everyone.
- This will help us to build a thriving, dynamic research community for the Gallery which helps us to be the world's pre-eminent centre for research into historic painting.

## Financial Review

### Financial performance

The Statement of Financial Activities is set out on page 41 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
- 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 2021 amounted to £53.9 million (2020: £82.4 million); total expenditure amounted to £36.3 million (2020: £42.7 million), resulting in initial net income of £17.7 million (2020: £39.7 million). Adding in unrealised gain on investments of £3.0m (2020: £1.0m loss) and the revaluation loss on property and plant & equipment of £3.2 million (2020: £2.9 million loss), we achieved final net income of £17.5 million (2020: £35.8 million). The cost of acquisition of pictures is included in fixed asset additions.

### 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 49-50.

Income from donations and legacies for the year totalled £43.7 million (2020: £71.1 million). This figure includes income relating to picture acquisitions, Government grant-in-aid and other donations, as well as legacy income. Excluding grant-in-aid, this figure is £14.4m (2020: £46.4m). In kind services valued at £0.6m (2019: £0.2m) were received, mostly relating to advertising.

Income relating to picture acquisitions was mainly attributable to funding towards the commitment to acquire Sir Thomas Lawrence's *The Red Boy*. Funds raised so far represent generous commitments from the American Friends of the National Gallery, London as well as funding from other sources including restricted grants, donations and legacies. Pictures which were donated to the Gallery in 2020-21 were valued at £0.2m (2020: £12.0m).

Income from charitable activities for the year totalled £5.5 million (2020: £3.3 million), this includes admission to exhibitions, exhibition touring income, and other educational events.

The balance of income, £4.8 million (2020: £8.0 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 50-53.

The Gallery allocates support costs across our charitable activities; full details of this allocation are shown in note 9 on page 51. 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 £36.3 million (2020: £42.7 million). Spend in all areas fell dramatically as a result of action taken to control costs in response to the pandemic. This was seen most notably in Exhibitions, where expenditure decreased by £2.6m.

## Financial position

The Balance Sheet is shown on page 41 of this document, with further analysis shown in notes 12-21 on pages 53-60.

The net movement in funds for the year amounted to £17.5 million (2020: £35.8 million). Of this, £19.1 million relates to restricted funds and capital projects; including £9.9 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 loss on revaluation of £3.2 million (2020: £2.9 million loss) and unrealised investment gains of £3.0 million (2020: £1.0 million loss).

In accordance with the Government Financial Reporting Manual (FRM) – which reflects the requirements of FRS 102, Section 34 – works of art are capitalised and recognised in the Balance Sheet at their cost or value at the date of acquisition, where such a cost or value is reasonably obtainable.

The Trustees consider that the cost of valuing pictures in the 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. 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 £29.3 million for the year ended 31 March 2021 (2020: £24.7 million). This includes £4.2m of emergency funding from the Cultural Rescue Fund allocated to the Gallery in response to the Covid-19 pandemic. 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.

Work continued on the One Gallery Accommodation Hub, our major capital project designed to transform working areas for staff. Donor support has been crucial in enabling us to undertake this project, and the Gallery is tremendously grateful to those who have helped fund it.

Credit Suisse continued in their role as Partner of the National Gallery, and will next sponsor *The Credit Suisse Exhibition: Durer's Journeys* in 2021-22. The Gallery also benefited from the ongoing sponsorship from Hiscox in their role as the first Contemporary Art Partner of the National Gallery.

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. 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, 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 2021 there have been no failures to comply with the fundraising schemes and standards that the Gallery has committed to. During this period we received no formal complaints relating to our fundraising activities.

## 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 2021 before fees was 19.25% (2020: -5.6%). Investment performance was driven by the recovery in value of the portfolio following the significant losses incurred in late 2019-20 resulting from the impact of the Covid-19 pandemic.

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 2020 the fixed-rate weighted average interest rate was 0.16% (2020: 0.58%) compared with the weighted average base rate of 0.10% (2020: 0.72%).

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 £716.2 million (2020: £698.7 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 (£316.3 million; 2020: £310.5 million) relate to the Gallery's land and buildings, being the Trafalgar Square site, plant and machinery, and equipment. £367.0 million (2020: £357.5 million) is represented by the value at the date of acquisition of donations to the Collection and pictures acquired since 1 April 2001, and £2.1 million (2020: £1.6 million) relates to funds either restricted or designated for future acquisitions.

£10.2 million (2020: £8.5 million) is in permanent endowments, where the capital must be retained, and £11.3 million (2020: £9.2 million) represents other restricted funds. At the start of the year a further £2.0 million (2020: £2.0 million), mainly from bequests, was being held in designated funds, £1.6m of which was specifically held to aid in the response to the pandemic. This fund was utilised in its entirety in 2020-21.

The remaining balance of £2.0 million (2020: £2.0 million) undesignated general funds arising from the Gallery's fundraising, trading, and charitable activities. At their meeting in March 2021, 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.

## Financial Impact of the Covid 19 Pandemic

The Gallery experienced an unprecedented loss of self-generated income in 2020-21 as a result of the actions taken by Government to reduce the impact of the pandemic, causing our visitor numbers to drop from 5.5m to 0.2m. This was most significantly felt in admissions income which due to a combination of closures and the requirement for social distancing when open, fell to just £0.7m compared with the prior year figure of £3.0m. In total, operational income excluding grant-in-aid decreased from £15.9m in 2019-20 to £10.4m.

The Gallery responded by reducing operational overheads in all areas to a minimum and taking the painful decision to reschedule the Exhibitions programme with the aim of reducing the use of available reserves. Actions taken resulted in spend on Exhibitions decreasing from £5.9m in 2019-20 to £3.3m, and contributed to reducing operational expenditure to £31.8m, £5.9m less than the prior year.

We are immensely appreciative of the efforts DCMS made to secure £4.2m of additional Grant in Aid to support the Gallery and in conjunction with fully utilising the £1.6m fund Trustees had designated to aid in the Gallery's response to Covid-19, we were able to avoid both redundancies and the need to utilise the Government's furlough scheme.

Looking forward to 2021-22, the Gallery intends to make every effort to reduce the financial burden on the taxpayer whilst fulfilling our obligations as a public sector body. However, our reliance on overseas visitors to achieve our commercial goals means that the anticipated economic bounce as restrictions are lifted will only go some way to improving the Gallery's financial performance in the short to medium term. As such, we currently expect income from exhibition admissions and membership to remain broadly in line with the depressed levels seen during 2020-21. On top of mitigating this through building on the new income streams introduced in response to the pandemic such as digital learning offers, we will need to continue in our efforts to control overheads and revise the original planned public programme of events and exhibitions to continue to keep costs sustainable in relation to our forecast income whilst ensuring that the Gallery continues to provide a compelling set of activities.

DCMS has secured further potential Covid emergency funding for the Gallery for 2021-22 and in combination with further use of reserves, the Gallery is confident that a break even position can be achieved.

## 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](http://www.nationalgallery.org.uk).

### Advisors

Banking Services	Government Banking Service (GBS) Southern House 7th Floor Wellesley Road Wellesley Croydon CR9 1WW	Coutts & Co. 440 Strand London WC2R 0QS
Auditors	The Comptroller and Auditor General National Audit Office 157-197 Buckingham Palace Road Victoria London SW1W 9SP	
Solicitors	Farrer & Co 66 Lincoln's Inn Fields London WC2A 3LH	Various other solicitors are used as required.
Investment Managers	BlackRock Investment Management (UK) Ltd 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 10 days (2020: 26 days), with the decrease due to there being a disproportionately high number of invoices received at the end of the 2019-20 financial year combined with the subsequent timing of that year's final payment run.

## Immunity from Seizure Report 2020-21

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

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

Exhibitions including works for which protection under the legislation was sought during 2020-21 are as follows:

*Nicholas Maes: Dutch Master of the Golden Age*

22 Feb 2020 – 20 Sep 2020

*Titian: Love, Desire, Death*

16 Mar 2020 – 17 Jan 2021

*Artemisia*

03 Oct 2020 – 24 Jan 2021

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 2020-2021.

### Summary of performance

We have developed our third Carbon Management Plan to cover the period 2020-2025, which follows on from the Carbon Management Plans for the periods 2010-2015 and 2015-2020: (Carbon Management Plan). Due to Covid-19 and the national lockdowns, the Gallery and its associated administration offices have predominantly remained closed other than for essential operational staff.

During 2020-21 we have undertaken a number of small lighting projects to the back of house.

Our performance is summarised in the table below:

Area		2020-21		2019-20		2018-19	
		Actual	Target	Actual	Target	Actual	Target
Greenhouse Gas Emissions (Scopes 1, 2 & 3) tCO <sub>2</sub> e		4,716	5,301	5,391	5,422	5,762	5,542
Estate energy	Consumption (million kWh)	24.22	–	25.3	–	27.0	–
	Expenditure (£ million)	1.08	–	1.40	–	1.26	–
Estate waste	Amount (tonnes)	127.62	–	510	–	532	–
	Expenditure (£'000)	47.38	–	64.3	–	65.0	–
Estate water	Consumption ('000 m <sup>3</sup> )	25.8	–	31.7	–	37.9	–
	Expenditure (£'000)	38	–	43	–	49	–
Paper Use	A4 (Reams)	220	–	1,717	–	1,965	–
	A3 (Reams)	11	–	234	–	117	–
	A3 and A4 Expenditure (£'000)	0.483	–	4.5	–	4.4	–

Overall, the National Gallery carbon emissions decreased from 5,391tCO<sub>2</sub>e to 4,716tCO<sub>2</sub>e (-12.53%) during the 2020-21 reporting period.

The main contributory factor for the decrease in absolute emissions can be attributed to the closure of the Gallery through reduced operational requirements and an 8.8% reduction in the national grid electricity carbon factor.

The trend for gas consumption shows a slight increase whilst the trend for electrical consumption has dropped significantly.

### Greenhouse gas (GHG) emissions

The National Gallery's collection is predominantly 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 the reduction of GHG emissions was the installation of a Combined Heat and Power (CHP) unit, commissioned in 2012. During 2020-21, we had a little down time when a heat exchanger was replaced on the engine. The engine was operational again very quickly 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. This has obviously slowed due to the Covid-19 National lockdown and the reduction of staffing levels on site.

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

<b>Greenhouse Gas Emissions</b>		<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>
Non-financial indicators (tCO <sub>2</sub> e)	Total gross emissions	4,716	5,391	5,762
	Gross emissions Scope 1 (direct)	3,822	3,738	4,301
	Gross emissions Scope 2 (indirect)	803	1,479	1,300
	Gross emissions Scope 3 (indirect)*	91	174	162
Related energy consumption (million kWh)	Grid Electricity	3.4	5.8	4.6
	Electricity Generated on Site	6.5	5.4	6.90
	Natural Gas	20.8	19.5	22.2
Financial indicators (£ million)	Expenditure on energy	1.08	1.40	1.26
	CRC License Expenditure	0	0	0.054
	Expenditure on accredited offsets	–	–	–
	Expenditure on official business travel	0.002	0.046	0.044

## Key performance indicators (KPI)

The number of visitors has decreased significantly due to Covid-19 by -96% from 2019-20 to 2020-21. Analysis of the data by carbon emissions per visitor as per previous reports is deemed irrelevant this year.

The Gallery was closed from 19 March 2020 due to the worldwide Covid-19 pandemic and the closure by the government of all non-essential workplaces. The number of visitors lost during the year to the end of March 2021 is estimated at 5,200,000 based on the previous year's figures.

<b>KPI – visitor numbers</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>
Total visitors	233,817	5,476,939	5,922,958
Total carbon (tCO <sub>2</sub> e)	4,688	5,391	5,763
Emissions per visitor (tCO <sub>2</sub> e)	0.02016	0.00098	0.00097

## Waste management

Waste removal has decreased from 2019-20 to 2020-21 by -75.0% from 509.5 tonnes to 127.7 tonnes. This reduction can be explained in part by the closure due to Covid-19.

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 aims to increase the volume 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.

We continue to ensure that no waste from the National Gallery is sent to landfill.

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

Waste		2020-21	2019-20	2018-19	
Non-financial indicators (tonnes)	Total waste	127.7	509.5	532.3	
	Hazardous waste	–	–	–	
	Non-hazardous waste	Landfill	–	–	–
		Reused / recycled	50.5	297.9	299.8
		Anaerobic Digestion	0	46.8	48.4
		Incinerated with energy recovery	77.2	164.8	184.0
Incinerated without energy recovery	–	–	–		
Financial indicators (£k)	Total disposal cost	47.38	64.35	65.04	

## Use of resources

Our water performance is summarised in the table below:

Finite resource consumption		2020-21	2019-20	2018-19
Non-financial indicators ('000m <sup>3</sup> )	Water consumption	25.8	31.7	37.9
Financial indicators (£k)	Water costs	38.4	43	49

Water consumption has decreased from 2019-20 to 2020-21 by 18.6% from 31,700m<sup>3</sup> to 25,800m<sup>3</sup>. This reduction can be explained in part by the reduced number of visitors due to closure for Covid-19 and the continued submission of accurate meter reading data on a monthly basis.

Work continues to reduce the water consumption of the Gallery and new submeters have been fitted to record water data at a more granular level. Once these meters have been commissioned, we will add the automatic reading to our monitoring system for further analysis.

## Summary of future strategy

We have developed a Carbon Management strategy to 2025, 2030 and beyond and will publish this shortly. This will reflect the historical savings achieved and the likely areas we can reduce consumption. With the reduced staffing levels on site during the Covid-19 pandemic, the publication of the plan has been delayed.

The key strategy will focus on the reduction of greenhouse gas emissions through the installation of energy-efficient plant and equipment. In order to achieve this, the key projects under consideration include:

- Replacing CHP at end-of-life 2023-24. Further study is required to show the carbon impact which takes into account the emissions factor reduction of the national grid.
- Additional CHP and Absorption Chiller 2023-24. Further study is required here as the likely impact of this would increase Carbon but still significantly reduce costs.
- Steam boiler replacement with electrical humidification 2023 – 2025
- Photovoltaic panels (PV) to Sainsbury Wing
- Sainsbury Wing supply air diffusers
- Continue with BMS optimisation strategies
- Replacement LED lighting back of house 2021 – 2025

Other projects that will have unquantified energy benefits:

- Main building & Sainsbury Wing picture lighting upgrades 2024
- Barry rooms external glazing 2024-25
- Rooms 30 & 31 glazing 2021 – 2024
- Sainsbury Wing glazing 2018 – 2024

## 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 (2020: £nil).

### Director’s remuneration and benefits

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

		<b>Salary</b>	<b>Performance related pay</b>	<b>Benefits in kind (to nearest £100)</b>	<b>Pension benefits (to nearest £’000)</b>	<b>Total</b>
		<b>£’000</b>	<b>£’000</b>	<b>£’000</b>	<b>£’000</b>	<b>£’000</b>
Dr Gabriele Finaldi	2021	150 – 155 <sup>9</sup>	25 – 30	2.5	58	235 – 240
<i>Director</i>	2020	145 – 150 <sup>10</sup>	–	2.3	58	205 – 210

The Director’s performance-related bonus is determined by the Remuneration Committee. The Remuneration Committee (which comprised Lord Hall, Sir John Kingman, 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 2021 the Remuneration Committee deferred awarding a bonus to Dr Finaldi due to the continued uncertain economic environment created by the Covid-19 pandemic. In 2020-21 Dr Finaldi was offered and accepted a deferred bonus of £28,212 relating to performance in the 2019-20 financial 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.

<sup>9</sup> The Director’s basic salary for the year was £150,337, reflecting an in-year consolidated increase of 0.5%.

<sup>10</sup> The Director’s basic salary for the year was £149,535, reflecting an in-year consolidated increase of 2.1%.



## Senior managers' remuneration and benefits

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

		Salary	Performance related pay	Benefits in kind (to nearest £100)	Pension benefits (to nearest £'000)	Total
		£'000	£'000	£'000	£'000	£'000
<b>Dr Caroline Campbell</b>	2021	95 – 100	0 – 5	1.4	35	130 – 135
<i>Director of Collections and Research</i>	2020	95 – 100	0 – 5	1.3	43	140 – 145
<b>Dr Susan Foister</b>	2021	95 – 100	0 – 5	4.1	–	100 – 105
<i>Deputy Director</i>	2020	95 – 100	0 – 5	5.4	–	100 – 105
<b>Paul Gray</b>	2021	120 – 125	0 – 5	1.9	48	170 – 175
<i>Chief Operating Officer</i>	2020	120 – 125	–	1.8	48	170 – 175
<b>Andy Hibbert</b>	2021	95 – 100	0 – 5	1.0	38	135 – 140
<i>Director of Finance</i>	2020	95 – 100	0 – 5	1.1	38	130 – 135
<b>Chris Michaels</b>	2021	95 – 100	0 – 5	1.5	13	110 – 115
<i>Director of Digital, Communications and Technology</i>	2020	95 – 100	0 – 5	1.4	11	105 – 110
<b>Anh Nguyen</b>	2021	95-100	0 – 5	0.5	38	135 – 140
<i>Director of Development (from 2 September 2019)</i>	2020	55 – 60 <sup>11</sup>	5 – 10	0.3	22	80 – 85

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.

Mr Gray is eligible for a performance-related bonus in the range of 0% to 10%. In the year to 31 March 2021, a decision was deferred on awarding a bonus to Mr Gray due to the continued uncertain economic environment created by the Covid-19 pandemic. In the year to 31 March 2020 Mr Gray was offered but declined a 10% performance-related, non-consolidated bonus of £12,180 relating to performance for that year.

The office of Director of Development at the National Gallery was filled for the first time on 2 September 2019. The role reports directly to the Director. Ms Nguyen is eligible for a performance-related bonus in the range of 0% to 10%. In the year to 31 March 2021, a decision was deferred on awarding a bonus to Ms Nguyen due to the continued uncertain economic environment created by the Covid-19 pandemic.

In the year to 31 March 2020 Ms Nguyen was offered and accepted a 10% performance-related, non-consolidated bonus of £5,598 relating to performance for that year and pro-rated for time in office.

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.

In line with all staff, Directors were awarded a non-consolidated bonus of £800 relating to performance in 2020-21.

## 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 2021 for senior managers and the Director are as follows:

<sup>11</sup> Full year equivalent is £95,000 – £100,000

<b>Pension</b>	<b>Accrued pension at pension age as at 31 March 2020 and related lump sum</b>	<b>Real increase (decrease) in pension and related lump sum at pension age</b>	<b>CETV at 31 March 2020</b>	<b>CETV at 31 March 2019</b>	<b>Real increase (decrease) in CETV<sup>12</sup></b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Caroline Campbell	35 – 40	0 – 2.5	470	433	16
Gabriele Finaldi	15 – 20	2.5 – 5	267	211	35
Andy Hibbert	0 – 5	0 – 2.5	67	35	23
Paul Gray	5 – 10	2.5 – 5	99	63	25
Anh Nguyen	0 – 5	0 – 2.5	32	13	11

Susan Foister opted out of the Civil Service Pension Scheme in September 2018, so no disclosure is required for 2020-21. 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 2021 were £12,984 (2020: £11,320).

#### *Cash Equivalent Transfer Value*

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the Cabinet Office's Civil Superannuation Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include an additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

#### *Real increase in CETV*

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

### Calculation of pay differentials

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

The full year equivalent remuneration of the highest-paid director at the National Gallery during the year to 31 March 2021 was in the range £180,000 to £185,000 (2020: £150,000 to £155,000). This is 5.0 times (2020: 4.2 times) the median remuneration of the workforce, which was £36,565 (2020: £36,565). The variance is attributable to the payment of the Director's deferred bonus relating to performance in 2019-20 in 2020-21. Remuneration ranged from £19,565 to £181,000 on a full year basis as at 31 March 2021 (2020: £22,785 to £151,846).

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: 8 July 2021**

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

**Dated: 8 July 2021**

## 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 2021 was:

	<b>Female</b>	<b>Male</b>
Directors	3	4
Other employees	167	94

### Sickness absence management

The average number of days of employee absence due to sickness was 2.0 days (2020: 3.9 days). Excluding long term sickness, the average number of days of absence was 1.5 days (2020: 2.4 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 has been accredited as a Disability Confident employer.

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. An independent review of the policy framework resulted in the 'Good Work' enhanced level award from the Mayor of London.

### 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:

	<b>2021 No.</b>	<b>2020 No.</b>
£60,000 – £69,999	13	12
£70,000 – £79,999	3	2
£80,000 – £89,999	3	3
£90,000 – £99,000	3	3
£100,000 – £109,999	2	1
£120,000 – £129,999	1	–
£130,000 – £139,999	–	1
£180,000 – £189,999	1	–
£190,000 – £199,999	–	1
	<u>26</u>	<u>23</u>

All but three of the employees earning more than £60,000 participated in the Principal Civil Service Pension Scheme (PCSPS) pension schemes (2020: all but three participated in the Civil Service Pension arrangements).

## Compensation payments

There were three exit packages agreed for staff between April 2020 and March 2021. All related to the end of fixed term contracts. No members of staff left on Compulsory Redundancy terms during this period (2020: none).

Exit package cost band	2020-21			2019-20		
	Number of compulsory redundancies	Number of other departures agreed	Total cost	Number of compulsory redundancies	Number of other departures agreed	Total cost
	No.	No.	£	No.	No.	£
< £10,000	-	2	11,413	-	-	-
£10,001 – £25,000	-	1	16,926	-	2	23,141
Total number of exit packages	-	3	28,339	-	2	23,141

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 2020-21 the National Gallery reported no whistleblowing cases (2020: nil). 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	2
Full-time equivalent employee number	2

### Percentage of time spent on facility time

Percentage of time	Number of employees
0%	2
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	£14,320,094
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 <sup>13</sup>	0%
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**Off payroll engagements and advisory consultancy**

During the year ended 31 March 2021 the Gallery had no off-payroll engagements for more than £245 per day lasting longer than six months (2020: £nil).

There was no expenditure on 'advisory consultancy' during the year (2020: £nil). 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: 8 July 2021**

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

**Dated: 8 July 2021**

## 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 Direction<sup>14</sup> 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: 8 July 2021**

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

**Dated: 8 July 2021**

<sup>14</sup> 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](http://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 six times a year and also convenes at least once annually for an offsite strategy day. In the year to 31 March 2021, as a result of the Covid-19 pandemic, there were eight virtual Board meetings and an onsite strategy session, which took place over two 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 2021, 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 90% (2020: 94%).

#### Attendance at Board meetings

Lord Hall of Birkenhead CBE (Chair from July 2020) (resigned May 2021)	8/9
Sir John Kingman (Interim Chair until July 2020)	9/9
Mr John Singer	8/9
Mr Charles Sebag-Montefiore	8/9
Ms Katrin Henkel	9/9
Ms Rosemary Leith	7/9
Mr David Marks	9/9
Dame Moya Greene	5/6
Ms Tonya Nelson	7/9
Professor Molly Stevens	9/9
Mr Douglas Gurr (resigned December 2020)	6/7
Mr Stuart Roden	9/9
Ms Catherine Goodman	7/9
Mr John Booth (appointed February 2021)	1/1

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 Gallery Plan, Funding Agreement, Annual Review and Financial Statements and key strategy documents; and
- given the equivalent of about two 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 adopted the Cabinet Office's Code of Conduct for Board Members of Public Bodies published in June 2019, 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 once a year and is reviewed each 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 2021 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 2021 were:

Dr Susan Foister  
 Dr Caroline Campbell  
 Paul Gray  
 Andy Hibbert  
 Chris Michaels  
 Anh Nguyen

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, Share point, 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 <sup>15</sup> Charles Sebag-Montefiore John Singer Douglas Gurr (retired Dec 2020) Stuart Roden Lord Hall of Birkenhead	4 4 4 4 2 4 2	4 4 4 4 2 4 2
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 <sup>16</sup> Charles Sebag-Montefiore John Singer Douglas Gurr (retired Dec 2020) Stuart Roden Lord Hall of Birkenhead	5 4 5 5 3 5 2	5 5 5 5 3 5 2
Governance	To support the Board in its responsibilities for governance procedures and standards.	Tonya Nelson (Chair) Charles Sebag- Montefiore John Singer (retired May 2020) Dame Moya Greene (retired November 2020) Lord Hall of Birkenhead	4 4 1 2 2	4 4 1 2 2
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.	Lord Hall of Birkenhead (Chair) Dame Moya Greene (retired Nov 2020) Katrin Henkel Sir John Kingman	3 2 3 3	3 3 3 3
Remuneration	To advise the Board on the terms of appointment of the Director and on his remuneration and on other remuneration issues.	Sir John Kingman (Interim Chair) Lord Hall of Birkenhead Rosemary Leith Charles Sebag-Montefiore	2 2 2 2	2 2 2 2
Masterplan	To support the Board in developing a Masterplan in relation to the Gallery's buildings and estate.	David Marks (Chair) Sir John Kingman Lord Hall of Birkenhead Stuart Roden	8 5 7 8	8 8 8 8

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

The Audit Committee met four times during the year and 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. Towards the end of the year, the Audit Committee approved the appointment of new internal auditors. The Gallery's fire safety audit continued to be an area of focus, and management of the Gallery's Health and Safety arrangements was moved in house with more robust systems being introduced.

<sup>15</sup> Independent Committee member

<sup>16</sup> Independent Committee member

The Finance Committee met five times during the year and began the year with an emergency budget in response to the Covid-19 pandemic. In January the Board approved the Gallery's new strategy, 2021-2026 and a revised Gallery plan was brought to the Finance Committee in March 2021. The Committee closely monitored the finances of the Gallery through the turbulence of the pandemic and work on the Accommodation Hub capital project was near completion by the end of the year.

The Governance Committee met four times during the year. It agreed 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 2019-2020. The Committee reviewed its appraisal process for the Chair and Trustees.

The Nominations Committee met three times during the year. At the beginning of the year there were three vacancies on the Board, increasing to four with the appointment of Douglas Gurr as Director to the Natural History Museum from December 2020. The Nominations Committee reviewed the balance of skills and experience on the Board and recommended that a search be instituted for three new Trustees, to include a business Trustee to replace Douglas Gurr. The Board endorsed the recommendations. The proposed role and person specifications were approved by Ministers and a search was conducted by DCMS in accordance with OCPA rules in January 2021. The process is ongoing.

The Remuneration Committee met twice during the year to review the performance of the Director, Dr Gabriele Finaldi, Chief Operating Officer, Paul Gray and Development Director Anh Nguyen for the period to 31 March 2020; to agree a recommended bonus for the Director, Chief Operating Officer and Development Director for the period to 31 March 2020 (which recommendation was accepted by the Board). The Committee did not set objectives for the Director due to the impending appointment of a new Chair, to whom the task was directed and although a bonus was agreed for the Director, this was also deferred to once the new Chair had assumed the role and to confirm affordability during the extraordinary unforeseeable pandemic impact on Gallery finances. The Committee reviewed the deferred bonus in December 2020.

The Masterplan Committee met eight times during the year; in respect of the Masterplanning exercise started in 2017-18. Covid-19 delayed phase two of the capital project for a year, although the Committee continued to oversee work on the One Gallery Accommodation Hub which was near completion by the end of the year. Following the Board's approval of the National Gallery's strategy 2021-2026 in January 2021, NG200 capital projects have been reshaped and a competition to find an architectural team was launched in February 2021.

## Achievements and Effectiveness of the Board

Significant achievements of the Gallery during 2020-21 are recorded under the heading of 'Review of achievements and performance in 2020-2021', within the Annual Report.

In relation to achievements of the Board during the course of the year, the Covid-19 pandemic had a significant impact both on the finances of the Gallery and on its strategy, causing delay to its plans and a new strategy being formulated. During the year, the Board:-

- Oversaw and approved the Gallery's mobilisation plan for a successful re-opening after 111 days of closure as a result of lockdown. It was the first major national museum to re-open.
- Approved a citation that a medal, specially commissioned by the Gallery from Conrad Shawcross RA, be presented to Julia and Hans Rausing in recognition of their extraordinary and valuable contribution to the National Gallery. It approved that on receipt of the medal, the Rausing's become National Gallery Honorary Council Members.
- Endorsed the revised exhibition schedule, resulting from the pandemic.
- Approved a counter fraud policy and strategy;
- Approved an updated safeguarding policy and procedures and appointed a dedicated safeguarding Trustee.
- Approved a learning strategy presented to the Board in November 2020 by the Head of Learning and National programmes.
- Approved a new National Gallery strategy 2021-2026 in January 2021. This included approval of NG200 capital projects, a new National strategy, a Research for Public benefit strategy and an overarching fundraising strategy.
- Approved the transfer of the National Gallery Company from the National Gallery Trust to the National Gallery, effective from 1st April 2021.

- 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 internationally;
- 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.

In relation to Board effectiveness, the Board reviewed its own effectiveness in September 2020. 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:

- Redoubling efforts to establish a long-term vision for the National Gallery, which includes plans for capital redevelopment, that has broad buy-in from the Board.
- Rolling out planned bi-annual board sessions dedicated to Development in which opportunities for Trustees to contribute to fundraising activities are identified.
- Tailoring each board meeting agenda to ensure all items get sufficient time and attention and new or special topics can be added as needed.

The Board accepted all these recommendations.

The Deputy Chair, following consultation with Trustees and the Director, appraises the Chair annually and reports back to the Board. The Chair appraises Trustees every two years, informally within two years of appointment and formally when recommending for re-appointment. The Board commissions an external review of its governance every three years.

## 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 three to four times a year (three in 2020-21) to review actively the risk environment, to monitor the adequacy of controls and to assess emerging risks. The Committee's membership includes the Chief Operating Officer, 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. Bar specific risks associated with the impact of Brexit and Covid-19, the levels of risk at the Gallery largely remained stable during the year, as some project risks that were resolved were replaced by other new risks as activities continued to develop.

A key focus for the Committee in 2020-21 continued to be ensuring that risks associated with the UK's exit from the European Union were sufficiently managed. This included both the financial impact caused by increasing costs associated with exhibitions, as well as the potential risk of damage in transit to works of art loaned both in an out should there be significant delays whilst moving through customs checks. In addition, the Committee also continued to monitor risks associated with the Gallery's major capital project; the One Gallery accommodation hub, paying particular attention to the impact of Covid-19 on cost and delays to the project timetable as well as the risk of accidental damage to the collection caused by building works.

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.

Internal Audit performed reviews across a number of areas of the Gallery's activities during 2020-21. 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 the operations of the Finance functions' response to remote working as a result of Covid-19, physical and information security, and loss of, or damage to inward and outward loan items including items in transit. All 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.

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. Based on work undertaken Internal Audit issued an opinion of Substantial assurance, meaning that the Gallery's framework of governance, risk management and control is adequate and effective

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.

## Covid-19

The Covid-19 pandemic severely impacted the Gallery in both financial and operational terms. Budgets and plans for 2020-21 were completely revised in the face of the unprecedented circumstances, involving making painful decisions to either cancel or postpone a number of exhibitions in order to deliver an affordable activity plan that also met our statutory obligations as a national museum. Key to this has been ensuring that the Gallery could open as a safe space for our visitors, and our teams have developed a robust, sector leading response that enabled us to be the first major central London museum to open following the end of the first lockdown.

The pandemic has also meant a change in working practices for all of the Gallery's teams. During the year, the Audit Committee commissioned two internal audit reviews that focused on the change of controls and processes adopted by the Finance and Collections teams. Both reviews provided Substantial levels of assurance that appropriate mitigations had been put in place to address the changes in circumstances.

Financially, the Gallery has sought to mitigate risks by significantly amending the Exhibitions programme, as well as activities more widely in order to reduce costs to a level at which we could still continue as a going concern whilst delivering on our statutory obligations. We were able to achieve this in conjunction with support from the Cultural Recovery Fund as well as through the use of our reserves where possible in order to cover the loss in self-generated income. Looking forward, the Gallery continues to plan prudently within its means in the face of what is still forecast to be a challenging economic climate. Whilst our planning assumptions do not have visitors returning to pre-pandemic levels for a number of years, a combination of continued government support, use of existing reserves, and new income generating opportunities through the acquisition of the National Gallery Company in 2021-22, means that we are confident that the Gallery can deliver its five year plan without significant additional exposure should we see a return to further lockdowns.

## 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 investigated six potential data breaches or losses during 2020-21 but was not required to report any of these incidents to the Information Commissioner's Office.

**Signed:**  
**Dr Gabriele Finaldi**  
**Director and Accounting Officer**

**Dated: 8 July 2021**

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

**Dated: 8 July 2021**

# 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 2021 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 2021 and of its net income 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

In auditing the financial statements, I have concluded that the National Gallery's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, 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 when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Trustees and Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

## Other information

The other information comprises information included in the Trustees' report, but does not include the financial statements and my auditor's certificate thereon, the financial statements and my auditor's certificate thereon. The Trustees and Accounting Officer are responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 to be audited have been properly prepared in accordance with Secretary of State directions made under the Museums and Galleries Act 1992;
- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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 material misstatements in the Trustees' report,

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 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.

## Responsibilities of the Board of Trustees and Accounting Officer

As explained more fully in the Statement of Trustees' and Director's Responsibilities, the Trustees and the Director, as Accounting Officer, are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as Trustees and the Accounting Officer determine necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- assessing the National Gallery's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees and the Accounting Officer either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

## 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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.



My procedures included the following:

- Inquiring of management, the National Gallery's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the National Gallery's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the National Gallery's controls relating to the Museums and Galleries Act 1992, Managing Public Money, and the Charities Act 2011.
- discussing among the engagement team and involving relevant internal and external specialists, including experts in the valuation of land and buildings, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals;
- obtaining an understanding of the National Gallery's framework of authority as well as other legal and regulatory frameworks that the National Gallery operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the National Gallery. The key laws and regulations I considered in this context included the Museums and Galleries Act 1992, Managing Public Money, Employment Law, Tax Legislation, Pensions Legislation and the Charities Act 2011; and
- obtaining an understanding of the National Gallery's income streams and areas of potential

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- in addressing the risk of fraud in revenue recognition, assessing the recognition of income in line with the accounting framework and undertaking procedures to test the completeness of grants and donations.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

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.

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.

## Report

I have no observations to make on these financial statements.

**Gareth Davies**  
**Comptroller and Auditor General**

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

**Dated: 13 July 2021**

# Statement of Financial Activities

for the year ended 31 March 2021

	OPERATING INCOME AND EXPENDITURE			Funded capital projects and revaluations (a)			Acquisitions for the collection (b)			TOTAL 2021			2020		
	Unrestricted funds	Restricted funds	Total core operations	Unrestricted funds	Restricted funds	Total capital projects and revaluations	Unrestricted funds	Restricted funds	Total collection acquisition funds	Unrestricted funds	Restricted funds	Permanent endowment	Total	£'000	£'000
<b>Note</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>															
<b>Income from donations and legacies</b>															
Grant-in-Aid	21,497	-	21,497	-	7,760	7,760	-	-	-	-	-	-	21,497	7,760	-
Other government grants	-	498	498	-	-	-	-	-	-	-	-	-	-	498	-
Donations	1,350	2,307	3,657	30	304	334	-	9,705	9,705	1,380	12,316	-	1,380	12,316	13,696
Legacies	211	-	211	-	-	-	-	-	-	211	-	-	211	-	49
<b>Income from other trading activities</b>	4,761	25	4,786	-	-	-	-	-	-	4,761	25	-	4,786	7,902	7,902
<b>Investment income</b>	14	-	14	-	-	-	-	-	-	14	-	-	14	-	80
<b>Income from charitable activities</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exhibitions	743	-	743	4,200	-	4,200	-	-	-	4,943	-	-	4,943	3,069	3,069
Educational activities	538	-	538	-	-	-	-	-	-	538	-	-	538	279	279
<b>Total income</b>	<b>29,114</b>	<b>2,830</b>	<b>31,944</b>	<b>4,230</b>	<b>8,064</b>	<b>12,294</b>	-	<b>9,705</b>	<b>9,705</b>	<b>33,344</b>	<b>20,599</b>	-	<b>53,943</b>	<b>82,380</b>	<b>82,380</b>
<b>Expenditure on:</b>															
Raising funds	(2,398)	3	(2,395)	-	-	-	-	-	-	(2,398)	3	-	(2,395)	(2,811)	(2,811)
<b>Charitable activities</b>															
Exhibitions	(2,470)	(439)	(2,909)	-	(399)	(399)	-	-	-	(2,470)	(838)	-	(3,308)	(5,923)	(5,923)
Broaden our appeal and provide an exceptional visitor experience	(11,840)	(74)	(11,914)	-	(1,914)	(1,914)	-	-	-	(11,840)	(1,988)	-	(13,828)	(15,708)	(15,708)
Preserve, enhance and develop the potential of our collections	(4,770)	(315)	(5,085)	-	(771)	(771)	-	(10)	(10)	(4,770)	(1,096)	-	(5,866)	(5,976)	(5,976)
Inspire learning and engagement	(2,610)	(1,059)	(3,669)	-	(422)	(422)	-	-	-	(2,610)	(1,481)	-	(4,091)	(4,214)	(4,214)
Invest in our staff, increase income and care for our physical facilities	(5,844)	-	(5,844)	-	(945)	(945)	-	-	-	(5,844)	(945)	-	(6,789)	(8,050)	(8,050)
	(27,534)	(1,887)	(29,421)	-	(4,451)	(4,451)	-	(10)	(10)	(27,534)	(6,348)	-	(33,882)	(39,871)	(39,871)
<b>Total expenditure</b>	<b>(29,932)</b>	<b>(1,884)</b>	<b>(31,816)</b>	-	<b>(4,451)</b>	<b>(4,451)</b>	-	<b>(10)</b>	<b>(10)</b>	<b>(29,932)</b>	<b>(6,345)</b>	-	<b>(36,277)</b>	<b>(42,682)</b>	<b>(42,682)</b>

# Statement of Financial Activities

for the year ended 31 March 2021 (continued)

Note	OPERATING INCOME AND EXPENDITURE			Funded capital projects and revaluations (a)			Acquisitions for the collection (b)			TOTAL 2021			2020	
	Unrestricted funds	Restricted funds	Total core operations	Unrestricted funds	Restricted funds	Total capital projects and revaluations	Unrestricted funds	Restricted funds	Total collection acquisition funds	Unrestricted funds	Restricted funds	Permanent endowment	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
14	-	843	843	-	-	-	88	362	450	88	1,205	1,744	3,037	(988)
	<b>(818)</b>	<b>1,789</b>	<b>971</b>	<b>4,230</b>	<b>3,613</b>	<b>7,843</b>	<b>88</b>	<b>10,057</b>	<b>10,145</b>	<b>3,500</b>	<b>15,459</b>	<b>1,744</b>	<b>20,703</b>	<b>38,710</b>
20	(749)	52	(697)	(3,485)	4,357	872	-	(174)	(174)	(4,234)	4,234	-	0	-
	<b>(1,567)</b>	<b>1,841</b>	<b>274</b>	<b>745</b>	<b>7,970</b>	<b>8,715</b>	<b>88</b>	<b>9,883</b>	<b>9,971</b>	<b>(734)</b>	<b>19,693</b>	<b>1,744</b>	<b>20,703</b>	<b>38,710</b>
12	-	-	-	-	(3,219)	(3,219)	-	-	-	-	(3,219)	-	(3,219)	(2,907)
	<b>(1,567)</b>	<b>1,841</b>	<b>274</b>	<b>745</b>	<b>4,751</b>	<b>5,496</b>	<b>88</b>	<b>9,883</b>	<b>9,971</b>	<b>(734)</b>	<b>16,475</b>	<b>1,744</b>	<b>17,485</b>	<b>35,803</b>
	<b>3,568</b>	<b>9,443</b>	<b>13,011</b>	-	<b>318,107</b>	<b>318,107</b>	<b>424</b>	<b>358,682</b>	<b>359,106</b>	<b>3,992</b>	<b>686,232</b>	<b>8,471</b>	<b>698,695</b>	<b>662,892</b>
20	<b>2,001</b>	<b>11,284</b>	<b>13,285</b>	<b>745</b>	<b>322,858</b>	<b>323,603</b>	<b>512</b>	<b>368,565</b>	<b>369,077</b>	<b>3,258</b>	<b>702,707</b>	<b>10,215</b>	<b>716,180</b>	<b>698,695</b>

(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 43 to 65 form part of these accounts.

## Balance Sheet as at 31 March 2021

	Note	2021		2020	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Tangible Assets	12	316,315		310,498	
Heritage Assets	13	366,805		357,245	
Investments	14a	18,821		15,783	
			<b>701,941</b>		683,526
<b>Current Assets</b>					
Stock		21		25	
Debtors	15	13,986		10,693	
Investments	14b	3,090		3,085	
Cash at bank and in hand	22b	8,040		12,880	
		<b>25,137</b>		<b>26,683</b>	
<b>Creditors</b>					
Amounts falling due within one year	16a	(9,485)		(10,007)	
<b>Provisions</b>					
Amounts falling due within one year	16c	–		–	
<b>Net current assets</b>			<b>15,652</b>		16,676
<b>Total assets less current liabilities</b>			<b>717,593</b>		700,202
<b>Creditors:</b>					
Amounts falling due in more than one year	16b		(1,413)		(1,507)
<b>Net assets</b>			<b>716,180</b>		698,695
<b>Represented by:</b>					
<b>Restricted funds</b>					
Restricted funds (excluding revaluation reserves)		590,194		570,500	
Revaluation reserves		112,513		115,732	
	20		<b>702,707</b>		686,232
<b>Unrestricted funds</b>					
Designated		512		1,991	
Capital asset reserve		745		–	
General funds		2,001		2,001	
	20		<b>3,258</b>		3,992
<b>Total income funds</b>			<b>705,965</b>		690,224
<b>Endowment funds</b>	20		<b>10,215</b>		8,471
<b>Total funds</b>			<b>716,180</b>		698,695

The notes on pages 43 to 65 form part of these accounts.

**Signed:**  
**Dr Gabriele Finaldi**  
**Director and Accounting Officer**

**Dated: 8 July 2021**

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

**Dated: 8 July 2021**

# Statement of Cash Flows

for the year ended 31 March 2021

		<b>2021</b>	2020
		<b>£'000</b>	£'000
<b>Cash flows from operating activities:</b>			
Net cash provided by (used in) operating activities	<b>22a</b>	<u>17,250</u>	<u>33,246</u>
<b>Cash flows from investing activities:</b>			
Dividends, interest and rents from investments		<b>14</b>	80
Purchase of property, plant and equipment		<b>(12,706)</b>	(10,591)
Purchase of heritage assets	<b>13</b>	<b>(9,392)</b>	(20,297)
Purchase of investments		<b>(6)</b>	(24)
Net cash provided by (used in) investing activities		<u><b>(22,090)</b></u>	<u>(30,832)</u>
<b>Change in cash and cash equivalents in the reporting period</b>		<b>(4,840)</b>	2,414
Cash and cash equivalents at the beginning of the reporting period		<u><b>12,880</b></u>	<u>10,466</u>
<b>Cash and cash equivalents at the end of the reporting period</b>		<u><b>8,040</b></u>	<u>12,880</u>

*he notes on pages 43 to 65 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.

In light of the Covid-19 pandemic, the Gallery has taken action to plan responsibly for the challenging times ahead. Trustees have evaluated in detail the Gallery's revised budget and forecasts prepared to support this plan and are satisfied that combined with the announcement of government support for the cultural sector, the steps taken safeguard the Gallery's ability to continue operating as a going concern. The accounts have therefore been prepared on that basis.

### 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 (2020: £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 (FRm) – 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.

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 Euro 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.

*r. Key Judgements*

- Going Concern

The Gallery expects visitor numbers to remain significantly depressed during 2021-22. This will have a significant impact on critical income sources such as ticketed exhibition admissions, concessions and voluntary donation boxes. The fundraising climate will also continue to be particularly challenging as we see some donors refocusing their philanthropic efforts towards health causes and away from the arts and cultural sector. Corporate support in the form of memberships and events will also come under pressure due to the economic downturn.

In a similar manner to our initial response in 2020-21, the Gallery has taken very painful measures to reduce and replan activities and projects, including our exhibition programme, to ensure that it has the funds to cover fixed and staff costs and critical activities. These efforts to sustainably reduce our costs will be further aided by government support targeted at the cultural sector, and will ensure that the Gallery achieves a break even position for 2021-22. In addition, the Gallery retains existing reserves which can be used strategically to partly mitigate the financial impact in both 2021-22 and the uncertainty around future funding allocations following the upcoming spending review. Given the above, Trustees are satisfied that the Gallery can continue to operate as a going concern.

- Fixed asset classification

Prior to 2020-21, the Gallery had treated all of its capitalised fixed assets as restricted. However, as per SORP 2.12, an asset should only be treated as restricted if there is a requirement for the charity to hold it on an ongoing basis for a specific purpose. Having evaluated the use of our assets, the Gallery feels that a restriction exists around the land and buildings, and plant and machinery asset categories (being the infrastructure required for the Gallery to perform its statutory function as a public museum), but that no such restriction exists around how we utilise our equipment.

As such, the Gallery has transferred the value of equipment previously held as restricted assets into a new unrestricted asset fund.

**2. Prior year SOFA**

	OPERATING INCOME AND EXPENDITURE			Funded capital projects and revaluations			Acquisitions for the collection			TOTAL 2020			2019		
	Unrestricted funds	Restricted funds	Total core operations	Unrestricted funds	Restricted funds	Total capital projects and revaluations	Unrestricted funds	Restricted funds	Total collection acquisition funds	Unrestricted funds	Restricted funds	Permanent endowment	Total	Unrestricted funds	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>															
<b>Income from donations and legacies</b>															
Grant-in-Aid	21,015	-	21,015	-	3,660	3,660	-	-	-	21,015	3,660	-	24,675	24,092	
Other government grants	-	95	95	-	-	-	-	-	-	-	95	-	95	174	
Donations	1,402	3,030	4,432	-	10,621	10,621	-	31,178	31,178	1,402	44,829	-	46,231	20,741	
Legacies	42	7	49	-	-	-	-	-	-	42	7	-	49	14	
<b>Income from other trading activities</b>															
Investment income	7,748	154	7,902	-	-	-	-	-	-	7,748	154	-	7,902	7,586	
Income from charitable activities	74	4	78	-	-	-	-	2	2	74	6	-	80	57	
Exhibitions	3,069	-	3,069	-	-	-	-	-	-	3,069	-	-	3,069	4,146	
Educational activities	272	7	279	-	-	-	-	-	-	272	7	-	279	208	
<b>Total income</b>	<b>33,622</b>	<b>3,297</b>	<b>36,919</b>	<b>-</b>	<b>14,281</b>	<b>14,281</b>	<b>-</b>	<b>31,180</b>	<b>31,180</b>	<b>33,622</b>	<b>48,758</b>	<b>-</b>	<b>82,380</b>	<b>57,018</b>	
<b>Expenditure on:</b>															
Raising funds	(2,810)	(1)	(2,811)	-	-	-	-	-	-	(2,810)	(1)	-	(2,811)	(2,548)	
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	14	
	(2,810)	(1)	(2,811)	-	-	-	-	-	-	(2,810)	(1)	-	(2,811)	(2,534)	
<b>Charitable activities</b>															
Exhibitions	(3,882)	(1,461)	(5,343)	-	(580)	(580)	-	-	-	(3,882)	(2,041)	-	(5,923)	(5,849)	
Broaden our appeal and provide an exceptional visitor experience	(13,435)	(267)	(13,702)	-	(2,006)	(2,006)	-	-	-	(13,435)	(2,273)	-	(15,708)	(14,088)	
Preserve, enhance and develop the potential of our collections	(4,946)	(215)	(5,161)	-	(738)	(738)	-	(77)	(77)	(4,946)	(1,030)	-	(5,976)	(5,687)	
Inspire learning and engagement	(2,122)	(1,775)	(3,897)	-	(317)	(317)	-	-	-	(2,122)	(2,092)	-	(4,214)	(3,995)	
Invest in our staff, increase income and care for our physical facilities	(6,738)	(37)	(6,775)	-	(1,275)	(1,275)	-	-	-	(6,738)	(1,312)	-	(8,050)	(9,469)	
	(31,123)	(3,755)	(34,878)	-	(4,916)	(4,916)	-	(77)	(77)	(31,123)	(8,748)	-	(39,871)	(39,088)	
<b>Total expenditure</b>	<b>(33,933)</b>	<b>(3,756)</b>	<b>(37,689)</b>	<b>-</b>	<b>(4,916)</b>	<b>(4,916)</b>	<b>-</b>	<b>(77)</b>	<b>(77)</b>	<b>(33,933)</b>	<b>(8,749)</b>	<b>-</b>	<b>(42,682)</b>	<b>(41,622)</b>	
<b>Note</b>															
<b>3</b>															
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Note	OPERATING INCOME AND EXPENDITURE			Funded capital projects and revaluations			Acquisitions for the collection			TOTAL 2020			2019	
	Unrestricted funds	Restricted funds	Total core operations	Unrestricted funds	Restricted funds	Total capital projects and revaluations	Unrestricted funds	Restricted funds	Total collection acquisition funds	Unrestricted funds	Restricted funds	Permanent endowment		Total
14	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Realised and unrealised investment gains/(losses)	(0)	(274)	(274)	-	-	-	(28)	(118)	(146)	(28)	(392)	(568)	(988)	741
<b>Net income/(expenditure) before transfers and other recognised gains and losses</b>	<b>(311)</b>	<b>(733)</b>	<b>(1,044)</b>	-	<b>9,365</b>	<b>9,365</b>	<b>(28)</b>	<b>30,985</b>	<b>30,957</b>	<b>(339)</b>	<b>39,617</b>	<b>(568)</b>	<b>38,710</b>	<b>16,137</b>
Transfers														
20	1,860	(244)	1,616	-	47	47	(1,567)	(96)	(1,663)	293	(293)	-	-	-
<b>Net income/(expenditure) resources before other recognised gains and losses</b>	<b>1,549</b>	<b>(977)</b>	<b>572</b>	-	<b>9,412</b>	<b>9,412</b>	<b>(1,595)</b>	<b>30,889</b>	<b>29,294</b>	<b>(46)</b>	<b>39,324</b>	<b>(568)</b>	<b>38,710</b>	<b>16,137</b>
(Loss)/gain on revaluation of fixed assets for charity's own use	-	-	-	-	(2,907)	(2,907)	-	-	-	-	(2,907)	-	(2,907)	7,745
<b>Net movement in funds</b>	<b>1,549</b>	<b>(977)</b>	<b>572</b>	-	<b>6,505</b>	<b>6,505</b>	<b>(1,595)</b>	<b>30,889</b>	<b>29,294</b>	<b>(46)</b>	<b>36,417</b>	<b>(568)</b>	<b>35,803</b>	<b>23,882</b>
<b>Opening funds</b>	<b>2,019</b>	<b>10,420</b>	<b>12,439</b>	-	<b>311,602</b>	<b>311,602</b>	<b>2,019</b>	<b>327,793</b>	<b>329,812</b>	<b>4,038</b>	<b>649,815</b>	<b>9,039</b>	<b>662,892</b>	<b>639,010</b>
<b>Closing funds</b>	<b>3,568</b>	<b>9,443</b>	<b>13,011</b>	-	<b>318,107</b>	<b>318,107</b>	<b>424</b>	<b>358,682</b>	<b>359,106</b>	<b>3,992</b>	<b>686,232</b>	<b>8,471</b>	<b>698,695</b>	<b>662,892</b>

**3. Grant-in-Aid**

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Department for Digital, Culture, Media and Sport	<b>29,257</b>	24,675

This money is available for running costs, capital improvements and collection purchases. Of the total figure, £3.7 million (2020: £3.7 million) was restricted for capital purposes

**4. Other Government Grant**

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Arts & Humanities Research Council	<b>368</b>	44
Engineering & Physical Sciences	<b>92</b>	23
EU Cross Cultivation	–	21
Belgian Science Policy Office	–	7
National Archives	<b>5</b>	
EU Iperion	<b>24</b>	–
Open Cloud for Social Sciences & Humanities	<b>9</b>	–
	<b>498</b>	95

**5. Donations and Legacies**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Donations and legacies relating to Gallery activities excluding acquisitions and other capital expenditure can be split as follows:		
Individuals	<b>834</b>	1,255
Trusts and foundations	<b>2,301</b>	2,985
Gifts in kind	<b>522</b>	192
Legacies	<b>211</b>	49
	<b>3,868</b>	<b>4,481</b>

Restricted donations and legacies included above total £2,307k (2020: £3,037k).

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Donations and legacies relating to collection acquisitions can be split as follows:		
Individuals	<b>78</b>	400
Trusts and foundations	<b>9,459</b>	18,920
Gifts in kind	<b>34</b>	27
Acceptance-in-lieu	<b>134</b>	11,831
	<b>9,705</b>	31,178

	<b>2021</b>	2020
	<b>£'000</b>	£'000

Donations relating to other capital expenditure can be split as follows:

Trusts and foundations	<b>334</b>	10,540
Individuals	–	81
	<b>334</b>	10,621

Total donations and legacies	<b>13,907</b>	46,280
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**6. Income from other trading activities**

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Activities for generating funds		
Trading	<b>4,604</b>	6,510
Concessions	–	1,032
Miscellaneous	<b>182</b>	360
	<b>4,786</b>	7,902

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

**7. Investment income**

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Income from UK bank deposits	<b>13</b>	74
Income from overseas funds	<b>1</b>	6
	<b>14</b>	80

**8. Trustees' remuneration**

The Chairman and Board of Trustees neither received nor waived any remuneration for their services during the year (2020: £nil). The total value of expenses reimbursed to Trustees amounted to £nil for the year (2020: £nil).

**9. Total expenditure**

	Direct costs	Support costs	Depre- ciation	<b>Total</b>	Total
	£'000	£'000	£'000	<b>2021</b>	2020
	£'000	£'000	£'000	<b>£'000</b>	£'000
Raising funds	2,070	325	–	2,395	2,811
	2,070	325	–	2,395	2,811
Exhibitions	2,679	230	399	3,308	5,923
Broaden our appeal and provide an exceptional visitor experience	10,750	1,164	1,914	13,828	15,708
Preserve, enhance and develop the potential of our collections	4,255	840	771	5,866	5,976
Inspire learning and engagement	3,067	602	422	4,091	4,214
Invest in our staff, increase income and care for our physical facilities	5,487	357	945	6,789	8,050
	26,238	3,193	4,451	33,882	39,871
	28,308	3,518	4,451	36,277	42,682

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	34	82	406	26	12	236	<b>796</b>	Direct expenditure of activity
Human Resources	118	52	269	340	248	21	<b>1,048</b>	Headcount
Information Services	159	70	360	457	333	28	<b>1,407</b>	Headcount
Office Services	3	1	7	9	6	1	<b>27</b>	Headcount
Governance	11	25	122	8	3	71	<b>240</b>	Direct expenditure of activity
	<u>325</u>	<u>230</u>	<u>1,164</u>	<u>840</u>	<u>602</u>	<u>357</u>	<b><u>3,518</u></b>	

Analysis of governance costs:

	2021	2020
	£'000	£'000
Staff costs	<b>106</b>	111
Auditor's remuneration	<b>46</b>	43
Internal audit fees	<b>30</b>	34
Operational consultants	<b>1</b>	4
Legal fees	<b>58</b>	65
	<b><u>241</u></b>	<u>257</u>

Total expenditure includes the following:

	2021	2020
	£	£
Auditor's remuneration:		
Statutory audit	<b>46</b>	43
Leased rental payments on equipment and office space	<b>628</b>	629
	<b><u>674</u></b>	<u>672</u>

The National Gallery's auditors neither undertook nor received any remuneration for non-audit work during the year. No grant was made this year to the National Gallery Trust (2020: nil).

**10. Staff costs**

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Wages and salaries	<b>10,623</b>	10,329
Social security costs	<b>1,129</b>	1,089
Pension costs	<b>2,683</b>	2,608
Apprenticeship levy	<b>67</b>	37
Agency staff	<b>175</b>	531
	<b><u>14,677</u></b>	<u>14,594</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:

	<b>2021</b>	<b>2021</b>	<b>2021</b>	2020
	<b>Permanent</b>	<b>Other</b>	<b>Total</b>	Total
	<b>contracts</b>	<b>contracts</b>	<b>No.</b>	No.
	<b>No.</b>	<b>No.</b>		
Fundraising	23	5	<b>28</b>	33
Exhibitions	10	4	<b>14</b>	13
Broaden our appeal and provide an exceptional visitor experience	52	6	<b>58</b>	51
Preserve, enhance and develop the potential of our collections	66	15	<b>81</b>	76
Inspire learning and engagement	48	11	<b>59</b>	81
Invest in our staff, increase income and care for our physical facilities	4	–	<b>4</b>	4
Support	36	4	<b>40</b>	39
Governance	<u>2</u>	<u>–</u>	<u><b>2</b></u>	<u>2</u>
	<u>241</u>	<u>45</u>	<u><b>286</b></u>	<u>299</u>

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/](http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/)).

For 2021, employer's contributions of £2,596,738 were payable to the PCSPS (2020: £2,516,280) at one of four rates in the range 26.6% to 30.3% 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 2020-21 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 £85,444 (2020: £80,041) were paid to the appointed stakeholder pension provider. Employer contributions are age-related and range from 8% to 14.75% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £2,602 (2020: £2,614), 0.5% (2020: 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 provider at the balance sheet date were £6,844 (2020: £5,725).

No individuals retired early on ill-health grounds during the year ended 31 March 2021 (2020: none).

## 12. Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Assets in the course of construction £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>					
As at April 2020	244,719	77,212	11,127	5,511	<b>338,569</b>
Additions	1,757	1,595	9,518	617	<b>13,487</b>
Disposals	–	–	–	(6)	<b>(6)</b>
Revaluation	(1,446)	(1,773)	–	–	<b>(3,219)</b>
Transfers	–	–	–	–	–
As at 31 March 2021	245,030	77,034	20,645	6,122	<b>348,831</b>
<b>Depreciation</b>					
As at 1 April 2020	7,783	15,276	–	5,012	<b>28,071</b>
Disposals	–	–	–	(6)	<b>(6)</b>
Charge for year	1,480	2,600	–	371	<b>4,451</b>
Revaluation	–	–	–	–	–
As at 31 March 2021	9,263	17,876	–	5,377	<b>32,516</b>
<b>Net book value</b>					
<b>31 March 2021</b>	<b>235,767</b>	<b>59,158</b>	<b>20,645</b>	<b>745</b>	<b>316,315</b>
31 March 2020	236,936	61,936	11,127	499	<b>310,498</b>

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 2021 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 £315,500,000 (three hundred and fifteen million, five hundred thousand 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	151,935	30,478

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 2021 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:

	<b>Cost</b> <b>£'000</b>	<b>Valuation</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
As at 1 April 2020	66,407	290,838	<b>357,245</b>
Additions	<u>9,392</u>	<u>168</u>	<b>9,560</b>
As at 31 March 2021	<u>75,799</u>	<u>291,006</u>	<b>366,805</b>

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 and commitments to acquire during the year ending 31 March 2021 comprise:

- The Gallery entered in to a commitment to acquire Sir Thomas Lawrence's *The Red Boy* and are therefore required to account for the painting as a 2020-21 addition although legal title does not pass to us until we complete the purchase in 2021-22. Thomas Lawrence was one of the finest European portrait artists of the late eighteenth and early nineteenth centuries. Lawrence's brilliance in handling paint – admirably shown in the glorious red velvets worn by The Red Boy – positions his work alongside his greatest predecessors, notably Van Dyck, Rubens and Velázquez. Funding towards the purchase of the painting is in progress.
- Isaack Luttichuys, *Portrait of a Girl*. Accepted in lieu of Inheritance Tax by HM Government from the estate of George Pinto and allocated to the National Gallery, 2020
- Lovis Corinth, *Portrait of Dr Ferdinand Mainzer*. Accepted in lieu of Inheritance Tax by HM Government from the collection of Gisela Stone (1924-2016) and Evan Stone QC (1928-2018).
- 19 frames for various pictures purchased by the Galley
- 10 prints donated to the Gallery added to the History Collection.

**Five year financial summary of acquisitions**

	<b>2021</b>	2020	2019	2018	2017
	<b>£'000</b>	£'000	£'000	£'000	£'000
Donated assets and acquisitions funded by donations	9,560	32,303	9,650	18,738	523
Other acquisitions	–	22	79	20	–
Total cost/value of acquisitions	<u>9,560</u>	<u>32,325</u>	<u>9,729</u>	<u>18,758</u>	<u>523</u>

Significant additions over the last five years include:

- Orazio Gentileschi's *The Finding of Moses*, bought with the support of the American Friends of the National Gallery, the National Gallery Trust, the National Heritage Memorial Fund, Art Fund (through the legacy of Sir Denis Mahon), The Maurice Wohl Charitable Foundation, The Deborah Loeb Brice Foundation, The Capricorn Foundation, The Manny and Brigitta Davidson Charitable Foundation, Alejandro and Charlotte Santo Domingo, Beatrice Santo Domingo, The Wei Family and other donors, and through public appeal and bequests.
- 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. 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.
- Jean-Etienne Liotard's *The Lavergne Family Breakfast*, accepted in lieu of Inheritance Tax by HM Government from the estate of George Pinto and allocated to the National Gallery. Liotard was arguably the leading artist in pastel of the eighteenth century and a master of psychologically penetrating portraits and intimate scenes of family conviviality. This depiction of his niece and her niece at an elegant breakfast, painted in Lyon in 1754, is both among his largest pastels and regarded by connoisseurs as a highlight of his career.
- Camille Pissarro – *Late Afternoon in our Meadow*, accepted in lieu of Inheritance Tax by HM Government from the collection of William Waldorf Astor, 3rd Viscount Astor and allocated to the National Gallery. While the leading Impressionist Pissarro is well-represented in the collection, this large landscape is the only painting of his dating from the 1880s, a key period of experimentation in the Paris art world.
- Lucas Cranach *the Elder's Venus and Cupid*, a gift from the Drue Heinz Charitable Trust. 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.'
- 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. 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. This is one of only a dozen or so still life paintings by Juan de Zurbarán, son of the celebrated painter Francisco de Zurbarán

## Heritage assets not capitalised on the Balance Sheet

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

	<b>Total number of items</b>	<b>Number capitalised</b>	<b>% capitalised</b>	<b>Number not capitalised</b>	<b>% not capitalised</b>
Pictures	<u>2,392</u>	<u>103</u>	<u>4%</u>	<u>2,289</u>	<u>96%</u>

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

## Heritage asset management

### *Acquisitions*

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

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

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

All acquisitions, whether by purchase or donation, require the approval of the Board of Trustees. Prior to approval, potential acquisitions are subject to detailed checks concerning the ownership, provenance, condition and value of the picture, taking into account guidelines published by the Department 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 2,392 paintings and approximately 2,538 frames. As at 31 March 2021 915 (38%) paintings were on public display at the Gallery, 123 (5%) 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**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Market value as at 1 April	<b>15,783</b>	16,765
Investment portfolio additions	<b>1</b>	6
Realised and unrealised gains	<b>3,037</b>	(988)
Market value as at 31 March	<b>18,821</b>	15,783

Fixed asset investments comprise the following:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Authorised funds	<b>17,748</b>	14,711
Cash held as part of the investment portfolio	<b>1,073</b>	1,072
	<b>18,821</b>	15,783

Fair value reserve:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Investment in funds at historic cost	<b>14,879</b>	14,880
Fair value reserve	<b>2,869</b>	(169)
Cash held as part of the investment portfolio	<b>1,073</b>	1,072
Market value of investments	<b>18,821</b>	15,783

**b. Current asset investments**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Current asset investments	<b>3,090</b>	3,085
Movement in the year		
Total as at 1 April	<b>3,085</b>	3,067
Net transfers in year	<b>5</b>	18
Total as at 31 March	<b>3,090</b>	3,085

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

**15. Debtors**

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Amounts falling due within one year		
Trade debtors	<b>1,416</b>	1,574
Other debtors	<b>449</b>	13
Tax and social security	<b>1,243</b>	1,727
Prepayments and accrued income	<b>10,521</b>	7,279
	<b>13,629</b>	10,593
Amounts falling due in more than one year		
Prepayments and accrued income	<b>357</b>	100
	<b>13,986</b>	10,693

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

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Trade creditors	<b>962</b>	3,095
Other creditors	<b>896</b>	652
Accruals and deferred income	<b>7,627</b>	6,260
	<b>9,485</b>	10,007

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

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Amounts falling due in more than one year		
Accruals and deferred income	<b>1,413</b>	1,507
	<b>1,413</b>	1,507
In more than one year but not more than two years	<b>283</b>	188
In more than two years but not more than five years	<b>1,130</b>	1,319
	<b>1,413</b>	1,507

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

	<b>2021</b>	2020
	<b>£'000</b>	£'000
As at 1 April	<b>6,583</b>	5,338
Amounts released from previous years	<b>(3,617)</b>	(543)
Income deferred in the current year	<b>475</b>	1,788
As at 31 March	<b>3,441</b>	6,583

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**

	<b>2021</b>	2020
	<b>£'000</b>	£'000
As at 1 April	–	362
Charged in the year	–	–
Released in the year	–	(362)
	<u>–</u>	<u>–</u>

**17. Financial instruments**

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

	<b>Measured at cost</b>	<b>Measured at fair value</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 31 March 2021			
Cash	8,040	–	8,040
Current asset investments	3,090	–	3,090
Trade and other debtors	3,274	–	3,274
Fixed asset investments	–	18,821	18,821
Trade and other creditors	(7,242)	–	(7,242)
	<u><b>7,162</b></u>	<u><b>18,821</b></u>	<u><b>25,983</b></u>
At 31 March 2020			
Cash	12,880	–	12,880
Current asset investments	3,085	–	3,085
Trade and other debtors	2,520	–	2,520
Fixed asset investments	–	15,783	15,783
Trade and other creditors	(4,210)	–	(4,210)
	<u><b>14,275</b></u>	<u><b>15,783</b></u>	<u><b>30,058</b></u>

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

*Credit risk*

The Gallery's credit risk arises from its investments, bank deposits, and trade and other debtors. Other than cash within the investment portfolio, term deposits and cash holdings are spread across regulated UK banks. The Gallery has not suffered any loss in relation to cash held by its bankers. Trade debtors of £1.4 million (2020: £1.6 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. In light of recoverability risk created by the Covid-19 pandemic, a provision of £64k (2020: £75k) was made against doubtful debts. Write-offs in the year for bad debts amounted to £99k. (2020: £111k).

*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 54% (2020: 30%) of the Gallery's income before transfers and revaluations, with the increased percentage being attributable to the fall in self generated income caused by the pandemic. Current asset investments of £3.1m (2020: £3.1m) and a further £19m (2020: £16m) of readily realisable fixed asset investments help mitigate exposure to liquidity risk.

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

The Gallery has no borrowings. Interest receivable is 0.1% of incoming resources before transfers and revaluations. The interest rate is not considered to be a significant risk for the Gallery.

**b. Price risk**

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

**c. Foreign currency risk**

At the end of the year £17.5 million (2020: £14.4 million) was invested in Euro 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 capital commitments of £153k for scientific equipment (2020: £144k).

*Commitments under operating leases*

As at 31 March 2021 the National Gallery had commitments under operating leases for photocopiers payable as set out below:

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Operating leases which expire:		
Within 1 year	<b>22</b>	619
Between 2 and 5 years	–	22
Over 5 years	–	–
	<b>22</b>	<b>641</b>

**19. Contingent liabilities**

As at 31 March 2021 the Gallery recognised no contingent liabilities (2020: two).

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 2021 as it was in the prior year.



**20. Statement of funds**

	At 1 April 2020 £'000	Income £'000	Expendi- ture £'000	Revaluation £'000	Transfers £'000	At 31 March 2021 £'000
<b>Unrestricted funds</b>						
Designated funds:						
Funds designated to provide CV-19 resiliency	1,567	–	–	–	(1,567)	–
Trust funds designated for the purchase of heritage assets	424	–	–	88	–	512
<b>Total designated funds</b>	<b>1,991</b>	<b>–</b>	<b>–</b>	<b>88</b>	<b>(1,567)</b>	<b>512</b>
General funds	2,001	29,114	(29,932)	–	818	2,001
Capital assets reserve	–	4,230	–	–	(3,485)	745
<b>Total unrestricted funds</b>	<b>3,992</b>	<b>33,344</b>	<b>(29,932)</b>	<b>88</b>	<b>4,234</b>	<b>3,258</b>
<b>Restricted income funds</b>						
Capital assets reserve	202,376	8,065	(4,451)	–	4,357	210,347
Building revaluation reserve	85,279	–	–	(1,446)	–	83,833
Plant and machinery revaluation reserve	30,453	–	–	(1,773)	–	28,680
Donated works of art reserve	285,045	178	(10)	–	9,262	294,475
Heritage assets acquired	72,213	–	–	–	–	72,213
History Collection reserve	287	–	–	–	34	321
Exhibitions programme fund	170	1,285	(439)	–	52	1,068
Running cost fund	4,002	1,544	(1,445)	–	–	4,101
Curatorial fund	1,184	–	–	–	–	1,184
Collection purchases fund	(131)	9,527	–	–	(9,470)	(74)
Collection purchases trust fund	1,263	–	–	362	–	1,625
Art historical research	4,091	–	–	843	–	4,934
<b>Total restricted income funds</b>	<b>686,232</b>	<b>20,599</b>	<b>(6,345)</b>	<b>(2,014)</b>	<b>4,234</b>	<b>702,707</b>
<b>Endowment funds</b>						
Collection purchase endowments	4,644	–	–	956	–	5,600
Art historical research endowment	1,572	–	–	324	–	1,896
General purpose endowments	2,255	–	–	464	–	2,719
<b>Total endowment funds</b>	<b>8,471</b>	<b>–</b>	<b>–</b>	<b>1,744</b>	<b>–</b>	<b>10,215</b>
<b>Total funds</b>	<b>698,695</b>	<b>53,943</b>	<b>(36,277)</b>	<b>(182)</b>	<b>–</b>	<b>716,180</b>

	At 1 April 2019 £'000	Income £'000	Expendi- ture £'000	Revaluation £'000	Transfers £'000	At 31 March 2020 £'000
<b>Unrestricted funds</b>						
Designated funds:						
Designated funds for the purchase of heritage assets	1,567	–	–	–	(1,567)	–
Funds designated to provide CV-19 resiliency	–	–	–	–	1,567	1,567
Trust funds designated for the purchase of heritage assets	452	–	–	(28)	–	424
<b>Total designated funds</b>	<b>2,019</b>	<b>–</b>	<b>–</b>	<b>(28)</b>	<b>–</b>	<b>1,991</b>
General funds	2,019	33,622	(33,933)	–	293	2,001
<b>Total unrestricted funds</b>	<b>4,038</b>	<b>33,622</b>	<b>(33,933)</b>	<b>(28)</b>	<b>293</b>	<b>3,992</b>
<b>Restricted income funds</b>						
Capital assets reserve	192,964	14,281	(4,916)	–	47	202,376
Building revaluation reserve	84,589	–	–	690	–	85,279
Plant and machinery revaluation reserve	34,049	–	–	(3,596)	–	30,453
Donated works of art reserve	273,017	12,106	(77)	–	(1)	285,045
Heritage assets acquired	51,917	–	–	–	20,296	72,213
History Collection reserve	287	–	–	–	–	287
Exhibitions programme fund	548	1,038	(1,346)	–	(70)	170
Running cost fund	3,947	2,255	(2,027)	–	(173)	4,002
Curatorial fund	1,567	–	(383)	–	–	1,184
Collection purchases fund	(36)	19,072	–	–	(19,167)	(131)
Collection purchases trust fund	2,604	2	–	(118)	(1,225)	1,263
Art historical research	4,362	4	–	(275)	–	4,091
<b>Total restricted income funds</b>	<b>649,815</b>	<b>48,758</b>	<b>(8,749)</b>	<b>(3,299)</b>	<b>(293)</b>	<b>686,232</b>
<b>Endowment funds</b>						
Collection purchase endowments	4,955	–	–	(311)	–	4,644
Art historical research endowment	1,678	–	–	(106)	–	1,572
General purpose endowments	2,406	–	–	(151)	–	2,255
<b>Total endowment funds</b>	<b>9,039</b>	<b>–</b>	<b>–</b>	<b>(568)</b>	<b>–</b>	<b>8,471</b>
<b>Total funds</b>	<b>662,892</b>	<b>82,380</b>	<b>(42,682)</b>	<b>(3,895)</b>	<b>–</b>	<b>698,695</b>

*Unrestricted funds*

- Designated funds are held for the purpose outlined in the title of the fund.
- General funds may be applied to general use and are expendable at the discretion of the Trustees.
- The unrestricted capital asset reserve comprises funds in respect of the Gallery's equipment. Following an evaluation of the use of the Gallery's fixed assets, a transfer was made at the end of 2020-21 to move the value of our equipment to an unrestricted fund to reflect our view that there is no restriction over the use of this asset category.

*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

	<b>Unrestricted Funds £'000</b>	<b>Restricted Funds £'000</b>	<b>Permanent Endowment £'000</b>	<b>Total Funds 2021 £'000</b>	Total Funds 2020 £'000
Tangible assets	745	315,570	–	<b>316,315</b>	310,498
Heritage assets	–	366,805	–	<b>366,805</b>	357,245
Fixed asset investments	2,046	6,560	10,215	<b>18,821</b>	15,782
Other net assets/(liabilities)	467	13,772	–	<b>14,239</b>	15,170
Total net assets	<u>3,258</u>	<u>702,707</u>	<u>10,215</u>	<u><b>716,180</b></u>	<u>698,695</u>

## 22. Note to the cash flow statement

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

	<b>2021 £'000</b>	2020 £'000
Net income/(expenditure) for the reporting period (as per the SoFA)	<b>20,703</b>	38,710
Adjustments for:		
Donations to the collection	<b>(168)</b>	(12,028)
Depreciation charges	<b>4,451</b>	4,647
(Gains)/losses on investments	<b>(3,037)</b>	988
Dividends, interest and rents from investments	<b>(14)</b>	(80)
Other provisions	–	(362)
(Increase)/decrease in stocks	<b>3</b>	14
(Increase)/decrease in debtors	<b>(3,292)</b>	3,142
Increase/(decrease) in creditors	<b>(1,396)</b>	(1,785)
<b>Net cash provided by (used in) operating activities</b>	<u><b>17,250</b></u>	<u>33,246</u>

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

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Balance with Government Banking Services	<b>838</b>	1,135
Balances held with commercial banks	<b>7,182</b>	11,727
Cash in hand	<b>20</b>	18
Cash balance at end of year	<b>8,040</b>	12,880

**c. Analysis of changes in net debt**

	2020	Cashflow	<b>2021</b>
	£'000	£'000	£'000
Cash	12,880	(4,840)	<b>8,040</b>

**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 £2,000 (2020: £27,000) was received from Trustees. There were no donations from Executive Directors in respect of general donations (2020: £100).

Related party	Nature of relationship	Income	Expenditure	Outstanding	Nature of transaction
				balances	
		£	£	£	
American Friends of the National Gallery, London, Inc	Rosemary Leith, Director of the related party	10,084,728	–	(4,255,282)	Grant income and recharge for UK administrative work
Arts Council England	Entity sponsored by DCMS	2,551	–	9,808	Registrar service for Arts Council England Reviewing Committee, Dynamic R&D project and Grant income
British Library	Entity sponsored by DCMS	–	17	–	Handling charges for inter-library transfers
	Entity sponsored by DCMS	–	31,625	–	Internal audit fees – shared service
National Gallery Company Ltd	Douglas Gurr, Trustee was Chair of the related party (until November 2020)  Gabriele Finaldi and Paul Gray are Non-Executive Directors of the related party	15,685	500,588	(67,201)	Income for use of commercial space within the National Gallery, payment for publications and other transactional services and write off of £98k of rent due to pandemic

<b>Related party</b>	<b>Nature of relationship</b>	<b>Income</b>	<b>Expenditure</b>	<b>Outstanding balances</b>	<b>Nature of transaction</b>
		<b>£</b>	<b>£</b>	<b>£</b>	
National Gallery Trust	Douglas Gurr (until November 2020) and Lord Hall of Birkenhead, was and is a Trustee of the related party	1,116,365	–	1,153,109	Grant income and recharge of costs for administrative services provided
National Maritime Museum	Entity sponsored by DCMS	–	165	–	Charges related to the preparation of paintings / objects for display
National Museums Liverpool	Entity sponsored by DCMS	–	–	497	Framing charges
National Portrait Gallery	Entity sponsored by DCMS	227,194	160	47,714	Charge for use of space and associated utilities
Science Museum	Entity sponsored by DCMS	–	8,887	8,965	Subscription fee
Tate Gallery	Entity sponsored by DCMS	400	–	–	Packaging costs for loaned painting
The NGT Foundation	David Marks and Katrin Henkel are Chair and Director of the related party	28,700	802,217	50,725	Recharge of costs for administrative services provided, costs of renting office space.
Victoria & Albert Museum	Entity sponsored by DCMS	328	–	328	Packaging and glazing costs for loaned painting

#### 24. Post Balance Sheet events

In May 2021, the government announced a further financial support package targeted at the cultural sector to help mitigate the impact of the Covid 19 pandemic. As part of this settlement, the Gallery will be eligible for an additional grant of up to £4.5m to support activity in 2021-22.

On 1 April 2021, the National Gallery was gifted 800,100 ordinary shares in the National Gallery Company Limited by the National Gallery Trust, giving the Gallery 100% ownership of the company.

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





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