

# National Portrait Gallery Annual Report and Accounts 2013-14

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

ORDERED BY THE HOUSE OF COMMONS TO BE  
PRINTED 16 JULY 2014



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# TRUSTEES' AND ACCOUNTING OFFICER'S ANNUAL REPORT

## INTRODUCTION

The Trustees of the National Portrait Gallery have pleasure in submitting their Annual Report and Accounts for the year ended 31st March 2014. The Accounts have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the consent of the Treasury in accordance with sections 9(4) and 9(5) of the Museums and Galleries Act 1992 and are presented in accordance with the reporting requirements of the Statement of Recommended Practice (revised 2005), *Accounting and Reporting by Charities*.

The Annual Report sets out:

- the Gallery's structure, governance and management, including administrative details of the Gallery, its Trustees and advisers; and
- our aims and objectives, our strategy in achieving them, highlights of our performance during the past year (including performance against the indicators agreed with the Department for Culture, Media and Sport) and our plans for future periods.

## STRUCTURE, GOVERNANCE AND MANAGEMENT (INCLUDING ADMINISTRATIVE DETAILS)

### Constitution

The Museums and Galleries Act 1992 established the corporate status of the Board of Trustees of the National Portrait Gallery. This act superseded the Treasury Minute of 2 December 1856 by which the Gallery was originally established. The National Portrait Gallery is recognised as an exempt charity under the provisions of the Charities Act 2011.

### History and Background

The National Portrait Gallery was founded in 1856 to collect and display portraits of eminent British men and women. The first acquisition to be registered was the portrait of Shakespeare, known as the 'Chandos' portrait.

Today the Gallery's collection is among the largest and most prestigious collections of portraits in the world in all media. The Primary Collection of paintings, sculpture, miniatures, drawings, prints and photographs contains some 12,362 portraits of the most famous people in British history. Of these more than 4,076 are paintings, sculptures and miniatures, approaching 60% of which are regularly displayed at the National Portrait Gallery or elsewhere. In addition, there are some 8,270 works on paper, shown on a rotating basis of about 300 items a year.

Alongside the permanent collections displays which are hung chronologically, the Gallery presents a wide range of temporary exhibitions and small displays on a varied range of subjects, media and time periods. The Gallery's Learning department runs extensive education and outreach programmes for schools, colleges, families and visitors in general, promoting access to and understanding of the collections to a broad range of audiences.

From its earliest days the Gallery has also collected extensive reference material relating to portraiture which has developed into a unique national resource. In the 1960s the Photographs Collection was revitalised and in 1969 portraits of living people were for the first time regularly admitted to the collection. This material is used for study and exhibition, and works have been extensively reproduced in books and other publications. There are more than 335,000 images in the Reference Collections, divided between the Archive and Library's Reference Collection of about 85,000 items, mainly prints but also 2,500 drawings, 75 paintings and 140 sculptures, almost all relatively modest in nature, and the Photographs Collection of more than 250,000 photographs and historic negatives. The Heinz Archive and Library also contains 40,000 books and manages the Gallery's Records and Collected Archives.

Access to the permanent collections is free, however most of our temporary exhibitions are ticketed providing an increasingly essential source of revenue. Normally items not on display can be made

available for viewing via the Collections Registrar. The Collection is also made widely available via the Portrait Explorer in the Digital Space (formerly the IT Gallery), by CD-Rom, on the internet (at [www.npg.org.uk](http://www.npg.org.uk) ) and in Gallery and other publications.

The Collection has been housed at St Martin's Place since 1896. The building, designed by Ewan Christian, was the gift of William Henry Alexander. An extension was built in the 1930s from funds provided by Sir Joseph (later Lord) Duveen. 1993 saw the opening of a permanent home in Orange Street for the Gallery's archive and library, funded by the Drue Heinz Foundation, together with new offices and a conservation studio. The most recent addition was the Ondaatje Wing in 2000, providing additional gallery space, improved visitor facilities and a new lecture theatre, funded by Sir Christopher Ondaatje, the Heritage Lottery Fund and several donors. In 2004, the refurbished Regency display in the Weldon Galleries completed a ten year programme of buildings renewal.

The Gallery has ongoing national partnerships with Montacute House in Somerset, Beningbrough Hall in Yorkshire (both National Trust properties) and at Bodelwyddan Castle in Clwyd (by arrangement with Bodelwyddan Castle Trust). Partnerships have also been formed with museums and galleries in the North East and the South West of England, and there are ongoing loan and display arrangements with other galleries and historic houses.

### **Structure, Governance and Management**

The Gallery is a Non-Departmental Public Body supported by the Department for Culture, Media and Sport (DCMS). A Board of sixteen Trustees (including the Gallery's two *ex-officio* Trustees), appointed by the Prime Minister on the recommendation of the Secretary of State for Culture, Media and Sport with oversight by the Commissioner for Public Appointments, meets quarterly. Trustees have responsibility for overseeing the Gallery's affairs, determining the policies and overall strategy for the organisation. Trustees are expected to provide critical commentary on the current activities of the Gallery and to determine its overall direction for the future. Outside Trustee meetings, they will make themselves available for consultation and specialist advice, whenever appropriate, as well as acting externally as advocates for the Gallery and assisting in the processes of fund-raising. There are committees of the Board which cover audit and compliance and the investment of the Gallery's reserves.

A list of Trustees during 2013/14 and up to the date on which the accounts were signed is at page 26. Following their appointment, new Trustees are given a Trustees' handbook, policy papers and a full induction about the Gallery and their terms of appointment, duties, rights and responsibilities. There is a Register of Trustees' Interests, disclosing details of company directorships and other significant interests held, which is open to the public, and can be accessed in The Heinz Archive and Library.

The Director of the Gallery is Sandy Nairne CBE. The appointment of the Director is made by the Trustees and approved by the Prime Minister. The Director is responsible for the overall leadership of the Gallery, its programmes of activities, the soundness of its finances, business and financial planning and its external representation. The Director leads the Management Team, which carries responsibility for developing the work of the Gallery, and debating and deciding on particular initiatives within the policies set by the Board. The Management Team takes responsibility for evaluating current work and initiatives, as well as reviewing policies, and is supported by a Planning Team, which reviews the Strategic and Corporate Plans, the Corporate Risk Register and monitors budgets and financial matters. The Management Team meets fortnightly and also has an annual strategic review day.

The Gallery has regular Curatorial meetings, where all matters relating to acquisitions and loans are discussed, an Exhibitions Committee and groups for the development of Displays, Design, Publications, Digital Programmes, National Programmes, Visitor Experience and Interpretation.

The Gallery has a wholly owned subsidiary company, the National Portrait Gallery Company Limited. The Company has a Board of five Directors, including one Trustee, three Gallery senior executives (one of which is the Director of the Gallery), and an independent non-executive director.

In January 2012 HRH the Duchess of Cambridge became Patron of the National Portrait Gallery. In spring 2012 an independent foundation trust, The Portrait Trust, was established to work alongside the Gallery in promoting the public's enjoyment, understanding and learning through the medium of portraiture.

Details of the Gallery's external advisers are at pages 26 and 27.

The Gallery's address is 2 St Martin's Place, London, WC2H 0HE.

## **OBJECTIVES**

### **Objects and Key Policies of the Gallery**

The overall aims of the Gallery, derived from the Museums and Galleries Act 1992, are:

- To promote through the medium of portraits the appreciation and understanding of the men and women who have made and are making British history and culture.
- To promote the appreciation and understanding of portraiture in all media.

In pursuing these aims the Gallery recognises the need to make the most efficient use of its assets and to generate income to supplement government grants. This income is generated from activities such as sponsorship, corporate and individual membership schemes, ticketed exhibitions, publishing and trading. Grant-giving bodies provide welcome support for acquisitions and projects. The Gallery has had a number of successful fundraising campaigns for its capital projects and major acquisitions.

The Gallery does not charge for general access to permanent Collection displays. Temporary exhibitions are partially funded by sponsorship, by admission charges in the Wolfson and Porter Galleries, and by retail sales associated with the exhibitions made through the National Portrait Gallery Company Limited. Earning revenue in addition to the government's grant-in-aid allows a wider public programme to be offered.

The Gallery is an equal opportunities employer. The development of working practices and a working environment that facilitates this, in particular with regard to the employment of disabled persons, are key objectives, as embodied in its combined Equality Scheme. The Gallery has a comprehensive policy and training programme, and a wellbeing policy, aimed at securing the health, safety and welfare of its employees, (see pages 14 and 15).

Gallery employees are involved in the development of policies, strategic and corporate plans and performance targets through corporate planning and performance management processes. Management meetings and newsletters provide a regular means for the consideration of issues and dissemination of information to staff throughout the year. Regular meetings between staff and management ('Whitley Council' meetings) provide a forum for discussion of staff issues. The Gallery continues to receive valuable support from volunteers, as detailed on page 15.

### **Objectives and Performance Indicators**

The Gallery has an interim Funding Agreement with the Department for Culture, Media and Sport which has operated during 2013/14. The DCMS reviewed the Funding Agreements with all sponsored museums and galleries and issued draft new Management Agreements. At the time of writing, the draft new Management Agreement is close to finalisation, and so for the time being the interim Funding Agreement remains in force. This interim Agreement is very similar to the earlier 2008/2011 Funding Agreement and includes the same seventeen key performance indicators. These indicators relate to audience profile, learning and outreach, visitor satisfaction, income generation and regional engagement, with a further four chosen by the Gallery. Funding Agreement performance indicators are reviewed quarterly by Trustees and annually by DCMS. Reference is made to these indicators throughout the Annual Report with the Gallery's performance in 2013/14 (with comparators for previous years, where appropriate) detailed on pages 28 and 29.



The 2013 to 2016 Corporate Plan established six primary objectives for the Gallery's three-year business plan as follows:

#### Charitable activities

- To extend and broaden the range of audiences for the National Portrait Gallery and its work through access and learning, a higher national and public profile, and effective communication;
- To develop the Collection, creating opportunities for acquisition and commission, while improving its care and conservation;
- To increase the understanding of and engagement with the Collection and the art of portraiture through outstanding research, exhibitions and displays, publishing, regional and digital programmes;

#### Increasing and developing resources

- To maximise the financial resources available through both public and private sector support, trading and licensing and through the effective management of the Gallery's assets and resources;
- To develop staff as an essential resource through the extension of staff diversity, training, development and learning programmes; and
- To bring the buildings, technical and managerial infrastructure of the Gallery to the highest standards.

## ACTIVITIES, PERFORMANCE AND PLANNED FUTURE DEVELOPMENTS

### 1) Extending and broadening audiences

#### Visitor numbers

Over the past year the Gallery has continued to encourage new audiences, through creative marketing of the public programme, outreach activities and increased access to the Collection via its partnerships across the UK.

The Gallery attracted 1.99 million visits in 2013/14. This was 66,000 fewer than in 2012/13, but very close to the 2 million level that the Gallery has attracted since 2009. The visitor numbers in 2012/13 were record breaking and were achieved on the back of the highly successful *Lucian Freud Portraits* exhibition, which was the most popular paid-for exhibition the Gallery has staged, attracting over 246,000 visitors, so the Gallery was pleased to have achieved visit numbers close to this in 2013/14.

Research results indicate that the Gallery continues to attract new and diverse audiences: in 2013/14 8% of UK visitors were from Black, Asian and minority ethnic (BAME) groups, which was a drop from 11% in 2012/13 and may have been the result of more UK BAME visitors visiting the Gallery in 2012/13 during the 2012 London Olympic Games. In 2013/14 13% of visitors were from lower socio-economic groups, up from 10% of visitors from these groups in 2012/13. In 2013/14 40% of visitors were from overseas, which again was a drop from the figure of 45% in 2012/13. As with the UK BAME visitor figures, the 2012/13 overseas visitor figure benefitted from overseas visitors coming to London for the Olympic Games, and to see the *Lucian Freud* exhibition. Enjoyment and satisfaction levels remained high: in 2013/14 98% rated their visit 'good' or 'excellent' and 95% said that they would be likely to recommend a visit, which compared well to the figures achieved in 2012/13, which were 98% and 97% respectively.

#### Communications

*Elizabeth I & Her People* was promoted by an innovative web-based game, 'Who do you think you were?', which was played by over 22,000 people. The Gallery was involved in major broadcast collaborations, including *The One Show People's Portrait*: viewers voted for a sitter (from a list

approved by the Trustees) to join the Collection and the resulting portrait of Falklands War veteran Simon Weston OBE was the subject of a BBC One documentary. The Gallery also worked with Sky Arts on their *Portrait Artist of the Year* competition, and the shortlisted works were displayed at the Gallery in December 2013.

The regular programme of Friday evening music continued to attract many regular attendees and new audiences. Highlights in 2013 included Lady Maisery's preview of Emily Hall's new song cycle of secular mourning 'Rest', and the Amphion Consort's musical response to *Elizabeth I & Her People*, 'Heavenly Noyse'. Violinist Tamsin Waley-Cohen performed the complete works for solo violin by J. S. Bach in three concerts in 2014.

The Portrait Choir was launched as a new venture in June 2013, under the guidance of Gregory Batsleer, Artistic Director, with a group of twenty-two professional singers who had either recently finished, or had just completed, their studies at some of Britain's most prestigious music conservatoires. The first year included an ambitious programme of weekend residencies, public singing days and a special commission, 'Anonymity', which included excerpts from Handel's *War Oratorios* and readings from First World War literature. A Gallery Staff Choir was also formed, and made its first public appearance in April 2014. *The Portrait Choir*, which had long been an ambition of the Director and Deputy Director, is generously supported by Hani Farsi and the Mohamed S. Farsi Foundation.

### Families

Children's book illustrator, Anya Hymas, created new characters for the *BP Portrait Award* in 2013, as the family labels and trail became part of the Gallery's increasingly family-focused offer. Family provision was extended year-round with three new free self-directed tours, 'Explore', 'Sketch' and 'Look', and the Family Activity Base (the FAB) was created to support and inspire family visits at weekends and in school holidays.

### Young People

The Gallery's Youth Forum remained active, hosting the monthly public drop-in drawing session *Pick Up a Pencil*. Members visited the studios of artists Humphrey Ocean and Jonathan Yeo to meet the artists, and footage of the interviews was posted on the Youth Forum's Facebook page. The *Domino Effect* NEET (Not In Education, Employment of Training) project, funded by the Dorset Foundation, delivered artist-led photography courses to young people in Westminster and Southwark. *BP Portrait Award: Next Generation 2013* engaged 308 14 to 19-year-olds onsite and at three regional venues, with an additional 313,421 visitors viewing the Gallery display and 34,000 people accessing content online.

### Schools

75,327 individual children and young people participated onsite, with a further 1,046 off-site. *World Book Day* events, with writers and illustrators Judith Kerr and Lauren Child, involved 250 pupils from local primary schools. Secondary art audiences participated in the *Meet the Artist* events and an expanding programme of study days and continued professional development (CPD). Exhibition-linked programmes included photographer-led workshops for *Man Ray Portraits* and a secondary history and art programme for *George Catlin: American Indian Portraits*. The Learning Department worked with peers at the Imperial War Museum to share skills and deliver joint Study Days on 'Art and Portraiture'. This started with the *Great War in Portraits* exhibition, and will continue throughout 2014-2018.

### Outreach

The Gallery's long-term partnership with Hospital Schools in London involved young people exploring inspirational figures in the Collection through practical art workshops: *My Superheroes* resulted in an illustrated activity book for young people and play-workers to continue to use. At the Gallery, *Creative Spaces* (in partnership with Shape and Westminster Society for People with Learning Disabilities) supported artists with learning disabilities to explore portraiture in practice and by using our Studio

space, and *The Drawing Room* (a new monthly programme for disabled visitors) supported practical drawing in the galleries. In collaboration with Kid's Company, the *Taylor Wessing Photographic Prize* community project developed young people's skills and confidence. The Gallery's core work reaching out to young people and elders continued productively.

### Participation Projects

*Creative Connections*, generously supported by the Palley family, started with artist Lucy Steggals and GCSE students from St Paul's Way Trust School in Tower Hamlets creating and displaying new work inspired by local stories of achievement with portraits from the Collection at the Gallery. The second year has involved film maker Eelyn Lee and students from Brentside High School developing a perspective from west London. An interpretation project working with students and academics from the University of Birmingham around *George Catlin* resulted in online digital films and exhibition talks. Work with local sports and community groups continued in the host-boroughs of London's 2012 Olympic Games with an oral storytelling project.

### Adult Programme

Regular daytime lectures and talks continued to reach a variety of audiences. A group tours offer for adult visitors was launched, supported by a strong marketing campaign, and in the first year reached fifty groups. The income-generating programme continued to expand, with new exhibition lectures for groups, and monthly weekend photography and painting workshops led by established practitioners.

### Late Shift

Every Thursday and Friday evening throughout 2013/14, the established *Late Shift* programme, funded by FTI Consulting, built and sustained new and diverse audiences. *Late Shift Extras* attracted on average 2,500 people in the year and included collaborations with contemporary artists Stuart Pearson Wright, for *Back to the Drawing Board*, and Chris Levine, for a night inspired by *Man Ray Portraits*. Three *Late Shift Extra* themed nights took place with free activities across the whole Gallery, including *Late Shift Extra: The Elizabethans Undressed*, which was devised in partnership with the School of Historical Dress and Jenny Tiramani, costume historian and designer for the Globe Theatre.

### Interpretation

The audio guides for *Bailey's Stardust* (2014) were offered for hire onsite and for download through the App. Store and Google Play, making in-depth interpretation available to the widest possible audience. The Gallery's audio guide was made accessible to deaf visitors with a free app. adding subtitles and British Sign Language. A new style of Gallery interpretation was developed for the refurbished Rooms 3, 4 and 11. Following an evaluation study, this will be included in future re-display projects.

### Partnerships

*National Memories – Local Stories* (funded by The Paul Hamlyn Foundation and delivered in partnership with Media 19 and five museums across the UK), engaged artists and young people with museum collections to reveal local perspectives on the First World War and led to the creation of imaginative artistic responses. *Making a Mark*, part of the Department for Education's Museums and Schools Programme, saw the Gallery work with six museum partners in the Tees Valley to explore local heritage through portraits, to create learning programmes for schools and to facilitate Collection loans to partner organisations.

### National Programme

Creative collaborations resulted in exhibitions and displays of the Collection in venues around the country. The final venue of a four-venue partnership tour of the portrait of Auyba Suleiman Diallo opened at the Gallery. The other three venues included the International Slavery Museum, Liverpool, the South Shields Museum and Art Gallery, New Walk Gallery, Leicester. The display included the poet and author Ben Okri responding to the portrait with community groups in each location. The

painting and tour provided inspiration for his new poem, '*A Dialogue Across Time*', which was displayed at the Gallery with the portrait.

Partnerships also flourished between the Gallery and other museums such as Tyne & Wear Archives & Museums, Bristol Museums, Galleries & Archives, and the Barber Institute. The Subject Specialist Network *Understanding British Portraits*, led by the Gallery, held a range of seminars and events with the aim of enhancing the knowledge and understanding of portraits in UK collections. Long-standing partnerships with the National Trust at Montacute House in Somerset and Beningbrough Hall in Yorkshire resulted in new collaborative displays opening in 2014 with *Pictured and Seen* at Montacute, and *Royals: Then and Now* at Beningbrough, the latter seeing contemporary portraits hung alongside eighteenth-century portraits from the Gallery's Collection.

The Gallery's active loans programme lent to 184 venues in the UK in the years 2012/14, and to forty-seven venues overseas, including exhibitions in the USA, France, Germany, Italy, the Netherlands, Austria, Brazil, Qatar and Russia.

## **2) Developing the Collection**

### Primary Collection acquisitions

Highlights of the Gallery's historic portraiture acquisitions included an important portrait of Lady Anne Clifford, Countess of Dorset by William Larkin, 1618. The Gallery also acquired several nineteenth century portraits, including a portrait of the adventurer and businesswoman Mary English by William Armfield Hobday, 1818, which came to us as a generous gift.

Among the many twentieth century acquisitions were several portraits of female artists and actresses, including an engaging portrait of the actresses Dame Edith Evans by Henry Glintenkamp, 1922. To further develop our impressive contemporary collections, several outstanding portraits were acquired including a lenticular print of Queen Elizabeth II by Chris Levine, 2007.

The Gallery was also successful in acquiring several important vintage photographs, including the illustrator Aubrey Vincent Beardsley by Frederick Hollyer, 1893 and the poet Rupert Brooke by Sherrill Schell, 1913. A particular highlight included the gift of nearly 200 portraits from the archive of Lord Snowdon featuring many important sitters from the mid-twentieth century. The Gallery also purchased portraits of several British Olympians, including Nicola Adams, Jessica Ennis, Mo Farah, Sir Chris Hoy and David Weir by Kate Peters, 2012.

The Gallery was successful in securing some outstanding long-term loans for display alongside the permanent collections, including a compelling portrait of Arthur Wellesley, Duke of Wellington by Sir Thomas Lawrence, 1829.

At the end of the year the Gallery was hoping that the Heritage Lottery Fund would complete the campaign to acquire Sir Anthony Van Dyck's self-portrait, which had been the subject of export deferral. The campaign, with the Art Fund, and many individual supporters, was successful in raising £4 million towards the final total of £10 million. The Gallery was informed on 1 May that the Heritage Lottery Fund had approved the Gallery's bid for support and that it had awarded the Gallery a grant of £6.3 million towards the acquisition of the self-portrait and for a tour to take the art work to the regions.

### Commissions

Two *BP Portrait Award* commissions were completed: Peter Monkman painted the former Children's Laureate, Julia Donaldson, and Andrew Tift painted Ken Livingstone, former Mayor of London. Supported by the *J.P. Morgan Fund for New Commissions*, Chris Levine created a lenticular portrait of human rights lawyer, Baroness Helena Kennedy. Sheldon Hutchinson made a drawing of the former Chairman of Trustees, historian David Cannadine. The former Prime Minister, Tony Blair, was painted by Alastair Adams, and Baroness Betty Boothroyd, former speaker of the House of Commons, by Brendan Kelly. Saied Dai painted the former director of the Royal Ballet, Dame Monica



Mason and James Lloyd painted Dame Maggie Smith. Nicky Phillips' portrayal of Falkland's veteran, Simon Weston, a unique Gallery collaboration with the BBC, was part of the *People's Portrait*.

### The Photographs Collection

Over 2,000 acquisitions included generous gifts from the estate of Sam Haskins; vintage prints by James Dinham given by Gordon Higham; Walter Bird portraits given by Peter Hunt, and a Bob Carlos Clarke portfolio given by his estate. Display-related donations included Bloomsbury Group prints given by Peter Stansky; a portfolio of works by the photojournalist Michael Peto (from the University of Dundee), and photographs of Vivien Leigh by Larry Burrows (given by Barbara Baker Burrows and Russell Burrows). Since his retirement as Head of Photographs, Terence Pepper has continued to generously donate rare nineteenth and twentieth century photographs, adding over 1,000 items to the Collection. Commissions with the support of the John Kobal Foundation, resulting from the annual *Taylor Wessing Photographic Portrait Prize*, include Matthew Niederhauser's portrait of Andrea Riseborough and Ivor Prickett's portrait of Bear Grylls.

### The Heinz Archive and Library

A number of significant gifts were received by the Heinz Archive and Library, including a lithograph of Keir Hardie by Cosmo Rowe after George Charles Beresford, donated by Norman Atkinson and a pencil drawing of Margaret Rawlings (Lady Barlow) by Frank Dobson, given by the artist's family.

### Collections care and Collections Management

Major conservation projects included work on portraits of Edward VI, Mary English, Derek Boshier, the Naval Officers of the First World War, Lady Anne Clifford, Walter Raleigh, and *Elizabeth I and the Three Goddesses*. A comprehensive survey of panel paintings in store was also completed. The upgrading and re-organisation of the Frame Conservation and Art Handling areas, undertaken in summer 2013, ensured that facilities are in place to support the continuing care of Collection works and portraits loaned for major exhibitions. Thanks to support from the Garfield Weston Foundation, the Special Collections Store and Archive Basement were refurbished to provide new plan chests, doubling the storage capacity and preparation space.

### Portrait Fund

The Gallery's Portrait Fund (the object of which is to assist the Gallery to acquire important portraits for the Collection and to cover the cost of related research, conservation, display and interpretation) has benefited from substantial support, which built on previous generous donations from Viscountess Eccles, Lord Marcus Sieff and Sir Christopher Ondaatje, and the Lerner Foundation. The generous donations from these donors have been used to build up the Portrait Fund since its inception in 2006 and to enrich specific vital Gallery programmes.

The Fund operates under its own trust deed; the Trustees of the Portrait Fund are Sir William Proby and Allegra Berman, from the Gallery's own Board of Trustees. The Fund also has three independent Trustees, Lady Douro, Sir Christopher Ondaatje and Crispin Odey.

The Portrait Fund Trustees were delighted that in 2012/13 the Gallery's bid to the Heritage Lottery Fund's *Catalyst: Endowment* match funding scheme was successful. The scheme is offered to cultural organisations to help them build endowments. The scheme will provide match funding of £1 million to the Portrait Fund if the Gallery raises £1 million for the fund by 2016. During 2013/14 the Gallery raised £315,000 towards the scheme, and had drawn down equivalent amounts of match funding from the HLF during the year. As at 31 March 2014, the cumulative total for the *Catalyst: Endowment* scheme stood at £836,000. More information about the scheme is included in Notes 13 and 15 to the accounts.

For further information about supporting the Gallery and the Portrait Fund, please contact Pim Baxter, Director of Communications and Development on 020 7312 2448.

### 3) Increasing the Understanding of and Engagement with the Collection

During 2013/14, the Gallery's ability to develop the understanding of portraiture and our Collection reached new levels with a wide ranging programme. A strong exhibitions and displays programme contributed to the Gallery's continued high visitor figures, and provided exhibitions of monographic, historical and contemporary figures plus thematic exhibitions. The reach and extent of the Gallery's profile online hit record levels, with engagement with the Collection at its most popular. Cataloguing continued, with significant projects being completed, and the development of the new Photographic Studio enabling increased output in this area.

The Gallery's research activities grew in strength with the completion of the significant project *Making Art in Tudor Britain* and the development of the *Catalogue of Later Victorian Portraits*.

The publishing programme resulted in the production of catalogues, books and projects distinctively designed which added to the visitor offer, and with new sales and distribution channels, the Gallery's international reach was strengthened.

Plans are ambitious for the coming years, enabling the Gallery to present a balanced programme appealing to a wide audience base. The development of a formal international strategy across all Gallery activities will ensure that the focus remains both national and global.

#### Exhibition Highlights

*Elizabeth I & Her People* introduced the visitor to lesser known, but nevertheless important people in history. The exhibition involved research and technical analysis that developed the understanding of painting in the Tudor period, as well as contributing to the established *Making Art in Tudor Britain* research project. *Man Ray Portraits*, *George Catlin: American Indian Portraits* and *Laura Knight Portraits* all toured, developing audiences nationally and internationally and extending the reach of the Gallery. *Bailey's Stardust* and *The Great War in Portraits* both opened in February 2014 and attracted large audiences from the outset, with the latter provoking strong emotional responses to the subject matter. A full listing of exhibitions during the period is available at [www.npg.org.uk](http://www.npg.org.uk).

#### *Immunity from Seizure*

In response to concerns from museums that an increasing number of international lenders were refusing to lend items to UK museums without a guarantee of their safe return, legislation was created to protect these objects. The Tribunals, Courts and Enforcements Act 2007 includes provisions which give immunity from seizure for cultural objects which are loaned from overseas to temporary public exhibitions in approved museums or galleries in the UK where conditions are met when the object enters the UK.

If the conditions of this legislation are met, a court cannot make an order to seize an object that has been loaned from abroad for an exhibition, except where required to under EU law or the UK's international obligations.

The National Portrait Gallery applied for approval under Section 136 of the Tribunals, Courts and Enforcement Act 2007 on 15 December 2008 and this was granted on 17 February 2009. The Gallery provides information on its website for Immunity from Seizure: <http://www.npg.org.uk/about/foi/immunity-from-seizure.php>.

#### The galleries and displays

A lively and extensive range of temporary displays and interventions were staged during 2013/14, focusing on various aspects of the Collection. Highlights included a major documentary feature on the life of Benjamin Britten and a celebration of Vivien Leigh on the anniversaries of their births. Major contemporary displays included a focus on the work of the artist Jonathan Yeo. A display of portraits of Marilyn Monroe by British photographers attracted considerable publicity. Other highlights from the early part of our collections included a display on images revealed by x-ray, *Hidden: Unseen Paintings Beneath Tudor Portraits*, and a focus on *The Art of Drawing, 1670-1780*.

## Digital programmes

Cataloguing, digitisation and content enhancement ensured that 'Search the Collection' remained the most popular website feature, with 54% of all visits. 198,000 portraits are presented online, 114,000 of which have been digitised. Visits to the Gallery's website increased by 14% up to 4.1 million visits and microsites were created for all exhibitions and projects such as *Creative Connections*, *Diallo: A Dialogue through Time* and *National Memory - Local Stories*. 'Timeline' and 'First World War' features were developed for the Portrait Explorer; interactives were developed for the *Diallo* display and the *Elizabeth I & Her People* exhibition, and a record 36,000 visitors used the *BP Visitor Choice Award* interactive. The photographic studio continued to see the digitisation of material, and there were major upgrades to our Portrait Printer digital print service.

## Research programmes

The final two years of the *Making Art in Tudor Britain* research project was successfully completed with the creation of a public database on the research findings and three separate temporary displays. Further entries were made as part of the ongoing work on the *Catalogue of Later Victorian Portraits*, including entries on travellers, social reformers and philanthropists, which have since been published. The project received funding from Alliance Boots for two years from October 2013 for a tranche of entries on medical pioneers. The first studentship under the Arts & Humanities Research Council's Collaborative Doctoral Programme began in autumn 2013, with a second studentship beginning in 2014. The period was also productive for individual members of staff: for further information see [www.npg.uk/research](http://www.npg.uk/research).

## Cataloguing the Collection

183 portrait prints were catalogued and scanned, including Victorian and Edwardian illustrated sheet music covers. Over 2,600 portraits held in other collections were recorded. Re-cataloguing the Library continued until funding ran out in November 2013, and a grant of £23,582, awarded by the National Cataloguing Grants Programme for Archives, enabled the cataloguing of the papers of G.F. Watts.

9,000 photographs and negatives were catalogued, including the Terence Pepper gift; the Francis Goodman archive (resulting in a display), the National Photographic Record prints (completed) and negatives, the Bassano Studio negatives (completed). Albums catalogued included the Martin Plaut gift, the Barbara Strachey collection, the Camille Silvy daybooks, the Bassano sample books, the Henry Irving cuttings, the Royal Visit to Wolverhampton and the Myra Hess, Frederic G. Hodsoll and Eden Fisher albums.

## Publishing

*Man Ray Portraits* was published in English and French editions, while *The George Catlin: American Indian Portraits* catalogue was supported by The Terra Foundation. *Laura Knight Portraits* was critically well received and achieved strong sales and the *Elizabeth I & Her People*, *Bailey's Stardust* and *The Great War in Portraits* publications were all successful.

*21<sup>st</sup> Century Portraits* was launched, providing an overview of portraiture today across the globe, and the *Companions to literary and artistic groups* series was redesigned. New UK and international sales and distribution partners were confirmed, which has raised the Gallery's profile in the book trade internationally and resulted in stronger sales.

## **4) Increasing and Developing Resources**

### Financial summary

2013/14 has been a successful year for the Gallery in terms of meeting internal financial targets and audience development objectives, as well as achieving good results across the range of performance indicators agreed with the Department for Culture, Media and Sport. The Gallery has nonetheless had to continue to adjust to the more difficult funding climate introduced with the 2010 Comprehensive

Spending Review settlement and more recently with the 2013 Autumn Statement and 2013 Budget, both of which introduced further cuts in Government support. Notwithstanding these funding constraints and the difficult economic climate, the Gallery attracted nearly 2 million visitors during the year and delivered a deficit operational outturn which was £1.1 million lower than that budgeted for the year.

### Voluntary income

It has been a challenging, but nonetheless very successful year for the Development team in the current climate. During 2012 the Development Department underwent a review undertaken by Think Consulting (who had also led a review ten years previously), to assess the capacity within the team for the fundraising challenges ahead, taking into account the expectations around Project 2020 and a potential capital campaign. As a result of the report, some restructuring was undertaken within the team at the beginning of 2013, and a small number of posts were added over the course of the year.

#### *Individual Support (Patrons, Associates, Members)*

Following the Development Department restructure, emphasis was placed upon securing major gifts. Work continued to refine the Portrait Circle, ensuring that the group continued to meet the needs of those wishing to make regular five figure gifts. Patronage continued to grow, and programme highlights included a 2013 trip to Moscow to mark the opening of *Man Ray Portraits* at The State Pushkin Museum. Exhibition Supporter Groups provided growing support to the Gallery, and membership of the National Free Wills network resulted in some significant financial bequests. A range of initiatives was implemented to enhance the Membership experience, with retention rates averaging 65% over the period. In March 2014, Members stood at 9,700, just 300 below the 2015 Corporate Plan target.

#### *Development Board and Board of American Friends*

The Development Council, chaired by David Ross, continued to prove invaluable in helping to make new introductions. Members met individually with the Development team four times a year to discuss priority projects, and twice a year as a group enabling opportunities for brainstorming ideas.

We are grateful for the ongoing work of the Board of American Friends. In 2013 they granted much needed support to projects including the *Laura Knight Portraits* exhibition.

#### *Save Van Dyck Fundraising Appeal*

The Gallery launched a public appeal to acquire a self-portrait by Dutch master Sir Anthony Van Dyck in November 2013, and produced a very positive public's response. The appeal raised nearly £4 million in the form of pledges and donations in the first phase of the campaign, with nearly 10,000 individuals making donations. The Gallery secured notable pledges of support from the Monument Trust, the Garfield Weston Foundation, and several major individual supporters. An application was submitted to the Heritage Lottery Fund for substantial support for the acquisition, with a positive decision given in May 2014, as noted on page 8.

#### *Charitable Trusts and Foundations*

A number of Trusts and Foundations supported the work of the Gallery, including the Terra Foundation for American Art with *George Catlin: American Indian Portraits*. The 29th May 1961 Charitable Trust, PF Trust and CHK Charities Limited supported the Gallery's Hospital Schools Learning programmes. The Paul Hamlyn Foundation funded a national project for young people to mark the First World War centenary. The Finnis Scott Foundation supported Gallery research, and the Lord Leonard and Lady Estelle Wolfson Foundation assisted the Access programme.



## Activities for generating funds

### *Corporate Support*

The Corporate Partnership programme had a total of twelve Partners at the end of 2013/14 with three new companies joining over the period. We welcomed two first time sponsors, including Hugo Boss for *Bailey's Stardust*. The Weiss Gallery supported *Elizabeth I & Her People* in autumn 2013. Bank of America Merrill Lynch supported the conservation of Tudor portraits through their Art Conservation Project. In 2013, Alliance Boots agreed to support the *Later Victorian Portraits Catalogue Medical Pioneers* research project. Multi-year partners included BP for the Portrait Award; the J.P. Morgan Signature Series; Taylor Wessing for the *Photographic Portrait Prize* and Herbert Smith Freehills as Spring Season sponsors. FTI Consulting supported *Late Shift* until May 2014.

On 11 February 2014 the Gallery hosted its third Portrait Gala. We were delighted that the Gallery's Patron, HRH The Duchess of Cambridge, joined for the evening along with friends of the Gallery, individual and corporate supporters, artists and many special guests. The Gala was a great fundraising success; there was a lead sponsor, tickets sold-out and guests were very generous during the Live Auction, Raffle and portrait-related sales. Over £550,000 was raised through ticket sales, on-the-night fundraising and matched donations through the *Catalyst* scheme.

### *Venue Hire*

It has been a successful period for venue hire with income being 20% higher than in 2012/13. In fact income earned in the year was the highest Venue Hire had earned in the last five years. New venue hire clients have included Maples and Calder, Rothschild, BNP Paribas, Bell Pottinger, Goldman Sachs, Freshfields Bruckhaus Deringer and Facebook.

Corporate Partners and Sponsor venue hire activity fluctuated over this period due to varying hospitality needs and the exhibition programme. However, over the last two years the income totals for both corporate and private hires have exceeded budget.

### *Trading company*

The Gallery's subsidiary trading company, the National Portrait Gallery Company Ltd, earned profits of £715,000, which it will Gift Aid to the Gallery. The Company's business includes retail, venue hire and the catering franchise. The profit earned in 2013/14 exceeded that earned in the previous year by 4%, and were the second highest earned by the Company since it began trading in 2007. This profit was assisted by a strong finish to the year provided by the successful *Bailey's Stardust* exhibition, which attracted large numbers of visitors for a paying exhibition. However, trading figures at the start of the year were lower than the budget caused by lower than target visitor numbers to the *Man Ray Portraits* exhibition. This affected in particular the Company's retail business, which struggled to achieve its budgeted profit in the year.

### *Retail*

In 2013/14 Retail achieved its highest ever sales figure of £1.996 million, despite the Gallery receiving 66,000 fewer visits than the previous year. These results indicated the success of the Retail restructure of 2012, which allowed the team to renew the merchandise offer and to develop additional retail space (the Print Sales Gallery and the new Exhibition Shop, both of which opened in 2013). The revision of core product ranges, a renewed concentration on exhibition buying and better presentation, has led to increased sales across key ranges, and Retail will continue to refine its offer. A key objective of the Retail team will be to strengthen and extend the range of merchandise inspired by the Gallery's Collection.

### *Rights and Images (Picture Library)*

The restructure of the Rights & Images team in 2012 enabled it to develop and expand its merchandise licensing programme, as well as to streamline processes to increase revenue generation, increasing sales from £348,000 in 2012/13 to £406,000 in 2013/14. The team took on new

international agents and worked more proactively with existing agents. A new licensing interface was launched on the Gallery website in summer 2012, delivering free academic and non-commercial licensing for qualifying clients, which was well received and continued to be popular during 2013/14. The team continued to monitor changes to UK copyright law through involvement in industry wide forums and debates.

### *Catering franchise*

Overall the Portrait Café and Portrait Restaurant had another good year, delivering the budgeted income for the year. The catering franchise was put out to tender in September, with Company of Cooks replacing Searcy as the franchisee. Overall income earned from the catering franchise in the year was £437,000, which was £12,000 (3%) lower than the income earned from the franchise in the previous year.

### *Investment and Other income*

The Gallery receives a small amount of investment income from bank interest and dividend payments. This amounted to £18,000 in 2013/14, compared to £33,000 earned in 2012/13. The amounts held in interest bearing accounts provide the Gallery with its immediate working capital requirements, but recently the interest rates applicable to them have been reduced. However, the majority of the Gallery's reserves are invested in portfolios under management with the Gallery's investment managers, Partners Capital LLP. These investment portfolios depreciated in value by £16,000, net of additional investments and management fees, compared to their values as at 31 March 2013. The depreciation is in the form of an unrealised loss. Notes to the accounts, (Notes 8 and 9), include information about the Gallery's investments, as does the Investment Policy section later in this narrative. Other income decreased by 11% compared to 2012/13.

### Effectiveness and efficiency

#### *Buildings and facilities*

The Gallery has sought to maximize effectiveness and efficiency through rigorous contract management and partnership working on their key contracted arrangements. This more strategic approach has developed long term best practice and efficiencies. In addition, the Gallery successfully collaborated with the National Gallery in a framework agreement for Art Transportation services, the first of its kind between the two Galleries. Further to this, both institutions will review their contracted services jointly over the next three years.

#### Staff

The average number of staff sick days taken in 2013/14 fell to 4.5 days per member of staff (excluding staff on long term sick), from 5 days in 2012/13 (re-stated from 4 days in the 2012/13 Annual Report and Accounts). Staff absence at the Gallery continues to remain below the average number of days sick absence for the public sector of 8.7 days, according to the Chartered Institute of Personnel and Development's 2013 Absence Management Survey.

#### *Training*

The Gallery was invited to participate in an innovative collaboration between business, education and the creative industries. The BNP Paribas *RiseUp* programme coached managers to work with difficult young people and to develop directly transferable skills to help them tackle the challenges they encounter in their daily work roles. As part of our on-going drive to improve the health and wellbeing of our workforce, the Gallery joined the Public Health Responsibility Deal, a national campaign that encourages organisations to make public the specific actions they will take on a range of health matters. Following revisions to the Gallery's Alcohol and Drugs Policy, all managers were trained in alcohol and drug awareness (including the support mechanisms available). Additionally, managers were provided with guidance notes and a training programme to improve absence and attendance management across the Gallery.

## *Recruitment*

Although the economic outlook remained challenging over the year, employee turnover increased to 16% (compared to around 10% in the period 2008-2012). As a consequence of this, recruitment activity continued to be brisk with over 50 campaigns carried out in the last year. Whilst some recruitment arose through temporary staffing needs, other recruitment followed Department Reviews undertaken to ensure that the Gallery has the right structures, skills and resources in place for the future.

## *Diversity*

Supported by Arts Council England, the Gallery continues to participate in the Creative Employment Programme to provide paid internship opportunities for unemployed 16-24 year olds. Designed to address skills gaps, and to encourage a new generation of talent to enter the sector, the Gallery currently has trainees working in the Library, Visitor Services and in Retail.

The composition of the Gallery's workforce is 87% white, 13% black and minority ethnic, 35% male, 65% female, 3% disabled and 40% part time employees.

During 2013/14, the Gallery received valuable support from volunteers as follows:

<b>Department</b>	<b>Full-time equivalent</b>
Extending and broadening audiences	1.0
Developing the Collection	2.0
Increasing understanding and engagement with the Collection	10.0
Fundraising	0.1
Support	0.3

## Improving our services

A number of improvements were made to the main Gallery building, most notably the refurbishment of Rooms 3, 4 and 11. This project, made possible by a grant from the DCMS/Wolfson Fund, enabled the Gallery to reconfigure Rooms 4 and 11, and to redesignate Room 3 as a temporary display space (with a digital screen and a specially commissioned display case).

## *Sustainability*

The Gallery's continued commitment to improving services has been demonstrated in a number of practical ways. During the year good progress was made in improving the Gallery's sustainability and recycling goals. One important area was in the recycling of food waste. Food waste now follows a process of anabolic digestion, which in turn is returned to crops as fertilizer after the process has been completed. All of the Gallery's food waste is now handled in this way. The Gallery also began the process of reviewing its waste management contract with the ambition of reducing further the amount of its waste that goes to landfill. As it stands the Gallery recycles over 80% of its waste and its aim will be to improve on this. In addition, further energy saving initiatives such as installing LED lighting in four additional gallery rooms and honey from the hives on the Gallery roof was sold in the shop.

## *Visitor Services*

Security systems provision across the Gallery Estate was increased, and the Security team was strengthened. The Gallery's Emergency and Business Continuity plans were revised, and 'desk-top' exercises were completed by the Senior Management team. The Visitor Services team underwent training to improve engagement with the Gallery's diverse audiences; the number of *Portrait of the Day* talks given by the team increased, and staff began giving Members' Welcome Tours.

## *Services to research and readers*

Over the last year 1,272 researchers visited the Heinz Archive and Library; student groups visited from Bristol University and King's College London, and the Public Study Room hosted practical sessions for young people participating in the Creative Connections programme. In total 2,165 portrait enquiries, thirty Freedom of Information (FOI) requests and one Parliamentary Question were answered. Three FOI requests required internal review, and one was referred to the Information Commissioner's Office (which found in favour of the Gallery). The review of departmental records management and compilation of retention schedules continued and regular records management and data protection training was provided.

## *Records and information*

Cataloguing of regularly accruing series of the Gallery's Records continued and, supported by the Cataloguing Grants Programme administered by The National Archives, a project to catalogue the correspondence of the artist George Frederic Watts has been completed. As part of the current Records Management project, e-records required for permanent retention are being identified and transferred to a newly created archive drive and catalogued onto the archive system CALM. Approximately 60% of the Library had been re-catalogued onto the library management system EOS, as part of a retrospective project before funding ran out.

The National Portrait Gallery experienced one minor loss of personal data and more detail is provided in the Governance Statement.

## *Governance*

Upholding the highest standards of governance through the accountability and transparency of management processes, decision-making and communications continues to be a key aim. Actions taken to strengthen governance included a new policy covering Child Protection, and revised policies covering Collections Management, Expenses, Communications (including the use of social media), Procurement and Alcohol and Drug.

Sir Nicholas Blake's term as a Trustee ended in November 2013 and the Gallery is in the process, with DCMS, of appointing his successor.

## **FINANCIAL REVIEW**

### **Presentation**

The Accounts have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the consent of the Treasury in accordance with sections 9(4) and 9(5) of the Museums and Galleries Act 1992.

The Accounts are presented in accordance with the reporting requirements of the Statement of Recommended Practice (SORP, revised 2005), *Accounting and Reporting by Charities*.

As required by the SORP, the Statement of Financial Activities shows total incoming resources for the year, including income received for capital expenditure and future projects occurring in 2013/14 and beyond. The Statement of Financial Activities apportions the cost of support services (directorate, personnel, finance, IT, utilities, maintenance, communications and office expenses) and depreciation across the various headings of cost of generating funds and charitable expenditure.

### **Financial Performance**

2013/14 was a successful year. Visitor numbers were again high, although not quite as high as the record numbers attracted in the previous year. The Gallery held two large exhibitions in the year, *Man Ray Portraits* and *Bailey's Stardust*, the latter covering most of the Gallery's Ground Floor. Both exhibitions were very well attended. These two exhibitions were complemented by two smaller

exhibitions, *Elizabeth I and Her People* and *Laura Knight Portraits*. Both these smaller exhibitions attracted more than their budgeted visitors, as too did the *BP Portrait Award* held during the summer. The Gallery continued to attract support and donations for its *Catalyst: Endowment* match funding scheme, and in November it embarked on a major public appeal with the Art Fund to acquire for the nation a self-portrait by the seventeenth century Dutch master, Sir Anthony Van Dyck. This activity helped the Gallery to a strong financial performance during the year, resulting in a much smaller operating deficit than had been budgeted for. The Gallery also achieved good results across the range of performance indicators agreed with the Department for Culture, Media and Sport.

### Statement of Financial Activities

During the year, the Gallery received £7,040,000 (£7,277,000 in 2012/13) in grant-in-aid from DCMS, a 3.3% decrease on the previous year. Grant-in-aid represented 38% of total income received in 2013/14, (42% in 2012/13).

Overall, total incoming resources were 8% higher than in 2012/13, with self-generated income being 16% higher. This outturn was driven by a successful succession of fundraising appeals, as well as a very strong performance from the *Bailey's Stardust* exhibition in attracting admissions and retail income early in the 2013/14 financial year. This outcome was a notable achievement, given that the previous year had benefitted from record visitor numbers and the highly successful *Lucian Freud Portraits* exhibition.

Gross self-generated income represented 62% of total income, compared to 58% in 2012/13. The strongest income earning performance was provided by Voluntary income, with income up 52% compared to the previous year, and Exhibition programme and sponsorship income, which increased by 57%. The increase in Voluntary income arose from the Gallery's successful Gala evening held in February, the successful fundraising campaigns associated with *Catalyst* and the Van Dyck appeal, together with some donated acquisitions received in the year. Exhibition and programme sponsorship benefitted from increased support from BP for the *BP Portrait Award* and significant sponsorship from Hugo Boss for *Bailey's Stardust*. Income from trading activities, both charitable and non-charitable, produced a 4% increase in income compared to the previous year. Retail and Gallery hire earned their highest income to date, although for Retail it proved to be a difficult year for trading, with income being lower than the budgeted target set.

Overall, resources expended increased by 4%. The increase was as a result of increased costs associated with charitable and non-charitable trading, following the restructure of the Trading Department and a revision of the Retail merchandising strategy, as well as costs associated with the Gala and a general increase in trading activity. There was also an increase in exhibitions and display costs as a result of holding two large exhibitions in the year. Support costs, excluding depreciation increased by 12%, compared to 2012/13, mainly as a result of an increase in facilities management costs.

Total staff costs as a proportion of total resources expended decreased by 2% to 52%, compared to 54% in the previous year. Total staff costs increased by only 0.4% over the two years. The average cost per employee fell by just under 0.1%, with staff numbers rising by 0.4%. Certain departmental restructures which had begun in 2012/13, continued in 2013/14. In some cases this involved the recruitment of additional staff to bring in the skills and experience which the restructures had identified as a requirement. Some severance payments arose as a result of the restructures and details of these are provided in the Remuneration Report.

The table on pages 28 and 29 demonstrates that the Gallery performed well against the majority of performance indicators included as part of the Gallery's Funding Agreement with DCMS.

### Balance Sheet

#### *Unrestricted Funds*

The brought forward Unrestricted Funds balance of £12.3 million decreased by £2 million during the year, as a result of a reduction in the Gallery's free reserves and a reduction in the value of its plant



and machinery, arising from the professional revaluation of its land and buildings. The closing balance was £10.4 million of which £6.5 million represents capital assets – plant and machinery and furniture and equipment - funded from self-generated income (which are therefore not available to spend). £3.5 million has been designated for the Investment and Contingency Fund (see Reserves Policy below) and for projects deferred to 2014/15 (held in the Deferred Projects Fund). The General Fund has been increased to £300,000 to take account of the increase in stock value – albeit that about 45% of the stock is held by third parties. Going forward, it will be important for the Gallery to maintain a healthy unrestricted reserve to ensure it has sufficient funds to finance its key activities during what is likely to be a prolonged period when the public sector finances will be under continuing strain.

### *Restricted Funds*

The brought forward Restricted Funds balance of £61.7 million was increased by £43 million, again primarily as a result of the professional revaluation of the Gallery's land and buildings. The closing balance of £104.3 million consists of £24.7 million representing the Gallery's land and buildings, £56.5 million of revaluation gains on the Gallery's land and buildings, and £14.5 million representing the value of the Gallery's capitalised collections; none of these amounts is therefore available to spend. The balance of £8.6 million represents The Portrait Fund, together with funds donated and available for the restricted purposes of grant-funded projects to be completed and the acquisition of specified categories of portraits. This includes the amount the Gallery has fundraised in relation to the HLF's *Catalyst: Endowment* scheme, together with the amounts in match funding it has drawn down from the scheme to date.

### *Fixed Assets*

The principal fixed assets represent the depreciated value of the St Martin's Place and the Orange Street buildings which were re-valued professionally at 31 March 2014. In accordance with Treasury guidance, the Gallery has adopted a policy of using appropriate indices to adjust the carrying values of its land and buildings, and Office for National Statistics indices to adjust the carrying values of its plant and machinery, in the years when they are not professionally re-valued. Other classes of assets have been valued on an historic cost accounting basis. The net book value of St Martin's Place and Orange Street, including fit-out but excluding plant and machinery, at 31 March 2014 was £81.2 million. This was a significant increase on the balance sheet value from the previous year, which stood at £41.1 million, and was a feature of the exceptional increases in West End land values that had occurred recently and which the surveyors recognised during their full professional revaluation undertaken for this set of accounts.

### Payment of Creditors

The Gallery follows the Treasury's guidance on payment of invoices. In 2013/14 the Gallery paid approximately 70% of its invoices within 30 days of the invoice date, compared to 69% in 2012/13. However it paid 91% (79% in 2012/13) of the invoices within 30 days of receipt of the invoice, in accordance with its terms and conditions of purchase.

### Investment Policy

Investments are held in accordance with the Trustees Act 2000. A proportion of surplus cash is held on deposit with National Westminster Bank Plc. This provides daily access while earning interest, but also maintaining an adequate level of liquidity necessary for the payment of current liabilities.

The majority of the Gallery's cash reserves are held in investment portfolios under management with the Gallery's investment advisors, Partners Capital LLP. In 2009/10 the Gallery established an Investment Committee with the purpose of preparing an investment strategy for the Gallery's and Portrait Fund's cash reserves. The Committee is chaired by a Gallery Trustee - Allegra Berman. The Committee includes Lord Janvrin, as the other Trustee representative. The Committee also includes three external members, Anthony Brooke, Jeremy Sillem and Ben Whitmore. The Committee's role is to monitor the funds invested by Partners Capital LLP and ensure that the funds are invested in compliance with the agreed Investment Strategy.

The Gallery and Portrait Fund's Investment Strategy is based on a consideration of the risk, return and cash flow requirements arising from each reserve fund. The strategy is implemented through investment in two portfolios managed by Partners Capital LLP. The market value of the Gallery's investment was £10 million, and of this, £6.5 million related to the Portrait Fund's restricted long and short term investments combined.

Investment levels and reserves are reviewed frequently and when necessary investments are sold to realise gains and make cash available. The investment objectives of each reserve, in terms of the general objective of its portfolio of funds and the performance objective of the portfolio, are as follows:

Fund	Portfolio objective	Performance objective
Portrait Fund Reserve	To assist the Gallery to acquire important portraits for the Collection and to cover the cost of related research, conservation, display and interpretation.	The chosen investment portfolio is designed by Partners Capital to target 4% per annum real returns, (or 6% nominal returns after assumed long term inflation of 2%).
Long term:	Long term total return, looking for modest capital appreciation. Investment timeframe of up to 5 years.	
Short term:	Preservation of capital the highest priority. Investment timeframe of 12 months.	
Investment and Contingency Fund Reserve	A designation of surpluses to be invested in projects in accordance with the reserves policy.  Preservation of capital the highest priority. Investment timeframe of up to 12 months.	The chosen investment portfolio is designed by Partners Capital to target 1.7% per annum real returns, (or 3.7% nominal returns after assumed long term inflation of 2%).

Fund performance is measured against agreed benchmarks, and an asset allocation profile is agreed for each fund. The investment and performance objectives are reviewed annually to ensure that they are achievable within prevailing and potential future market conditions, given the Gallery's and Portrait Fund's needs for liquidity and appetite for risk. Portfolio rebalancing normally occurs at each Investment Committee meeting (usually three times a year), but may be taken on a more frequent basis where required in response to market conditions. There is no leverage (borrowing to invest) at the portfolio level. Funds may not invest in illiquid assets (defined as assets that cannot be liquidated for cash within 18 months under normal redemption terms).

Where practicable, investments are made in Sterling denominated securities or in collective investment funds that have a Sterling hedged share class to minimize exposure to non-Sterling currencies. However, the investment portfolios include investments in overseas assets so some non-Sterling currency exposure may remain, particularly where exposure is to emerging market currencies where the cost of currency hedging may be prohibitive.

By the end of the year, the Portrait Fund portfolio made a small loss on value of £16,000, net of management fees. The Investment and Contingency Fund portfolio remained at the same value as at the end of March 2013, before management fees were accounted for. Both portfolios had suffered significant reductions in value earlier in the year, owing to volatility in the financial markets prompted by the US signalling an end to quantitative easing, as well as concerns over the US government shut-down and the debt ceiling crisis. The investment advisors and the Investment Committee took

action to minimise further losses in the portfolios and values recovered as the year progressed, to the point at which only a modest reduction in value remained. The portfolios had mixed results when compared to their respective benchmarks. In the case of the Portrait Fund portfolio, over the year it under performed by 1.2% against its composite benchmark. This was mainly as a result of the portfolio's more defensive position, having greater exposure to Asian Local Currency Debt than the benchmark, and with certain elements of the benchmark having a higher equity exposure than the Portrait Fund portfolio. Asian Local Currency Debt investments suffered significant falls in value early in the financial year as a result of the US Federal Reserve's decision to scale back quantitative easing, and on the other hand, equities performed very strongly, which both contributed towards the Portrait Fund portfolio's lower performance against its benchmark. The Investment and Contingency portfolio also underperformed against its benchmark of LIBOR, by 5% over the year. Again this was due to the portfolio's overweight exposure to Asian Local Currency Debt.

The Investment Committee recognised an unprecedented set of circumstances, caused by monetary, fiscal and regulatory influences, which had created highly divergent outcomes in countries, financial markets and asset classes. To the extent that it had become extremely hard to judge an appropriate investment strategy, given the difficulty in identifying an asset class that was not vulnerable to volatility, the Committee had opted to keep a very diversified portfolio. The Committee was aware that there were significant opportunities offered by this extraordinary set of circumstances, but significant risks too and the Committee's priority continued to be capital preservation rather than capital appreciation. Although the US and UK economies were on a slow recovery track, the Eurozone would continue to struggle with the sovereign debt crisis by no means resolved and holding the potential for shocks and surprises in the future. The Chinese government needed to manage its domestic banking problems and emerging markets would also likely be very volatile because of slower growth and potential currency weakness. The Committee believed that inflation would remain low in the short term, but also recognised that the desire by global policy makers to keep interest rates low for as long as possible held the potential for inflation to return strongly in the medium to long term. In the light of this, the Committee and the investment advisors agreed an investment strategy in which the portfolios would remain defensive, with a reduction in exposure to Asian local currency debt and with a reduction in duration risk in the portfolios, as well as a reduction in nominal gilts.

### Reserves Policy

The Trustees perform an annual review of the Gallery's needs for reserves in line with the guidance issued by the Charity Commission. Around 40-50% of annual income is received as recurrent grant-in-aid from the government. The balance is derived from self-generated income which is mostly volatile and vulnerable to the prevailing economic climate. The Gallery has no general endowment and only a modest endowment for the support of the acquisition of major portraits (see below).

General funds need to be sufficient to enable the Gallery to manage its working capital, specifically the cash tied up in stock. The balance of £300,000 in the General Reserve equates in total to at least three-quarters of the average stock levels held at the Gallery.

The Trustees have designated an Investment and Contingency Fund to finance expenditure which:

- enables the objectives of the Gallery's five year Strategic and three year Corporate Plans to be achieved, in particular those which increase future income or the efficiency of operations; and/or
- acts as bridging to future increases in recurrent income.

Approximately £0.3 million of the £3 million balance as at 31 March 2014 has been allocated and earmarked to specific projects for these purposes in 2015 to 2017. A further £0.55 million has been set aside for contingencies, consisting of £0.3 million held as contingency against unforeseen expenditure and short-term losses of income and £0.25 million held in order to smooth fluctuations on baseline expenditure which needs to be averaged across several years, such as the exhibitions programme. Any balance (up to £0.25 million per annum) allows the Director to take advantage of unexpected opportunities during the year. The fund is replenished with one-off unrestricted income (apart from legacies designated for The Portrait Fund as below) and with any annual surplus in excess of the balance maintained in the General Reserve.



The Deferred Projects Fund represents underspends generated in the previous financial year, which are to be employed in specific projects, usually in the current financial year; the full balance of £487,000 is expected to be spent in 2014/15.

Trustees have also designated The Portrait Fund for acquisitions and development of the Collection. Whenever the Gallery receives unrestricted legacies of £10,000 or more, Trustees consider their designation for The Portrait Fund (every legacy to the Gallery goes towards developing and caring for the Collection for future generations). Legacies under £10,000 will generally be spent on acquisitions, at the discretion of the Director.

The level of unrestricted funds is reviewed by Trustees four times a year. The reserves policy is reviewed by Trustees once a year.

### Related Parties

The Gallery's sponsor, the Department for Culture, Media and Sport, is regarded as a related party. During the year, the Gallery has had various material transactions with the Department and with other entities for which the Department is regarded as the parent Department. More information on the Gallery's related party transactions is included in Note 23.

## **REMUNERATION REPORT**

The following sections provide details of the remuneration and pension interests of the Gallery's most senior management, consisting of the Director, Sandy Nairne CBE, and the Deputy Director, Pim Baxter - Director of Communications and Development.

### Service Contracts

Appointments of the Gallery's Director and Director of Communications and Development are made on merit and on the basis of fair and open competition.

The Director has a permanent contract of employment, effective from November 2009, with a six month notice period and its terms are agreed with the Department for Culture, Media and Sport. Prior to this, he was employed on a seven year fixed term contract of employment. The Director's contract is open ended. Early termination, other than for misconduct, would result in the Director receiving compensation as set out in the Civil Service Compensation Scheme.

The Deputy Director holds an appointment which is also open ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

The Gallery generally appoints posts on a two year fixed term basis except for those posts that are regarded as essential to the smooth running of the Gallery and these are appointed on a permanent basis. Notice periods are between one and three months depending on the level of the post and length of service. Early termination other than for misconduct may result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

The Trustees are appointed to serve for a period of four years with the possibility of renewal for a further period of four years at the end of that period. Their appointment is unremunerated, although Trustees may be reimbursed for expenses incurred on Gallery business.

### Audited Information

Remuneration paid to the Director and the Deputy Director during the year was as follows – figures in the table are audited information:

Name	Salary £000		Bonus payments £000		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000)		Total £000	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Sandy Nairne <i>Director</i>	110-115	110-115	see below	0.24	-	-	5,000	68,000	115-120	175-180
Pim Baxter <i>Deputy Director</i>	70-75	70-75	Nil	0.24	-	-	9,000	30,000	80-85	100-105
	2013-14				2012-13					
Band of highest paid director's total remuneration (£000)	110-115				110-115					
Median Total Remuneration (£)	21,093				20,517					
Ratio	5.33				5.5					

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 banded remuneration of the highest-paid director in the Gallery in the financial year 2013/14 was £110-115,000 (2012/13, £110-115,000). This assumes that the Director receives no bonus in the year (see below). This would be 5.3 times (2012/13, 5.5) the median remuneration of the workforce, which was £21,093 (2012/13, £20,517).

In 2013-14, no employee received remuneration in excess of the highest-paid director, (likewise for 2012/13). Remuneration ranged from £13,000 to £110,000 (2012/13, £13,000 to £110,000). Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument. None of the above mentioned senior staff received any benefits in kind in 2013/14 (none also in 2012/13).

The Trustees neither received nor waived any emoluments during the year (none also in 2012/13). Expenses reimbursed or paid on behalf of two Trustees amounted to £392, all relating to travel and subsistence (in 2012/13, £297 for travel and subsistence for three Trustees).

### Salary

"Salary" includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. Performance pay or bonuses paid, (Director's salary only), are disclosed separately.

The Remuneration Committee advises the Trustees on the performance and remuneration of the Director. The Committee is chaired by the Chairman of the Audit and Compliance Committee and is composed of the members of the Audit and Compliance Committee (see page 26) and the Chairman of the Trustees. Once a year the Chairman leads a discussion on the Director's work, against the objectives agreed at the previous meeting of the Committee, in order to recommend to the Board the

awarding of any performance related pay. The Director's bonus can be up to 15% of his annual salary, subject to performance against the agreed objectives for that period. An element of the bonus up to a value of 1.5% of his annual salary can be consolidated, although this may vary in line with guidance issued by HM Treasury from time to time.

The Remuneration Committee had not yet convened to consider the Director's 2013/14 bonus, before this set of accounts was approved by the Board of Trustees. As a consequence, a provision has been included in the accounts for the full value of the bonus that could be awarded to the Director. Should he be awarded the full 15% bonus of £16,748, his remuneration in 2013/14 would be £128,398. The bonus would be split between a non-consolidated bonus of £15,073 and a £1,675 bonus which would be consolidated into his annual salary, raising his annual salary in the year to £113,325.

The remuneration of the Deputy Director, Pim Baxter, is set out in her contract and subject to the annual pay review framework for all staff. Her salary does not include any performance related pay or bonuses.

### Pension benefits

Name	Real increase in pension as at 31/3/14 and related lump sum £000	Total accrued pension at age 60 at 31/3/14 and related lump sum £000	CETV at 31/3/14 £000	CETV at 31/3/13 £000	Real increase in CETV £000	Employer contribution to partnership pension account Nearest £100
Sandy Nairne <i>Director</i>	0-2.5 Plus lump sum of 0-2.5	40-45	890	827	5	-
Pim Baxter <i>Deputy Director</i>	0-2.5 Plus lump sum of 0-2.5	15-20 Plus lump sum of 45-50	364	330	9	-

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decrease due to a transfer of pension rights.

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for classic and 3.5% and 8.25% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2014. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of

their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/pensions>.

### Cash Equivalent Transfer Values

The above table shows the Director's and Deputy Director's Cash Equivalent Transfer Value (CETV) accrued at the beginning and the end of the reporting period. 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 figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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 taken.

### Real increase in CETV

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

### Reporting of Civil Service and other compensation schemes - exit packages

Following consultation between HM Treasury and Government Departments the Gallery must now provide summary data on its use of exit packages, in addition to any details it might have disclosed about the individual packages for those senior staff covered by the Remuneration Report. It must show the number of exit packages according to cost band, analysed by the number of compulsory redundancies and the number of other departures agreed. This information relating to exit packages agreed in 2013/14 - and the prior year - is provided in the table below, and is also audited information.

Exit package cost band	Number of Compulsory Redundancies		Number of other departures agreed		Total number of packages by cost band	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
<£10,000	-	-		-		-
£10,000 - 25,000	-	-	1	1	1	1
£25,000 - 50,000	-	-	1	1	1	1
£50,000 - 100,000	-	-		1		1
<b>Total number of exit packages</b>	-	-	<b>2</b>	<b>3</b>	<b>2</b>	<b>3</b>
<b>Total cost in £</b>	-	-	<b>64,554</b>	<b>115,031</b>	<b>64,554</b>	<b>115,031</b>

Redundancy and other 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. Exit costs are accounted for in full in the year of departure. Where the Gallery has agreed early retirements, the additional costs are met by the Gallery 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.



Sandy Nairne CBE  
Accounting Officer  
3 July 2014



Sir William Proby  
Chairman of Trustees  
3 July 2014

## THE BOARD OF TRUSTEES AND PROFESSIONAL ADVISERS

Between 1 April 2013 and 3 July 2014, the date on which the accounts were signed, the Trustees were:

Dr Brian Allen  
Ms C. Allegra Berman ‡  
Professor Dame Carol Black DBE\*  
Sir Nicholas Blake\* (until 6 November 2013)  
Dr Rosalind P Blakesley  
Dr Augustus Casely-Hayford  
Kim Evans OBE\*  
The Rt Hon The Lord Janvrin GCB GCVO QSO ‡ #  
Mary McCartney  
Sir William Proby Bt CBE DL (Chairman)  
Dr Andrew Roberts  
David Ross \* #  
Stephan Shakespeare  
Marina Warner CBE FBA

### *ex officio*

President of the Royal Academy of Arts – Christopher Le Brun  
Lord President of the Council – The Rt Hon Nick Clegg MP

\* Audit and Compliance Committee members. The Chair of the Audit and Compliance Committee during the year was Mr David Ross. Mr Stephen Souchon is co-opted on to the Audit and Compliance Committee to provide specialist accountancy knowledge (for a period of two years from June 2013). Mr Neil Spence and Ms Jacqueline Riding were appointed as additional co-opted, independent members of the Committee to increase its knowledge of museum and gallery operations and public sector and charity finances. Both were re-appointed for two year terms, expiring in May 2015 and June 2015 respectively. Dame Carol Black joined as a member of the Audit and Compliance Committee on 7 November 2013.

# Development Council members. The Development Council was reformatted in April 2011 and David Ross is its Chair. Members meet individually with the Director and Deputy Director throughout the year, rather than attending formal Board meetings.

‡ Investment Committee members. The Chair of the Investment Committee during the year was C. Allegra Berman.

## EXTERNAL ADVISERS

Bankers: National Westminster Bank  
2<sup>nd</sup> Floor  
Argyll House  
246 Regent Street  
London W1B 3PB

External Auditors: Comptroller & Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
London SW1W 9SP

PKF Littlejohn LLP  
Chartered Accountants  
1 Westferry Circus  
Canary Wharf  
London E14 4HD

Solicitors: Farrer & Co LLP  
66 Lincoln's Inn Fields  
London WC2A 3LH

Michelmores LLP  
Woodwater House  
Pynes Hill  
Exeter  
Devon EX2 5WR

Under statute, the Comptroller & Auditor General is the auditor of the Gallery's accounts for the year 2013/14. The audit fee in respect of this work was £33,500 (£33,000 in 2012/13). PKF Littlejohn LLP is the auditor for the National Portrait Gallery Company Limited and the audit fee in respect of their work was £9,050 (£8,850 in 2012/13).

So far as the Accounting Officer, and each person who was a Trustee at the date of approving this report, are aware, there is no relevant audit information, being information needed by the auditor in connection with preparing his report, of which the auditor is unaware. Having made enquiries of the Board of Trustees and Gallery's auditor, the Accounting Officer has taken all the steps that he is obliged to take as Accounting Officer in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information. Having made enquiries of the Accounting Officer, fellow Trustees and the Gallery's auditor, each Trustee has taken all the steps that he/she is obliged to take as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Internal Auditors: Moore Stephens LLP  
150 Aldersgate Street  
London EC1A 4AB

Investment Advisors: Partners Capital LLP  
5th Floor  
5 Young Street  
London W8 5EH

Sandy Nairne CBE  
Accounting Officer  
3 July 2014

Sir William Proby  
Chairman of Trustees  
3 July 2014



## PERFORMANCE AGAINST 2013/14 FUNDING AGREEMENT INDICATORS

The Gallery's interim Funding Agreement with the Department for Culture, Media and Sport contains 21 separate performance indicators. Seventeen of the indicators are stipulated by the Department, with a further 4 chosen by the Gallery. The table below includes the 17 indicators stipulated by DCMS, and 2 of the 4 chosen by the Gallery. (Of the remaining two indicators, one relates to attendance numbers at specific exhibitions and this is disclosed in the 'Extending and broadening audiences' section of the Trustees and Accounting Officer's Annual Report; the other is a more detailed indicator than that stipulated by DCMS and is disclosed in the table instead). Some of the indicators continue from previous Funding Agreements, and where this is the case, prior year comparators have been provided. These indicators are reviewed annually and revised where appropriate. Summarised performance is given below and further reference within the relevant context is made within the Annual Report.

Core target	Note	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual
Total number of visits to the Gallery excluding virtual visits (000s)	1	1,646	1,834	1,984	1,758	2,048	2,054	1,988
Number of unique users visiting the website (000s)		14,869	*15,546	12,205	13,725	‡3,214	3,626	4,103
Number of visits to the Gallery by children aged 15 or under (000s)		151	*173	157	118	134	161	145
Number of visits to the Gallery by adult UK visitors (aged 16 or over) from NS-SEC groups 5-8 (000s)		82	§72	119	81	105	110	160
Number of visits to the Gallery by adult UK visitors (aged 16 or over) from BAME background (000s)		165	§77	88	120	121	132	91
Number of visits to the Gallery by adult UK visitors (aged 16 or over) who consider themselves as disabled (000s)		66	§28	25	13	28	23	40
Number of overseas visits (000s)		560	680	712	612	821	923	802
Number of facilitated and self-directed visits to the Gallery by children aged 15 and under (000s)		38	*43	37	34	39	39	36
Number of instances of children aged 15 and under participating in on-site organised educational sessions (000s)		15	*4	4	5	3	4	4
Number of instances of children aged 15 and under participating in outreach activity outside the Gallery (000s)		4	*4	5	5	1	1	1
Number of instances of adults aged 16 and over participating in on-site organised activities (000s)		43	*35	32	43	55	50	54



Number of instances of adults aged 16 and over participating in outreach activities outside the Gallery (000s)		1	1.2	1	1	2	1	1
% of visitors who would recommend a visit	2	99	98	99	93	97	97	99
Profit from trading company (£000)		509	449	444	406	765	686	715
Income from Exhibition Admissions and touring (£000)		1,324	2,063	1,716	990	1,955	2,640	2,230
Income from fundraising (£000)	3	4,117	5,195	4,014	2,148	2,631	2,813	4,264
Total expenditure on exhibitions (£000)		1,114	*1,336	1,270	1,172	1,173	1,247 (re-stated)	1,812
Number of UK loan venues		57	*108	165	133	118	118	142
Number of new acquisitions		200	32	57	#324	#581	613 (re-stated)	1,533

\* § Figures have been re-stated, to ensure that from 2008/09 onwards they are prepared on a consistent basis.

# Figures have been re-stated to provide a more accurate reflection of the number of individual acquisitions made in the year. In past years certain acquired collections were treated as a single acquisition, even though they were made up of a number of individual items.

‡ The method of reporting of website visits was changed to one based on Google Analytics, which gives a more accurate picture of web usage. The figures for 2011/12 were re-stated to reflect web visit figures based on Google Analytics, to provide a comparator to the statistics for future years.

Note 1: Visits to St Martin's Place only (excludes visits to national partner sites).

Note 2: Equates to visitors 'very likely' and 'fairly likely' to recommend a visit to the Gallery.

Note 3: Equates to Voluntary Income as expressed in the Statement of Financial Activities.

## STATEMENT OF TRUSTEES' AND DIRECTOR'S RESPONSIBILITIES

Under Sections 9(4) and 9(5) of the Museums and Galleries Act 1992, the Board of Trustees is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, Media and Sport with the consent of the Treasury. The Accounts are prepared on an accruals basis and must show a true and fair view of the National Portrait Gallery's financial activities during the year and of its financial position at the end of the year.

In preparing the National Portrait Gallery's accounts the Board of Trustees is required to:

- observe the Accounts Direction\* issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates that are reasonable and prudent;
- 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 the going concern basis, unless it is inappropriate to assume that the Gallery will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director as Accounting Officer for the National Portrait 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 Portrait Gallery's assets, are set out in a Treasury Memorandum and the Treasury Handbook '*Regularity, Propriety and Value for Money*'.

Sandy Nairne CBE  
Accounting Officer  
3 July 2014

Sir William Proby  
Chairman of Trustees  
3 July 2014

\*a copy of which is available from:  
National Portrait Gallery  
2 St Martin's Place,  
London WC2H 0HE

## GOVERNANCE STATEMENT

The Accounting Officer and the Chairman of Trustees (as representative of the Board of Trustees), have joint responsibility for maintaining a sound system of internal control that supports the achievement of the National Portrait Gallery's policies, aims and objectives, whilst safeguarding the public funds and Gallery assets. The purpose of the Governance Statement is to show how these responsibilities have been carried out in the course of the year.

### **The National Portrait Gallery's governance framework**

The National Portrait Gallery is a Non-Departmental Public Body supported by the Department for Culture, Media and Sport (DCMS). The Museums and Galleries Act 1992 established the corporate status of the Board of Trustees of the National Portrait Gallery. The Gallery has a Management Statement and Financial Memorandum with the DCMS which defines the Gallery's status as a Non Departmental Public Body and outlines the processes and procedures the DCMS expect the gallery to observe when managing public funds. Funding from Government is provided in the form of grant-in-aid and how the Gallery deploys this funding is laid out in an interim Funding Agreement with DCMS. The Funding Agreement includes seventeen key performance indicators upon which the Gallery is required to report, and the results are included on pages 28 and 29 of this report, together with the results from prior years.

A Board of sixteen trustees (including the Gallery's two ex-officio Trustees), appointed by the Prime Minister on the recommendation of the Secretary of State for Culture, Media and Sport with oversight by the Commissioner for Public Appointments, meets quarterly. Trustees have responsibility for overseeing the Gallery's affairs, determining the policies and overall strategy for the organisation, as prepared by the Director and the Senior Management Team, and in ensuring that the Gallery fulfils its statutory obligations. Trustees are expected to provide critical commentary on the current activities of the Gallery and to determine its overall direction for the future. There is a committee of the Board which covers Audit and Compliance, and another which advises on senior staff remuneration. The Gallery also has a Development Council to support fundraising initiatives, and an Investment Committee with a mix of trustees and independent members to manage the investment of its cash reserves. There were several changes in the membership of the Board during the year and these are covered later in the Statement.

The Director of the Gallery is Sandy Nairne CBE, who is also the Accounting Officer. The appointment of the Director is made by the Trustees and approved by the Prime Minister. The Director is responsible for the overall leadership of the Gallery, its programmes of activities, the soundness of its finances, business and financial planning, its internal control and risk management processes and its external representation. As Accounting Officer, the Director is personally responsible, along with the Chairman of Trustees, for safeguarding the public funds and Gallery assets, in accordance with the responsibilities assigned to him in *Managing Public Money* and ensuring compliance with the requirements of the Gallery's Management Statement and Financial Memorandum.

The Audit and Compliance Committee is responsible for independent oversight of the Gallery's affairs. It receives reports annually from the internal and external auditors so that members of the Committee can assure themselves that the Gallery's affairs are managed economically, efficiently and within the powers delegated to it. The Committee also assesses and advises on the systems by which the Gallery manages and mitigates risk throughout the organisation. The Chair of the Committee advises in the event of any unexpected threat to the Gallery's resources, operations or reputation. The Audit and Compliance Committee generally meets ahead of the plenary Board meeting so that Board level matters can be considered and discussed at the Committee meetings and then communicated to the Board.

The Senior Staff Remuneration Committee advises the Trustees on the performance and remuneration of the Director. The Committee is chaired by the Chairman of the Audit and Compliance Committee, and is composed of the members of the Audit and Compliance Committee and the Chairman of Trustees.

The Investment Committee is appointed by the Board of Trustees to monitor the funds invested by the appointed investment consultants and ensure that the funds are invested in compliance with the

agreed Investment Strategy. The Committee is chaired by a Trustee but also includes independent co-opted members who have particular skills in investment management.

The Development Council consists of Trustees - one of which chairs the Council - and independent members that have strengths in different industries and social networks and who act as senior volunteer advisers to the Gallery's Development department on priority fundraising projects. They act as high profile advocates of the Gallery's work in both a professional and private capacity.

While responsibility for financial oversight rests with the whole Board of Trustees, the Board invites one of its members to act as Finance Trustee and to report to the Board on budgetary matters and financial planning. This role focuses on the financial health of the Gallery, and is distinct from the work undertaken by the Audit and Compliance Committee.

A list of Trustees who served on the Board during 2013/14 and up to the date on which the accounts were signed is at page 26. There is a Register of Trustees' Interests, disclosing details of company directorships and other significant interests held by them, close family and persons living in the same household, which is open to the public, and is available in The Heinz Archive and Library.

All Trustees must declare publicly any personal or business interests that might be perceived to conflict with their public duties. Common law requires that members of public bodies should not participate in the discussion or determination of matters during meetings in which they have a direct pecuniary interest. Trustees are prompted at the start of meetings to declare if they, close family members or persons living in the Trustee's household have an interest, pecuniary or other, in a matter being considered. The Board or Committee will then decide whether it is appropriate for the Trustee to participate in or have information concerning the matter being considered, or whether the Trustee should withdraw from the meeting. Detailed guidance about how Trustees should handle conflicts of interest is contained in the Trustees' Handbook, which is issued to each Trustee upon appointment.

On average, over the year 2013/14, each Board meeting was attended by 88% of the Trustees, excluding the ex-officio Trustees. A significant majority of Trustees had a 100% attendance record and no Trustee attended fewer than 67% of the meetings in the period. For Audit and Compliance Committee, an average of 75% of the Committee membership attended each meeting. No member of the Audit and Compliance Committee attended fewer than 50% of the meetings, with the exception of one Trustee member who joined the Committee late in the year and could only have been available for one meeting. Attendance rates were high for the Investment Committee, which was attended by, on average, 73% of the membership. No member of the Investment Committee attended fewer than 33% of the meetings in the year. Detailed attendance records for each Trustee attending main Board meetings and Board sub-committee meetings during 2013/14 are disclosed in the Appendix to the Governance Statement on pages 38 and 39.

The Director leads the Management Team, which carries responsibility for developing the work of the Gallery. The Management Team takes responsibility for evaluating current work and initiatives, as well as reviewing policies, and is supported by a Planning Team (consisting of Gallery Heads of Departments), which reviews the Strategic and Corporate Plans, the Corporate Risk Register and monitors budgets and financial matters. The Management Team meets fortnightly and also has an annual review day.

In 2006 the Gallery established the Portrait Fund to support the acquisition and conservation of important portraits for the Collection. The Portrait Fund was established under a Declaration of Trust with the purpose of creating a restricted fund to support the purchase of acquisitions. The Fund has its own Board of Trustees, the majority of whom are also Gallery Trustees. The results of the Fund are consolidated into the Gallery's annual accounts.

The Gallery has a wholly owned subsidiary company, the National Portrait Gallery Company Limited, the "Company". The Company has a Board of five Directors, including one Trustee, three Gallery senior executives (one of which is the Director of the Gallery), and an independent non-executive director. The Board of Directors meets three times a year. As well as the Directors of the Company, the Audit & Compliance Committee also reviews the performance of the Company, its annual report and accounts and the Company external auditors' Management Letter. To date the external auditors

have not identified any significant control weaknesses in the processes and controls operated by the Company.

### **The Board of Trustees' performance in 2013/14**

The objectives for the Gallery in 2013/14 are laid out in the 2013/16 Corporate Plan, which can be viewed on the Gallery's website at <http://www.npg.org.uk/assets/files/pdf/corporate/busplan20122015.pdf>. The Board approves the Corporate Plan, the objectives outlined in it and oversees the progress that the Director and the senior management team make in implementing the Plan, providing commentary and guidance on their work as necessary. Progress in delivering the objectives is reviewed twice a year by the Board, at the midyear point and at the year end. 2013/14 was a successful year, with the Gallery attracting nearly 2 million visitors, 66,000 fewer than the number achieved during the previous record breaking year, but 138,000 ahead of the visitor target set in the Corporate Plan. It also produced better than budgeted results for the year, with a much smaller operating deficit than had been budgeted in the year. Good progress had also been made in delivering the timetable of programmes and activities planned for the year. The Board also reviews a set of financial and non-financial performance indicators on a quarterly basis and these too showed that the Gallery had, overall, performed very well in most areas during the year. Pages 28 and 29 include a table of performance indicators comparing the results to those achieved in previous years. Performance in 2013/14 was in line with the performance achieved in the previous year, which was a good result given that 2012/13 was a record year for visits.

The Board has a governance review session every year, and every other year all trustees complete a detailed questionnaire to assess the Board's effectiveness. This session is undertaken at the Trustees' Strategic Review Day and consists of an overall review of the Board's effectiveness, and is followed up by a review by the Chairman of Trustees of the effectiveness of individual Trustees, through a series of one-to-one meetings between the Chairman and individual Trustees. The last Board full review took place in September 2013. The review indicated the Board considered that, overall, the Board had performed effectively, and that the one-to-one meetings with the Chairman had been helpful in reviewing and reflecting upon the contribution of individual Trustees. The Board considered that its terms of reference were clear, with each member believing that their responsibilities as Trustees were well understood. The Board considered that it had a good understanding of the Gallery's business, the key issues faced by the Gallery and that the Board had the right mix of skills and experience. It considered that meetings were effective, of the right length and that Trustees were able to contribute adequately. The Board was split as to the time of day at which the meetings were held, but believed that the content of the meetings was about right and the quality of the discussions were good. However, there was a significant minority who would prefer to make more time for discussions about strategy. They considered that they held the management team sufficiently to account, but on the other hand, the management team could require more from the Trustees.

### **Committee reports to the Board**

The minutes of the Audit & Compliance Committee and the Investment Committee are circulated to all Trustees and at each Board meeting the Chairs of the two committees brief the Board about the business which was discussed at the Committee meetings and the key outcomes arising. Each year, the Chair of the Audit and Compliance Committee submits an annual report on the effectiveness of the Gallery's risk management processes. As well as the annual report from the Chair of the Audit & Compliance Committee, the Accounting Officer and Board rely on assurances from several other sources, including the Annual Internal Audit Report to the Audit & Compliance Committee from the Head of Internal Audit (HIA), and Budget Holder, Budget Supervisor and Budget Manager end-of-year assurance statements. Together these reports and statements provide assurances confirming that a sound system of internal control has been maintained throughout the year. The Chair of the Audit and Compliance Committee's report details the actions which have been taken by the Gallery during the year to mitigate risk and to improve and strengthen internal control, during 2013/14 this included:

- *To maximize the financial resources.*
  - New five year catering franchise secured, with fixed minimum monthly payments.
  - Converted Room 39a to new retail space to improve and extend retail sales space.
  - Print Sales Gallery opened in former Bookshop Gallery for sale of higher value prints.



- Continued to monitor closely the actions of the investment advisors while uncertainty in world financial markets remained. Both Gallery investment portfolios performed well during the year.
- Received first grant from the Portrait Trust to initiate work on the 2020 Plan.
- Continued to receive match funding from the HLF's Catalyst Endowment scheme.
- *To develop staff as an essential resource through the extension of staff diversity, training, development and learning programmes*
  - Undertook a staff survey.
- *To bring the buildings, technical and managerial infrastructure of the Gallery to the highest standards.*
  - Completed the project to refurbish the Frame Conservation Studio.
  - Implemented NetCommunity application to streamline membership purchases and renewals, and to make the process easier and PCI compliant.
  - Commenced implementation of integrated HR and Payroll system.
  - Existing payroll application upgraded to be Real Time Information (RTI) compliant.
  - Prepared and published Child Protection Policy.
  - Updated the Communications Policy, to include an Appendix with guidelines to staff using social media sites.
  - Collections Management policies updated and published.
  - Alcohol and Drug Policy updated and published.
  - Procurement Policy and Best Practice Guidance updated and published.
  - Expenses Policy updated and published.
  - Business Continuity Plan tested during desk-top exercise undertaken with external facilitator.
  - Extension of an access control system into the staff lift.
  - PCI Compliance Action Plan published, and implementation of Plan commenced.
  - Feasibility study commenced for capital projects comprising the 2020 Plan, leading to the preparation of an application to HLF.
  - Upgraded Gallery's Mac computers.
  - Migrated Microsoft Exchange data into separate mail stores to minimise impact of a future Exchange failure.
  - Continued to extend installation of LED lighting in gallery spaces.

The report also outlines the key risks facing the Gallery in the near future. These are highlighted in the risk assessment later in the Statement. Any key issues arising from the previous year's audit of the Gallery's consolidated accounts and the Company's accounts are covered in the report, as well as progress with the implementation of audit recommendations made by the external auditors, which are also outlined in the report. The report concluded that the Audit and Compliance Committee considered that the risk management processes operated by management in the year have been sound, and that the key areas of risk identified for the forthcoming year were appropriate.

The HIA's report provided the Accounting Officer with reasonable assurance on the effectiveness of the Gallery's risk management, control and governance processes reviewed as part of the 2013/14 internal audit plan. The audit work consisted of six audits, which included a review of the Gallery's retail outlets, records management, IT and digital security, security, key financial controls, performance management and Digital Programmes. In overall terms, there were two audits where some control weaknesses were found, with the remainder either being assessed as having sound controls or minor weaknesses. The weaknesses related to procedures around the Gallery's IT system and staff performance management, and deadlines to implement the recommendations arising from the audits have been established. Overall, the HIA considered that the internal controls for the Gallery operated satisfactorily in most areas. Furthermore, follow up work undertaken by internal audit showed that progress has been made in implementing audit recommendations where they remained appropriate. Progress with implementation of internal audit recommendations is reviewed by Planning Team and Audit and Compliance Committee at each meeting.

The regular reports from the Chair of the Investment Committee update the Board on performance of the Gallery's investment portfolios, and the effectiveness of the investment advisors managing the

portfolios. The Investment Committee plays a significant role in the management of investment risk. Key to this is ensuring that the investment advisors adhere to the Investment Strategy. The Investment Strategy was prepared with assistance from the Investment Committee and was approved by the Board of Trustees. The Strategy determines the objectives of the Gallery's investment portfolios, taking into account the differing requirements with regard to risk and liquidity of the various reserves held by the Gallery. The Strategy also includes any restrictions the Trustees have stipulated in how the reserves are to be invested and how performance should be measured. Asset allocations proposed by the investment advisors are reviewed against the objectives of the Investment Strategy to ensure that what is proposed is acceptable. The reports from the Chair of the Investment Committee cover the performance of the investment portfolios during the quarter, the changes made to asset allocations and the consequences for the portfolios as a result in terms of risk. To date the Chair of the Investment Committee has reported to Trustees that the Committee was working well and that she believed that the independent members provided good advice and constructive challenge to the investment proposals put forward by the investment advisors. Although in the last year there had been evidence that world financial markets were recovering, assessing market conditions was by no means straight-forward. The Investment Committee continued to ensure that the investment advisors paid close attention to developments in the markets and responded quickly when action was needed. The Gallery's two portfolios continued to be defensive and diversified. This meant that returns in the Portrait Fund portfolio were slightly behind those of the benchmark, which had greater exposure to risk assets and less to Asian local currency debt. At the beginning of the year both portfolios suffered losses in value, mainly as a result in falls in the value of Asian local currency debt investments triggered by the Federal Reserve's decision to reduce quantitative easing. Values recovered as the year progressed, however by the end of the year both portfolios had experienced small reductions in value since the beginning of the year, after management fees had been taken into account. More detail about the performance of the investments is provided on pages 18 to 20 and the balances are disclosed in Note 8 to the accounts.

### **Compliance with the *Corporate Governance Code*, and other good practice**

The Gallery seeks to uphold the highest standards of governance through the accountability and transparency of its management processes, decision-making and communications. Board of Trustee meeting minutes can be viewed on the Gallery's website at <http://www.npg.org.uk/about/corporate/trustees-and-trustees-meetings.php>. During the year the Gallery has sought to maintain the effectiveness of its corporate governance structures, in ensuring that the Board continues to have the right mix of Trustees and that there is a seamless transition between Trustees retiring and new Trustees joining the Board. In the period of this report one Trustee retired, although at the year end, the Gallery was still waiting for a new Trustee to be appointed. The list of Trustees on page 26 includes the details of retirements and new appointments to the Board and its sub-Committees. The Board complies with the principles laid out in *Corporate governance in central government departments*, "the Code". There are certain principles in the Code which are not applicable to the Gallery's Board and these relate in the main to central government boards' roles relating to government policy making and the powers of ministers. Other elements which are not applicable include certain elements in the Code dealing with board composition and the board's relationship with its Arms Length Bodies. Furthermore, there is a key difference between the Gallery's Board and those in central government, for whom this guidance has been written, in that the Gallery's Board of Trustees has statutory obligations to observe under the Museums and Galleries Act 1992, whereas central government boards are purely advisory.

### **Assurances and other data provided to the Board**

The Board receives information from a wide variety of sources which underpins its assessment of the effectiveness and strength of governance and internal control. Besides its own review of effectiveness and the reports from the Chair of Audit and Compliance Committee, the Board receives and places reliance on reports from both internal and external audit. The Board also receives quarterly financial reports (in the form of summary management accounts including an explanatory narrative) which are supported by financial and non-financial key performance indicators, to provide Trustees with a broad picture of performance in the quarter. The data in the financial reports is reconciled to the year-end accounts which are independently audited. The Board and the Audit and Compliance Committee review on a quarterly basis the Corporate Risk Register, which contains the key risks facing the Gallery. Audit & Compliance Committee also review certain of the Departmental Risk Registers which underpin the Corporate Risk Register to see how the risks in the Departmental

Registers feed up into the Corporate Risk Register. The Audit and Compliance Committee also discusses, on a regular basis, internal control and risk management in areas critical to the Gallery's business with the relevant Heads of Department, to ensure that risks are effectively managed in these areas, and that the Corporate Risk Register reflects the profile of risk covered in the discussions with the Head of Department. Trustees receive a weekly summary of the Gallery's coverage in the Press, including high-lights, which assist in providing Trustees with an external view of the Gallery's performance.

As a matter of course, the Board reviews and approves key Gallery policies, and revisions to them. It also receives annual reports from senior management relating to important areas of compliance and how the Gallery has conducted itself in these areas, for instance in Health and Safety and Freedom of Information. Senior management also provide annual reports covering important Gallery programmes, like the Exhibitions Programme and the work undertaken as part of its National Programme with regional bodies and other external partners. These reports and submissions provide the Board with a broad picture of how the Gallery is performing.

At the year end, budget managers provide the Accounting Officer with an annual assurance statement confirming that they have complied with the National Portrait Gallery's published policies and with the financial and risk management procedures. In rare circumstances budget managers have qualified their statements and where this is considered material, the statement is brought to the attention of the Audit & Compliance Committee. No material qualifications were brought to the attention of the Accounting Officer or the Audit and Compliance Committee in 2013/14.

### **The Board's review of risk management during the year and into the future**

Each year the Trustees review the Gallery's risk appetite, which sets the level of risk the Gallery is willing to accept across different areas of its programmes and operations. They also review the criteria for evaluating risk. Both these factors are critical in ensuring that risk is evaluated in a consistent manner and that the Gallery's response to the risk is appropriate and proportionate. How the Gallery's risk profile is reviewed and monitored has been explained already. Internal Audit review the Gallery's risk management processes every other year – last reviewed in December 2012 - and report their findings to the Accounting Officer and Audit & Compliance Committee. The Chair of the Audit & Compliance Committee, in an annual report on risk to the Board, explains the Gallery's response to risk during the year, and outlines the key risks facing the Gallery into the future. As at 31 March 2014 the key risks facing the Gallery in the forthcoming year are mainly financial and reputational, these include the following:

- Support from Government – the outcome of the 2015/16 Spending Round resulted in a further cut to the Gallery's grant-in-aid in that year, amounting to a 5% real cut – i.e. including inflation – in both its resource and capital allocations. Further cuts of over 1% in 2014/15 and 2015/16 were announced in the 2013 Autumn Statement. These cuts have been factored into the 2014/17 Budget figures. There is a possibility that a further cut could be made in 2015/16, if the Government's plans for deficit reduction do not go according to plan, with yet further cuts possible in the following years. The Coalition has also intimated that continuing austerity measures for the public sector could well be implemented in 2016/17, following the next General Election. If further cuts materialised, the Gallery would need to recast its budgets to find further savings to ensure that its financial position remained sustainable going forward.
- UK economy and Eurozone – the prospects for the UK economy are improving, with growth returning in the UK. However, conditions in the Eurozone remain less encouraging. While much of the Eurozone remains in recession, as the UK's major trading partner, it will continue to act as a drag on the UK economy. The largest element of the Gallery's income is self generated, and this is volatile and dependent to a large extent on the health of the economy. Although UK economic growth is improving, the recovery is patchy, and while living standards continue to be squeezed, it will be challenging for the Gallery to maintain its levels of self generated income, as consumers and corporates may be less willing to spend.
- Inflation – the 2010 Spending Review settlement anticipated inflation running at just under 3% over the period of the Parliament. This now looks to be on the high side in the light of the Bank of England's most recent inflation forecast, which forecast inflation at or around 2% for the medium term. The Gallery has therefore used this measure to prepare its 2014/17



Budget. However, if inflation is significantly higher than 2%, it will increase the Gallery's cost base, putting pressure on the budget.

These risks are reflected in the Gallery's Corporate and Departmental Risk Registers, which include contingent and mitigating action should these and other risks identified by management crystallise.

The National Portrait Gallery experienced one protected personal data incident in 2013/14, when eight personnel files relating to past employees were discovered to be missing. The loss occurred during a document re-organisation in the HR Office, as part of preparations for the introduction of the new integrated HR and payroll system. The investigation into the incident concluded that the most likely outcome was that the files had been destroyed with other documentation which had been identified for destruction as part of the re-organisation. No report has been made to the Information Commissioner's Office.

No ministerial directions were given.

Sandy Nairne CBE  
Accounting Officer  
3 July 2014

Sir William Proby  
Chair of Trustees  
3 July 2014

## Appendix to Governance Statement – Trustee attendance 2013/14

### Full Board meeting attendance

	Attendance in 2013/14(%)
<b>Current Trustees</b>	
Dr Brian Allen	100
Allegra Berman	100
Professor Dame Carol Black	100
Sir Nicholas Blake	100
Dr Rosalind Blakesley	75
Dr Augustus Casely-Hayford	100
Kim Evans	100
Lord Janvrin	75
Mary McCartney	75
Sir William Proby (Chairman)	75
Dr Andrew Roberts	67
David Ross	100
Stephan Shakespeare	100
Marina Warner	100
<b>Average attendance by Trustees over the year</b>	<b>88</b>

### Audit and Compliance Committee attendance

	Attendance in 2013/14 (%)
<b>Attendance</b>	
David Ross (Trustee and Chairman)	100
Sir Nicholas Blake (Trustee)	100
Kim Evans (Trustee)	75
Professor Dame Carol Black (From November 2013)	0
Stephen Souchon	75
Neil Spence	50
Jacqueline Riding	75
<b>Average attendance by Committee members over the year</b>	<b>75</b>

Professor Dame Carol Black's period of appointment in 2013/14 included only a single Committee meeting.

## **Investment Committee attendance**

Attendance in  
2013/14 (%)

### **Attendance**

Allegra Berman (Trustee and Chairman)	100
Lord Janvrin (Trustee)	100
Jeremy Sillem	33
Anthony Brooke	100
Ben Whitmore	33

### **Average attendance by Investment Committee members over the year**

**73**

These statistics show attendance by Trustees at full Board and Board sub-committee meetings held during 2013/14. The tables do not include the Trustees' attendance at numerous events held by the Gallery during the year, or the meetings attended or consultations given by Trustees about Gallery business outside of these Board and sub-committee meetings.

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

I certify that I have audited the financial statements of National Portrait Gallery for the year ended 31 March 2014 under the Museums and Galleries Act 1992. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Gallery Balance Sheets, the Consolidated Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Board of Trustees, the Director and auditor**

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

### **Scope of the audit of the financial statements**

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

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

### **Opinion on regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of National Portrait Gallery's affairs as at 31 March 2014 and of its net outgoing resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Secretary of State directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Museums and Galleries Act 1992; and
- the information given in Activities, Performance and Planned Future Developments, the Financial Review and in The Board of Trustees and Professional Advisers for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I report by exception**

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

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

**Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

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

**8 July 2014**



**CONSOLIDATED STATEMENT OF FINANCIAL  
ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2014**

	Notes	Unrestricted Funds £000	Restricted Funds £000	<b>Total 2014 £000</b>	Total 2013 £000
<b>INCOMING RESOURCES</b>					
<b>Grant in Aid</b>	2a	6,789	251	<b>7,040</b>	7,277
<b>Incoming resources from generated funds</b>					
Voluntary Income	2b	1,276	2,988	<b>4,264</b>	2,813
Activities for generating funds	2c	3,741	-	<b>3,741</b>	3,593
Investment income	3	17	1	<b>18</b>	33
<b>Incoming resources from charitable activities</b>					
Exhibitions admissions and touring income		2,230	-	<b>2,230</b>	2,640
Exhibition and programme sponsorship income		1,185	-	<b>1,185</b>	753
Learning and access income		43	-	<b>43</b>	41
<b>Other income</b>	2d	211	1	<b>212</b>	239
<b>Total incoming resources</b>		<b>15,492</b>	<b>3,241</b>	<b>18,733</b>	<b>17,389</b>
<b>RESOURCES EXPENDED</b>					
<b>Costs of generating funds</b>					
Costs of generating voluntary income	5	876	9	<b>885</b>	672
Fundraising trading: cost of goods sold and other costs	5	3,245	15	<b>3,260</b>	2,645
Investment management costs	5	16	12	<b>28</b>	36
<b>Total costs of generating funds</b>		<b>4,137</b>	<b>36</b>	<b>4,173</b>	<b>3,353</b>
<b>Resources expended on charitable activities</b>					
Extending and broadening audiences	5	2,711	710	<b>3,421</b>	3,732
Developing the Collection	5	4,271	180	<b>4,451</b>	4,581
Increasing understanding and engagement with the Collection	5	5,987	740	<b>6,727</b>	6,415
<b>Governance costs</b>	5	118	10	<b>128</b>	131
<b>Total Resources expended</b>		<b>17,224</b>	<b>1,676</b>	<b>18,900</b>	<b>18,212</b>
<b>Net (outgoing)/incoming resources for the year before transfers</b>		<b>(1,732)</b>	<b>1,565</b>	<b>(167)</b>	<b>(823)</b>
Transfers between funds in year	13	(76)	76	-	-
<b>Net (outgoing)/incoming resources for the year before other recognised gains and losses</b>		<b>(1,808)</b>	<b>1,641</b>	<b>(167)</b>	<b>(823)</b>
Gains/(Losses) on investments	8	0	(16)	<b>(16)</b>	827
Gains/(Losses) on revaluation of fixed assets for charity's own use	6&13	(165)	40,931	<b>40,766</b>	454
Net movement in funds		(1,973)	42,556	<b>40,583</b>	458
Fund balances brought forward at 1 April		12,338	61,725	<b>74,063</b>	73,605
<b>Fund balances carried forward at 31st March</b>		<b>10,365</b>	<b>104,281</b>	<b>114,646</b>	<b>74,063</b>

All operations of the Gallery continued throughout both periods and no operations were acquired or discontinued in either period. There are no recognised gains or losses other than those shown above.

The notes on pages 46 to 69 form part of these accounts.

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 MARCH 2014**

	Notes	£000	2014 £000	2013 £000
<b>Fixed Assets</b>				
Tangible assets	6		87,744	48,897
Heritage Assets	7		14,531	13,216
Available for Sale Financial Assets - Investments	8		3,335	3,068
			<u>105,610</u>	<u>65,181</u>
<b>Current Assets</b>				
Stock	11	610		408
Debtors and prepayments	10	1,141		1,309
Available for Sale Financial Assets - Investments	8	6,626		6,956
Cash at bank and in hand	9	3,296		2,497
			<u>11,673</u>	<u>11,170</u>
<b>Current Liabilities</b>				
Creditors (amounts falling due within one year)	12		<u>2,637</u>	<u>2,280</u>
<b>Net Current Assets</b>			<b>9,036</b>	8,890
<b>Total Assets less Current Liabilities</b>			<b>114,646</b>	<u>74,071</u>
<b>Long Term Liabilities</b>				
Creditors (amounts falling due after one year)	12		-	8
<b>Net Assets</b>			<b>114,646</b>	<u>74,063</u>
Represented by:				
<b>Restricted Funds</b>				
Restricted Funds	13		47,761	46,136
Fixed Asset Revaluation Fund	13		56,520	15,589
<b>Total Restricted Funds</b>			<u>104,281</u>	<u>61,725</u>
<b>Unrestricted Funds</b>				
Designated funds	13		9,938	11,796
Fixed asset revaluation fund	13		127	292
<b>Total Designated funds</b>			<u>10,065</u>	<u>12,088</u>
General funds	13		300	250
<b>Total Funds</b>			<u>114,646</u>	<u>74,063</u>

The notes on pages 46 to 69 form part of these accounts.

Sandy Nairne CBE  
Accounting Officer  
3 July 2014

Sir William Proby  
Chairman of Trustees  
3 July 2014

**GALLERY BALANCE SHEET**  
**AS AT 31 MARCH 2014**

	Notes	£000	2014 £000	2013 £000
<b>Fixed Assets</b>				
Tangible assets	6		<b>87,744</b>	48,897
Heritage Assets	7		<b>14,531</b>	13,216
Available for Sale Financial Assets - Investments	8		<b>3,335</b>	3,068
			<b>105,610</b>	65,181
<b>Current Assets</b>				
Stock	11	<b>355</b>		253
Debtors and prepayments	10	<b>1,704</b>		2,014
Available for Sale Financial Assets - Investments	8	<b>6,626</b>		6,956
Cash at bank and in hand		<b>2,824</b>		1,856
		<b>11,509</b>		11,079
<b>Current Liabilities</b>				
Creditors (amounts falling due within one year)	12		<b>2,473</b>	2,189
<b>Net Current Assets</b>			<b>9,036</b>	8,890
<b>Total Assets less Current Liabilities</b>			<b>114,646</b>	74,071
<b>Long Term Liabilities</b>				
Creditors (amounts falling due after one year)	12		-	8
<b>Net Assets</b>			<b>114,646</b>	<b>74,063</b>
Represented by:				
<b>Restricted Funds</b>				
Restricted Funds	13		47,761	46,136
Fixed Asset Revaluation Fund	13		56,520	15,589
<b>Total Restricted Funds</b>			<b>104,281</b>	61,725
<b>Unrestricted Funds</b>				
Designated funds	13		9,938	11,796
Fixed asset revaluation fund	13		127	292
<b>Total Designated funds</b>			<b>10,065</b>	12,088
General funds	13		300	250
<b>Total Funds</b>			<b>114,646</b>	<b>74,063</b>

The notes on pages 46 to 69 form part of these accounts.

Sandy Nairne CBE  
Accounting Officer  
3 July 2014

Sir William Proby  
Chairman of Trustees  
3 July 2014

**CONSOLIDATED CASH FLOW STATEMENT**  
**AS AT 31 MARCH 2014**

	Notes	<b>2014</b> <b>£000</b>	2013 £000
Net cash inflow from operating activities	19(a)	<b>1,395</b>	447
Capital expenditure and financial investment	19(b)	<b>(661)</b>	(1,305)
Management of liquid resources	19(b)	<b>47</b>	70
Return on investments and servicing of finance	19(b)	<b>18</b>	33
<b>(Decrease)/Increase in cash in the year</b>		<b><u>799</u></b>	<b><u>(755)</u></b>

The notes on pages 46 to 69 form part of these accounts.

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

### **1. ACCOUNTING POLICIES**

#### *a) Basis of accounting*

The accounts have been prepared under the historic cost convention modified to include the revaluation of land and buildings and required valuation methods for financial instruments. The accounts comply with the Statement of Recommended Practice 2005, Accounting and Reporting by Charities, applicable accounting standards and the Accounts Direction issued by the Department for Culture, Media and Sport. The accounts include the Grant-in-Aid account and two trust funds (established by the Gallery under Deeds of Trust) administered by the Gallery (the Dame Helen Gardner bequest and the Portrait Fund) and exclude the American Friends of the National Portrait Gallery (London) Foundation Inc, a US grant-giving organisation with 501 (c) (3) tax status, over which the Gallery has no direct control. The accounts also exclude the Portrait Trust, which is an independent foundation trust established in March 2012, over which the Gallery has no control. The Gallery is recognised as an exempt charity under the provisions of the Charities Act 2011.

The Consolidated accounts are for the National Portrait Gallery and its subsidiary National Portrait Gallery Company Limited (the Company); the Company began trading on 1 April 2007. The Gallery is exempt from corporation tax on its charitable activities under section 505 of the Income and Corporation Taxes Act 1998. Income arising from activities of the trading subsidiary are gift aided to the Gallery.

#### *b) Incoming resources*

All incoming resources are included in the Statement of Financial Activities when the Gallery is entitled to the income and the amount can be quantified with reasonable accuracy.

Income received in advance is deferred where it would be repayable if conditions are not met in the future.

Grant-in-Aid from the Department for Culture, Media and Sport allocated to general purposes is taken to the Statement of Financial Activities in the year it is received.

Gifts in kind are treated as donations in the period the gift is received at the gross value to the Gallery at the time of the gift.

Legacies are recognised as income when there is entitlement, certainty of receipt and measurability of the legacy.

All income from exhibition sponsorship is recognised in full in the year in which the exhibition commences.

#### *c) Expenditure*

Expenditure is classified under the principal categories of charitable expenditure and the costs of generating funds rather than the type of expense, in order to provide more useful information to users of these accounts. Irrecoverable VAT is treated as an expense.

Charitable expenditure and costs of generating funds comprise direct expenditure including direct staff costs attributable to the Gallery. Where costs cannot be directly attributed, they have been allocated to activities on a basis consistent with the use of the resources (these general overheads include the costs of directorate and office services, personnel, finance and planning, IT and communications, facilities management and depreciation). Fundraising costs are those incurred in seeking voluntary contributions for the Gallery.

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



## 1. ACCOUNTING POLICIES (continued)

### d) *Fund accounting*

Unrestricted funds:

Designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes.

Restricted funds are those subject to specific restrictions imposed by donors, by the purpose of the appeal or conditions of the funding.

Restricted funds include the Portrait Fund. The Portrait Fund is governed by a separate Declaration of Trust, through which an initial balance for the Fund of £1,087,000 was transferred to restricted funds. Subsequent income provided to the Fund can only be recognised as restricted income if it is received from donors specifying that the donation is for the purposes of the Portrait Fund.

### e) *Heritage assets*

Heritage assets are capitalised where cost and valuation information is available. Where assets have been acquired jointly with another party, their carrying value reflects the proportion of the Gallery's holding. Trustees have considered the cost of capitalising acquisitions where no appropriate valuation exists and have found that the cost outweighs the benefit of doing so. Heritage assets are not depreciated as a matter of routine. The valuations of donated acquisitions have been made by the Gallery's staff and therefore represent an indicative estimate, and are not revalued in future periods. Impairment reviews are carried out at the end of each reporting period, to ensure that the carrying values of the heritage assets reflect their carrying amounts.

Expenditure which is required to preserve or prevent further deterioration of individual collection items is recognised in the Statement of Financial Activities when it is incurred.

### f) *Tangible fixed assets*

The Gallery capitalises the purchase of assets which cost more than £5,000. IT hardware and software assets which cost more than £1,000 are also capitalised, as too are laptops, PC monitors and central processor units.

Land and buildings are professionally valued every five years; the last such valuation was undertaken as at 31 March 2014. In the years between professional valuations of land and buildings, and every year for certain other fixed assets, National Statistical and other appropriate indices are used to adjust the net book value of the assets. Assets other than land, buildings, plant and machinery are accounted for on a depreciated historical cost basis, these assets are either of low value or have short lives, therefore the impact of applying indexation would not be material. Impairment reviews are carried out at the end of each reporting period, in accordance with FRS11, to ensure that the carrying values of the assets reflect the recoverable amounts.

Depreciation is provided on all tangible fixed assets, except freehold land, at rates calculated to write off the costs less estimated residual value of each asset on a straight line basis. For buildings and plant and machinery, depreciation is calculated after indexation; for assets under construction, depreciation is not charged until the year the asset has been brought into use. Depreciation is charged on additions and not on disposals.

Indicative asset lives are as follows:

Freehold buildings	20 - 70 years
Leasehold land and buildings	length of lease
Leasehold land and buildings	10 - 30 years
Plant and machinery	10 - 15 years
Furniture and equipment	4 - 10 years

## 1. ACCOUNTING POLICIES (continued)

Where the recoverable amount of a fixed asset is found to be below its net book value, the asset is written down to the recoverable figure and the loss on revaluation is recognised in the Statement of Financial Activities.

### g) *Financial Instruments*

#### *Financial Assets*

The Gallery classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial asset was acquired.

#### i. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. The Gallery has no intention of trading these loans and receivables. Subsequent to initial recognition at fair value, these assets are carried at amortised cost, less impairment, using the effective interest method. Loans and receivables consist of trade and other debtors.

#### ii. Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are mainly investments that the Gallery does not plan to hold until maturity. They are included in fixed assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Investments that are treated as AFS financial assets are stated at fair value (market value). Where possible, investments are valued using unadjusted quoted prices in active markets for identical financial instruments. It is the Gallery's policy to keep valuations up to date such that when investments are sold there is no gain or loss arising. As a result, the Statement of Financial Activities only includes those unrealised gains or losses arising from the revaluation of the portfolio throughout the year. Disclosure is made in Note 8 of the difference between historical cost and the sale proceeds of the investments sold during the year.

#### *Impairment of financial assets*

An assessment of whether there is objective evidence of impairment is carried out for all financial assets or groups of financial assets at the balance sheet date. A financial asset, or group of financial assets, is considered to be impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the asset or group of assets that can be reliably estimated.

Where there is objective evidence that an impairment loss exists on loans and receivables carried at amortised cost, impairment provisions are made to reduce the carrying value to the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The charge to the Statement of Financial Activities represents the movement in the level of provisions, together with any amounts written off, net of recoveries in the year.

#### *Financial liabilities*

Trade, other creditors and accruals are recorded at their initially recognised amount, in recognition that these liabilities fall due within 1 year.

### h) *Stock*

Stock is valued at the lower of cost and net realisable value and mainly comprises goods for resale. It also includes any work-in-progress which arises out of material expenditure on a publication that is not due to be completed until after the end of the financial year in which the expenditure occurs.

Books, catalogues, posters and postcards produced by the Gallery are sold to the Company on consignment. The consignment stock is an asset of the Gallery.

## 1. ACCOUNTING POLICIES (continued)

### i) *Leases*

The Gallery has one finance lease relating to a 99 year lease for part of the East Wing for which the Gallery is charged a peppercorn rent. Costs in relation to operating leases are charged to the Statement of Financial Activities over the life of the lease.

### j) *Foreign currencies*

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

### k) *Pension costs*

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) which are described at Note 5. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependents' benefits. The Gallery recognises the expected costs of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, the Gallery recognises the contributions payable for the year.

### l) *Governance costs*

Internal and external audit fees, costs of Trustees meetings, planning costs and an allocation of the cost of certain staff within the Finance Department are categorised as Governance costs.

2a. GRANT IN AID	Unrestricted	Restricted	Total 2014 £000	Total 2013 £000
	Funds	Funds		
	£000	£000		
Running costs	6,789	-	6,789	7,038
Capital costs	-	251	251	239
			<u>7,040</u>	<u>7,277</u>

£7,040,000 of Grant-in-Aid was received during the year (£7,277,000 in 2012/13).

This money is available for running costs, capital improvements and collection purchases; of this, £251,000 was utilised by the Gallery towards Primary Collection acquisitions.

2b. VOLUNTARY INCOME	Unrestricted	Restricted	Total 2014 £000	Total 2013 £000
	Funds	Funds		
	£000	£000		
Fundraising dinners	442	-	442	47
Individual giving	608	-	608	609
Grants and donations	144	918	1,062	1,269
Donated acquisitions	-	857	857	264
Donations for acquisitions	-	548	548	351
The Heritage Lottery Fund/Department for Culture, Media & Sport Catalyst: Endowment	-	627	627	212
Legacies	-	38	38	-
Other fundraising income	82	-	82	61
	<u>1,276</u>	<u>2,988</u>	<u>4,264</u>	<u>2,813</u>

2c. ACTIVITIES FOR GENERATING FUNDS	Unrestricted	Restricted	Total 2014 £000	Total 2013 £000
	Funds	Funds		
	£000	£000		
Corporate members	152	-	152	188
Publications	347	-	347	328
Rights & Images (Picture Library)	406	-	406	348
<b>Trading income</b>				
Gallery hire	403	-	403	337
Retail	1,996	-	1,996	1,943
Catering franchise	437	-	437	449
	<u>3,741</u>	<u>-</u>	<u>3,741</u>	<u>3,593</u>

2d. OTHER INCOME	Unrestricted	Restricted	Total 2014 £000	Total 2013 £000
	Funds	Funds		
	£000	£000		
Recovery of utility costs	61	-	61	63
Sale of audio guide, floor plans, locker charges	119	-	119	154
Miscellaneous trading income	1	-	1	8
Collection loans income	9	-	9	8
Other	21	1	22	6
	<u>211</u>	<u>1</u>	<u>212</u>	<u>239</u>

3. INVESTMENT INCOME	2014 £000	2013 £000
Investment dividends	-	1
	<u>18</u>	<u>33</u>

4. NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS	2014 £000	2013 £000
a) External auditors' remuneration		
National Audit Office	34	42
PKF Littlejohn LLP	<u>9</u>	<u>42</u>
b) Internal auditors' remuneration	21	22
c) Operating lease rentals on land and buildings	144	141
d) Operating lease rental on fixtures & equipment	9	9
e) Depreciation	2,132	2,168
f) Loss on any disposal of fixed assets	-	-

The audit fee relates solely to audit services provided by the National Audit Office and PKF Littlejohn LLP.

Loss on disposal of fixed assets is included under Depreciation in Note 5.

## 5. TOTAL RESOURCES EXPENDED

	Direct costs	Allocated support costs	2014	2013
			Total	Total
	£000	£000	£000	£000
<b>Costs of generating funds</b>				
Costs of generating voluntary income	630	255	885	672
<b>Fundraising trading: cost of goods sold and other costs</b>				
Charitable trading	1,181	260	1,441	1,157
Non-charitable trading	1,513	306	1,819	1,488
<b>Total costs of fundraising trading</b>	2,694	566	3,260	2,645
<b>Investment management costs</b>	28	-	28	36
<b>Extending and broadening audiences</b>				
Publicity and information	1,065	93	1,158	1,178
National programme	185	34	219	488
Learning and access	1,255	789	2,044	2,066
	2,505	916	3,421	3,732
<b>Developing the Collection</b>				
Collection management	3,168	1,283	4,451	4,581
<b>Increasing understanding and engagement with the Collection</b>				
Research and documentation	1,257	822	2,079	2,134
Exhibitions and display	2,422	2,206	4,628	3,901
Charitable grants	20	-	20	380
	3,699	3,028	6,727	6,415
<b>Governance costs</b>	81	47	128	131
	<b>12,805</b>	<b>6,095</b>	<b>18,900</b>	<b>18,212</b>

## ALLOCATION OF SUPPORT COSTS

	Directorate & Office Services	Personnel	Finance & Planning	IT & Communications	Facilities Management	Depreciation	Support Salary costs	Total 2014	Total 2013
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Costs of generating voluntary income	14	16	2	40	33	22	128	255	194
Charitable trading	11	13	3	32	60	38	103	260	218
Non-charitable trading	2	10	10	21	92	-	171	306	291
<b>Costs of generating funds</b>	<b>27</b>	<b>39</b>	<b>15</b>	<b>93</b>	<b>185</b>	<b>60</b>	<b>402</b>	<b>821</b>	<b>703</b>
Publicity and information	3	3	3	8	38	13	25	93	67
National programme	2	2	-	4	8	5	13	34	33
Learning and access	12	14	3	34	281	335	110	789	746
<b>Extending and broadening audiences</b>	<b>17</b>	<b>19</b>	<b>6</b>	<b>46</b>	<b>327</b>	<b>353</b>	<b>148</b>	<b>916</b>	<b>846</b>
Collection management	4	67	8	10	328	330	536	1,283	1,231
<b>Developing the Collection</b>	<b>4</b>	<b>67</b>	<b>8</b>	<b>10</b>	<b>328</b>	<b>330</b>	<b>536</b>	<b>1,283</b>	<b>1,231</b>
Research and documentation	21	25	3	61	237	276	199	822	792
Exhibitions and display	17	20	6	49	868	1,088	158	2,206	2,085
Charitable grant	-	-	-	-	-	-	-	-	-
<b>Increasing understanding and engagement with the Collection</b>	<b>38</b>	<b>45</b>	<b>9</b>	<b>110</b>	<b>1,105</b>	<b>1,364</b>	<b>357</b>	<b>3,028</b>	<b>2,877</b>
<b>Governance costs</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>25</b>	<b>-</b>	<b>47</b>	<b>44</b>
<b>Total</b>	<b>87</b>	<b>170</b>	<b>38</b>	<b>259</b>	<b>1,966</b>	<b>2,132</b>	<b>1,443</b>	<b>6,095</b>	<b>5,701</b>

The charitable grant is a grant made to the Portrait Trust as support in the pursuit of its charitable objects.



## 5. TOTAL RESOURCES EXPENDED (continued)

### BASIS OF ALLOCATION OF SUPPORT COSTS

Support costs have been allocated across activities as follows:

Directorate: equally across departments

Personnel, salary costs: per capita

Office Services, IT, Telephones: per capita excluding Visitor Services staff

Finance and Planning, Consultancy fees: per direct and staff costs

Rent and Rates, Energy and Water, Maintenance and Housekeeping, Premises works, Depreciation: per square meterage

<b>GOVERNANCE COSTS</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Breakdown of direct costs		
Trustees' meetings and expenses	2	3
Internal Audit	17	22
External Audit	34	33
Finance and Planning costs	28	29
	<u>81</u>	<u>87</u>

External audit fees stated are for the Gallery only. The audit fees for the Company are included under Non-charitable trading costs.

<b>a) Staff costs</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Staff costs during the year amounted to:		
Wages and salaries	8,014	8,035
National Insurance	578	580
Pension	1,212	1,154
	<u>9,804</u>	<u>9,769</u>

Of which staff costs capitalised for digitising the Collection: 57 54  
equivalent to 2 FTE staff in both 2013/14 and 2012/13

The Company does not employ any staff directly and uses staff seconded from the Gallery. The costs of the staff were recharged to the Company. In 2013/14 the value of the seconded staff costs was £616,853 (£537,510 in 2012/13), which was equivalent to 18 full time staff (18.3 in 2012/13).

The Trustees neither received nor waived any emoluments during the year (also in 2012/13). Expenses reimbursed or paid on behalf of two Trustees amounted to £392, relating to travel and subsistence (in 2012/13, £296 for travel and subsistence of three Trustees).

#### Off-payroll staff appointments, use of consultants and temporary staff

There were no off-payroll staff appointments made in the year, for pay of more than £220 per day. No expenditure was incurred on consultancy in the year. £2,497 was spent on agency staff (contingent labour) in the year.

#### Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for classic and 3.5% and 8.25% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2014. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice-pensions.gov.uk/>.

## 5. TOTAL RESOURCES EXPENDED (continued)

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the National Portrait Gallery is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)). For 2013/14, employers' contributions of £1,181,411 were payable to the PCSPS (2012/13 £1,125,960) at one of four rates in the range 16.7% to 24.3% (2012/13, 16.7% to 24.3%) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013/14 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. Employers' contributions of £30,598 (£27,523 in 2012/13) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £2,259 (£2,122 in 2012/13), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £5,230 (£4,103 in 2012/13). There were no contributions prepaid at that date.

All staff joining the Gallery as from July 2007 who are contracted for one year or more automatically join the nuvos pension scheme whereas if their contract is for less than one year they have the option to join it. The Employee/Employer contributions are the same for nuvos as for premium and classic plus schemes.

### Numbers of Employees

The number of employees, comprising the Director and 4 other members of the Senior Management Team (4 in 2012/13) whose emoluments as defined for taxation purposes amounted to over £60,000 in the year are as follows:

	2014	2013 Restated
£60,001 - £70,000	3	4
£70,001 - £80,000	1	1
£100,001 - £110,000	-	-
£110,001 - £120,000	1	1

These employees are accruing benefits under defined benefit schemes and received no benefits-in-kind.

The average number of full time equivalent (FTE) employees analysed by function during the year was as follows:

	2014		2013
	Permanent staff	Temporary staff	Number
Costs of generating voluntary income	20	-	15
Charitable trading	16	-	14
Non-charitable trading	17	-	18
<b>Extending and broadening audiences</b>			
Publicity and information	4	-	3
National programme	2	-	2
Learning and access	17	1	18
<b>Developing the Collection</b>			
Collection management	78	7	90
<b>Increasing understanding and engagement with the Collection</b>			
Research and documentation	32	-	32
Exhibitions and display	25	-	26
<b>Governance</b>	-	-	-
<b>Support</b>	29	-	29
	<u>240</u>	<u>8</u>	<u>247</u>

As at 31 March 2014, 64 staff had season ticket and training loans outstanding worth a total of £67,545 included in Other Debtors (2012/13 65 staff had loans totalling £67,302).

## 6. TANGIBLE FIXED ASSETS

	Land and buildings £000	Plant and machinery £000	Furniture & equipment £000	Total tangible assets £000
Valuation/cost at 1 April 2013	44,560	11,459	2,785	58,804
Additions	-	23	190	213
Disposals	-	-	(46)	(46)
Revaluation adjustment	36,639	(5,373)	-	31,266
Transfer of assets	-	-	-	-
Valuation/cost at 31 March 2014	<b>81,199</b>	<b>6,109</b>	<b>2,929</b>	<b>90,237</b>
Depreciation at 1 April 2013	3,433	4,148	2,326	9,907
Transfers	-	-	-	-
Disposals	-	-	(46)	(46)
Depreciation	859	1,064	209	2,132
Revaluation adjustment	(4,292)	(5,208)	-	(9,500)
Depreciation at 31 March 2014	<b>-</b>	<b>4</b>	<b>2,489</b>	<b>2,493</b>
Net book value at 31 March 2014	<b>81,199</b>	<b>6,105</b>	<b>440</b>	<b>87,744</b>
Net book value at 31 March 2013	41,127	7,311	459	48,897

Tangible fixed assets relate to the Gallery. The Company has no fixed assets.

The net book value at 31 March 2014 represents fixed assets for:

	Land & Buildings £000	Plant & Machinery £000	Furniture & Equipment £000	Total £000
Charitable activities	73,513	5,527	398	79,438
Other activities	7,686	578	42	8,306
Total	<b>81,199</b>	<b>6,105</b>	<b>440</b>	<b>87,744</b>

All the Gallery's land and buildings were revalued in accordance with the RICS Valuation Standards (the "Red Book") by the firm of chartered surveyors, Deloitte LLP, at 31 March 2014, at which time they were valued at £81.2 million (excluding plant and machinery, which was valued at £6.2 million). In accordance with HM Treasury guidance, all other assets have been valued on a depreciated historical cost basis.

In accordance with Financial Reporting Standard 15, *Tangible Fixed Assets*, where a fixed asset comprises two or more major components with substantially different economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its useful economic life. The buildings have three separable material components, which have different remaining asset lives; structural, fit out and plant and machinery. Structural and fit out are disclosed under the land and buildings category.

**St Martin's Place:** The main Gallery at St. Martin's Place was transferred from ('vested by') the Secretary of State for the Environment and the Crown to the Trustees of the Gallery on 12 January 1994, although title was not registered to the Trustees until 7 June 1994. The main Gallery was brought into the books in 1994 at a net book value of £43.7million and was revalued at 31 March 2014 on a depreciated replacement cost basis of £75 million (including plant and machinery).

**Orange Street and Charing Cross Road:** The land and buildings at 39-45 Orange Street and 1 Charing Cross Road were purchased by the Trustees in 1988/89 for £1.5 million. This conveyance contains a covenant which states: "that the property shall not be used for any purpose other than for the purposes of The National Portrait Gallery as a non-profit making public art gallery and offices, library and storage and shop for the sale of books, souvenirs and pictures and restaurant and catering for visitors to the public and/or other similar. In each case strictly ancillary to the use of the property or the premises now known as The National Portrait Gallery as a public art gallery." They were reconstructed as part of the Gallery Development Plan to provide new accommodation for the archives and gallery administration. The buildings were occupied from October 1993, and were brought into the balance sheet as at 31 March 1994 at a value of £9.1 million (including plant and machinery). These properties were revalued at 31 March 2014 on a existing use basis at £12.3 million (including plant and machinery), with an allowance to reflect the restrictions described.

The net book value of land and buildings relates to:

	£000
Freehold	80,397
Long term lease (greater than 50 years)	802
Short term lease (less than 50 years)	-
	<u>81,199</u>

## 7. HERITAGE ASSETS

	Assets reported at Cost			Assets reported at Valuation			Total
	Primary	Reference	Photographs	Primary	Reference	Photographs	
	£000	£000	£000	£000	£000	£000	
Valuation/cost at 1 April 2013	9,950	43	586	2,330	40	267	13,216
Additions	407	4	47	821	-	36	1,315
Valuation/cost at 31 March 2014	<b>10,357</b>	<b>47</b>	<b>633</b>	<b>3,151</b>	<b>40</b>	<b>303</b>	<b>14,531</b>

Heritage assets are capitalised at the point of acquisition, where cost and valuation information is available. Where assets have been acquired jointly with another party, their carrying value reflects the proportion of the Gallery's holding. Trustees have considered the cost of capitalising acquisitions where no appropriate valuation exists and have found that the cost outweighs the benefit of doing so. The valuations of donated acquisitions have been made by the Gallery's staff and therefore represent an indicative estimate. In reaching these valuations curators compare portraits donated to the Collection with the values of comparable items on the open market, taking account differences in condition, size, status and market desirability. Such items are not depreciated or re-valued as a matter of routine.

There were no disposals or impairments of heritage assets in the period.

Additions in the year comprise:

### Primary Collection

£407,000 purchases of portraits – paintings, sculptures and photographs.  
£821,000 donations of paintings, sculptures and photographs.

### Reference Collection

£4,000 purchases of prints, drawings, paintings and sculptures.  
£0 donations of prints, drawings, paintings and sculptures.

### Photographs Collection

£47,000 purchases of photographs and historic negatives.  
£36,000 donations of purchases of photographs and historic negatives.

Summary of Heritage asset transactions

	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
<b>Additions</b>					
Purchased assets	458	979	715	161	340
Donated assets	857	264	173	368	714
<b>Total</b>	<b>1,315</b>	<b>1,243</b>	<b>888</b>	<b>529</b>	<b>1,054</b>

The Gallery's collections are held in support of its statutory obligations to promote, through the medium of portraits, the appreciation and understanding of the men and women who have made and are making British history and culture, and to promote the appreciation and understanding of portraiture in all media.

### Primary Collection

The Primary Collection of paintings, sculpture, miniatures, drawings, prints and photographs contains some 12,400 portraits of the most famous people in British history. Of these more than 4,100 are paintings, sculptures and miniatures, approaching 60% of which are regularly displayed at the National Portrait Gallery or elsewhere, including loans outside the UK. In addition, there are some 8,270 works on paper, shown on a rotating basis of about 300 items a year. All the portraits in the Primary Collection are accessible on the website in the search mechanism, Search the Collections. Those wishing to see paintings and other portraits in the Primary Collection not on display, or to consult the records of the collection, should contact the Collections Manager in writing. Normally items not on display can readily be made available for viewing. The Collection is also made widely available via the Portrait Explorer in the IT Gallery, by CD-Rom and on the internet (at [www.npg.org.uk](http://www.npg.org.uk)).

### Reference Collection

The Gallery holds its Reference Collection as a national resource; it contains more than 85,000 portraits and forms an image bank of the nation's famous and less famous faces. The range of work held in the Reference Collection complements the Gallery's Primary Collection and contributes to a better understanding of British portraiture generally. It consists of prints mainly, but also includes 2,500 drawings, 75 paintings and 140 sculptures, almost all relatively modest in nature. Examples of preparatory studies and working drawings record the process of making portraits and extensive holdings of engraved reproductions of portraits provide evidence for their distribution and consumption. The Reference Collection is used for study and exhibition, and has been extensively reproduced in books and other publications.

## 7. HERITAGE ASSETS (continued)

### *Photographs Collection*

The Photographs Collection consists of more than 250,000 original photographic images of which at least 130,000 are original negatives. They date from the 1840s to the present day. The collection is divided into two parts; photographic portraits that are subsumed into the Gallery's Primary Collection of portraits, and the remainder which form the Photographs Collection.

More information about the Gallery's collections is available at ([www.npg.org.uk/collections.php](http://www.npg.org.uk/collections.php)).

### *Capitalisation of the Collections*

The capitalised heritage assets reflect a small proportion of the Gallery's collections: only 4% of the Primary Collection and under 1% of the Reference and Photographs Collections. The Gallery has calculated that it would not be cost effective – in terms of expense and staff time – to capitalise all of its collections acquired before 2001 (for the Primary and Photographs Collections) and 2005 (in the case of the Reference Collection). The findings from the Gallery's review into the cost of capitalising all of its collections can be viewed at [www.npg.org.uk/about/corporate/gallery-policies.php](http://www.npg.org.uk/about/corporate/gallery-policies.php).

### *Acquisitions and disposals*

Acquisitions for the Primary Collection are subject to the approval of the Board of Trustees which meets four times a year. The Gallery's formal collecting policy is set out in the Acquisition and Disposal policy, which can be viewed on the Gallery's website, at [www.npg.org.uk/about/corporate/gallery-policies/acquisition-and-disposal-policy.php](http://www.npg.org.uk/about/corporate/gallery-policies/acquisition-and-disposal-policy.php).

### *Conservation*

The National Portrait Gallery's conservation staff perform one of the Gallery's core functions, the long-term preservation of all Collection items, to make them accessible now and in future. The majority of conservation work at the Gallery is undertaken in the Frame Conservation and General Conservation studios.

Conservators have a variety of responsibilities, including: remedial work, such as cleaning, consolidating, infilling and retouching; preservation work, to ensure works are stable and suitable for display in the Gallery or on loan; providing advice and guidance to ensure all Collection items are correctly handled, packed, moved and displayed; and regularly surveying Collections in the Gallery and in storage.

### *Collections Management*

The Primary, Photograph and Reference Collections are recorded on the Gallery database, Multi Mimsy, and this database serves as the register of the Collection. It is used to provide information on portraits in the Collection on the Gallery website.

The condition and storage of acquisitions for the Collection are considered at the point of acquisition. Items in the various collections are kept in environmentally controlled conditions. The condition and the management of the collections are then subject to review on a portrait-by-portrait basis as and when portraits are used for exhibition or other use at the Gallery or elsewhere. The condition and the management of the collection is also subject to review in other ways, firstly across a whole group of objects in a particular medium as and when opportunity or the need arises for a wider survey, secondly at a particular location as a matter of regular review and, thirdly as a matter of day-to-day review by staff working with the collections on display and in store. The Collection is subject to periodic random audit to make sure that portraits are located as recorded on the database. There is close and frequent liaison between collection managers, curators and conservators, and also with security staff as necessary.



## 8. AVAILABLE FOR SALE FINANCIAL ASSETS - INVESTMENTS

### Fixed asset investments

	Restricted Funds	Partners Capital TMP £000	2014 £000	2013 £000
Market value at 1 April 2013	3,068	3,068		2,715
Additions	-	-		-
Disposals	-	-		(37)
Net gain on revaluation	267	267		390
<b>Market value at 31 March 2014</b>	<b>3,335</b>	<b>3,335</b>		<b>3,068</b>
<b>Historical cost at 31 March 2014</b>	<b>2,550</b>	<b>2,550</b>		<b>2,550</b>
Unrealised Investment Gains at 31 March 2014	785	785		518

All investments relate to the Gallery only. These investments are being held for the purposes of producing a long term return and are not intended to be spent within the next 12 months. Funds held by Partners Capital LLP are invested in The Master Portfolio (TMP), which is a collective investment scheme, created by Partners Capital, that invests across a range of asset classes and securities (which may include investments in other collective investment schemes). The investments in The Master Portfolio are held within the Portrait Fund portfolio.

	2014 £000	2013 £000
Investment assets in the UK	-	-
Investment assets outside the UK	3,335	3,068
	<b>3,335</b>	<b>3,068</b>

### Current asset investments

	Restricted Funds Portrait Fund £000	Partners Capital Unrestricted Funds Investment & Contingency Fund £000	2014 £000	2013 £000
Market value at 1 April 2013	3,439	3,517	6,956	6,552
Add: Acquisitions at cost	-	-	-	234
Less: disposal proceeds	-	-	-	(250)
Investment management charges deducted	(22)	(25)	(47)	(17)
Gain/(loss) on revaluation	(283)	-	(283)	437
<b>Market value at 31 March 2014</b>	<b>3,134</b>	<b>3,492</b>	<b>6,626</b>	<b>6,956</b>
<b>Historical cost at 31 March 2014</b>	<b>3,082</b>	<b>3,037</b>	<b>6,119</b>	<b>6,119</b>
Unrealised Investment Gains at 31 March 2014	52	455	507	837

These investments are being held for the purposes of producing a return, but the Gallery considers that they should remain highly liquid and available to spend within the next 12 months.

The investment management charges in the SOFA are charged on an accruals basis. The investment management charges are deducted from the funds one quarter in arrears.

	2014 £000	2013 £000
Investment assets in the UK		
Government stocks	395	398
Investment assets outside the UK		
Government stocks	798	837
Asian local currency bonds	1,291	1,701
Corporate bonds	3,054	3,541
Global equities fund	534	-
Cash	554	479
	<b>6,626</b>	<b>6,956</b>

## 9. FINANCIAL RISK MANAGEMENT

FRS29 *Financial Instruments: Disclosures* requires entities to provide disclosures which allow users of the accounts to evaluate the significance of financial instruments for the entity's financial position and performance and the nature and extent of risks arising from financial instruments during the period.

The majority of financial instruments relate to contracts to buy non-financial items in line with the Gallery's expected purchase and usage requirements and in the case of these contracts the Gallery is exposed to little credit, liquidity or market risk. In the past year the Gallery has invested a proportion of its reserves in the world financial markets. Overall this will expose the Gallery to more foreign exchange risk, although its exposure to interest rate risk and liquidity risk will not have increased materially as a result of this investment.

### Liquidity risk

Approximately 46% of the Gallery's income (excluding income for buildings and net of trading and fundraising costs) is provided as Grant-in-Aid from the Department for Culture, Media and Sport. The remaining proportion is therefore generated via self-generated income, which is volatile. The risk is managed by the reserves policy for general funds which ensures that an amount at least equivalent in total to three-quarters of the Gallery's average stock levels is held in general funds. As the cash requirements of the Charity are met largely through Grant-in-Aid received from the Department for Culture, Media and Sport, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size.

The Gallery has sufficient unrestricted funds to cover its current liabilities.

### Credit risk

The Gallery group is exposed to credit risk of £686,000 of trade debtors – however this risk is not considered significant as major customers are familiar to the Gallery. The Gallery has recovered 99.8% of trade debtors over the last three years. Bad and doubtful debts are provided for on an individual basis. Write offs in the year for bad debts amounted to £12,000, (£10,000 in 2012/13).

Cash is held by the Gallery's bankers. The Gallery has not suffered any loss in relation to cash held by bankers.

### Interest rate risk

The Gallery draws down its annual Grant-in-Aid allocation according to its monthly cash flow requirements; 75% of the Gallery's financial assets represents cash and investments held for these short term requirements. Of these, 54% earn interest at a floating rate and 44% carry fixed rates of interest. The fixed rate investments consist of investments in UK inflation linked gilts and overseas government gilts, and corporate and inflation linked bonds. About 25% of the Gallery's financial assets are held in collective investment schemes with assets allocated across a diverse range of asset classes and securities. However, the Gallery has taken a conservative approach to the amount of investment income it can expect from its investments to fund its operations and is therefore not exposed to significant interest rate risk. Asset allocations across all investment portfolios are reviewed regularly and can be adjusted at short notice in response to significant changes in market conditions. Furthermore, the Gallery's budgets are reviewed and updated regularly to take account of fluctuations in interest rates to ensure that operations are not jeopardised in the event of a significant fall in investment income.

### Interest rate profile

The following table shows the interest rate profile of the Group financial assets.

	Floating rate	Fixed rate	Non-interest bearing	Assets earning equity return	Total	Weighted average interest rate	Weighted average period for which rate is fixed
	£000	£000	£000	£000	£000	%	
At 31 March 2014							
Sterling	5,316	4,350	256	3,335	13,257	2.54	3.33 years
Other	-	-	-	-	-		
	<b>5,316</b>	<b>4,350</b>	<b>256</b>	<b>3,335</b>	<b>13,257</b>		
At 31 March 2013							
Sterling	2,927	6,475	51	3,068	12,521	2.77	4.71 years
Other	-	-	-	-	-		
	<b>2,927</b>	<b>6,475</b>	<b>51</b>	<b>3,068</b>	<b>12,521</b>		

The book value equals the fair value for all assets held.

## 9. FINANCIAL RISK MANAGEMENT (continued)

### Reconciled to the Consolidated Balance Sheet

	2014	2013
	£000	£000
Fixed Asset Investments	3,335	3,068
Current Asset Investments	6,626	6,956
Cash at Bank	3,296	2,497
<b>Total</b>	<b><u>13,257</u></b>	<b><u>12,521</u></b>

### Foreign currency risk

As the Gallery's policy is to convert foreign currency into sterling on receipt, the Gallery's exposure to foreign currency risk is not significant.

Where practicable, investments will be made in Sterling denominated securities or in collective investment funds that have a Sterling hedged share class to minimize exposure to non-Sterling currencies. However, the investment portfolios include investments in overseas assets so some non-Sterling currency exposure may remain, particularly where exposure is to emerging market currencies where the cost of currency hedging may be prohibitive. The residual exposure to non-Sterling currencies means that the investment portfolio will benefit proportionately from any appreciation in non-Sterling currencies against Sterling and be negatively affected by depreciation against Sterling. Overall, it is expected that the exposure to any single non-Sterling currency will not be significant.

If all of the emerging market currencies depreciated against sterling by 10%, the overall impact on the portfolio of investments would be a fall in value of around £21,000. A similar appreciation of emerging market currencies against sterling would result in an appreciation in the value of the portfolio by a similar amount.

## 10. DEBTORS AND PREPAYMENTS

	GROUP		GALLERY	
	2014	2013	2014	2013
a) Debtors falling due within one year	£000	£000	£000	£000
Trade debtors	686	893	451	786
Less provision for bad debts	-	(13)	-	-
	<u>686</u>	<u>880</u>	<u>451</u>	<u>786</u>
Other debtors	296	196	274	171
Prepayments	59	55	58	55
Accrued income	100	178	59	132
Amounts due from the Company	-	-	862	870
	<u>1,141</u>	<u>1,309</u>	<u>1,704</u>	<u>2,014</u>

Debtors are financial assets with fixed or determinable payments that are not quoted in an active market. The Gallery has no intention of trading these loans and receivables. Subsequent to initial recognition at fair value, these assets are carried at amortised cost, less impairment, using the effective interest method.

Of the amount due from the Company, £714,975 relates to the distribution under Gift Aid of profits from the Company, and the remaining balance represents the intergroup balance as at 31st March 2014.

b) Intra-Government Balances	GROUP	
	2014	2013
	£000	£000
Balances with Central Government Bodies	164	97
Balances with Local Authorities	37	70
Balances with Public Corporations and Trading Funds	-	-
Balances with NHS Bodies	-	-
Sub-total Intra-Government Balances	<u>201</u>	<u>167</u>
Balances with Bodies external to Government	<u>940</u>	<u>1,142</u>
	<u>1,141</u>	<u>1,309</u>

This note provides an analysis of the amounts owed to the Group by different groups of public sector bodies and bodies external to government.

## 11. STOCK

	GROUP		GALLERY	
	2014	2013	2014	2013
	£000	£000	£000	£000
Goods for resale	590	378	335	223
Work in progress	20	30	20	30
	<u>610</u>	<u>408</u>	<u>355</u>	<u>253</u>

## 12. CURRENT LIABILITIES

### a) Creditors falling due within one year

	GROUP		GALLERY	
	2014 £000	2013 £000	2014 £000	2013 £000
Trade creditors	198	132	188	130
Other creditors	141	141	141	141
Taxation and social security	181	172	181	172
Accrued expenses	817	879	770	851
Deferred income	1,048	847	941	786
VAT payable	235	109	235	109
Provision for liabilities and charges	17	-	17	-
	<u>2,637</u>	<u>2,280</u>	<u>2,473</u>	<u>2,189</u>
of which creditors for capital expenditure:	20	10	20	10

### b) Creditors falling due after one year

	GROUP		GALLERY	
	2014 £000	2013 £000	2014 £000	2013 £000
Energy efficiency loan	-	8	-	8
	<u>-</u>	<u>8</u>	<u>-</u>	<u>8</u>

The loan was from Salix Finance Ltd from their energy efficiency funding programme to fund energy saving schemes in the public sector. The loan, which was provided in 2010, was for £60,141, is interest free and is repayable over 4 years, to fund the purchase and installation of a Voltage Power Optimisation Unit to help reduce the Gallery's electricity consumption. The loan will be paid off in full in 2014/15.

### c) Intra-Government Balances

#### Intra-Government Balances falling due within one year

	GROUP	
	2014 £000	2013 £000
Balances with Central Government Bodies	606	615
Balances with Local Authorities	3	-
Balances with Public Corporations and Trading Funds	-	-
Balances with NHS Bodies	-	-
Sub-total Intra-Government Balances	<u>609</u>	<u>615</u>
Balances with Bodies external to Government	<u>2,028</u>	<u>1,665</u>
	<u>2,637</u>	<u>2,280</u>

Intra-Government Balances falling due after one year are nil for both the Group and the Gallery (2012/13 £7,517 for the loan from Salix Finance Ltd).

This note provides an analysis of the amounts owed by the Group to different groups of public sector bodies and bodies external to government.

### d) Movement on deferred income

	GROUP								Total
	Sponsorship	Theatre Hire, Conferences & Group Tours	Conservation Fees	Exhibition Income & Fees	Registration Fees	Donations	Membership Fees	Event Deposits	
Balance as at 1 April	400	2	2	19	64	90	209	61	847
Amounts released from previous years	(400)	(2)	(2)	(19)	(64)	(75)	(209)	(61)	(832)
Incoming resources deferred in the current year	400	6	-	12	75	218	215	107	1,033
Balance as at 31 March	<u>400</u>	<u>6</u>	<u>-</u>	<u>12</u>	<u>75</u>	<u>233</u>	<u>215</u>	<u>107</u>	<u>1,048</u>

The disclosure includes the deferred income related to the Group.

### 13. STATEMENT OF FUNDS

	Note	Balance at 1 April 2013	Income	Expenses	Net gains/losses	Transfers	Balance at 31 March 2014
		£000	£000	£000	£000	£000	£000
<b>Unrestricted funds</b>							
<b>Designated funds:</b>							
Fixed Asset Fund	14	7,477	213	(1,273)	-	-	6,417
Fixed Asset Revaluation Fund		292	-	-	(165)	-	127
Investment and Contingency Fund		3,871	-	-	-	(837)	3,034
Portrait Fund		77	-	-	-	(77)	-
Deferred Projects Fund		371	-	(309)	-	425	487
<b>Total designated funds</b>		<b>12,088</b>	<b>213</b>	<b>(1,582)</b>	<b>(165)</b>	<b>(489)</b>	<b>10,065</b>
<b>General Funds (Working Capital)</b>	14	250	15,279	(15,642)	-	413	300
<b>Total unrestricted funds</b>		<b>12,338</b>	<b>15,492</b>	<b>(17,224)</b>	<b>(165)</b>	<b>(76)</b>	<b>10,365</b>
<b>Restricted funds</b>							
Fixed Asset Fund	15	25,539	-	(859)	-	-	24,680
Fixed Asset Revaluation Fund		15,589	-	-	40,931	-	56,520
Capitalised Collection Fund		13,216	1,108	-	-	207	14,531
		54,344	1,108	(859)	40,931	207	95,731
Portrait Fund		6,423	-	(12)	(16)	(23)	6,372
Heritage Lottery Fund/Department for Culture, Media & Sport Catalyst: Endowment		212	627	(3)	-	-	836
Grants and Donations Fund		740	1,505	(802)	-	(108)	1,335
Dame Helen Gardner Bequest Fund		6	1	-	-	-	7
		7,381	2,133	(817)	(16)	(131)	8,550
<b>Total restricted funds</b>		<b>61,725</b>	<b>3,241</b>	<b>(1,676)</b>	<b>40,915</b>	<b>76</b>	<b>104,281</b>
<b>Total Funds</b>		<b>74,063</b>	<b>18,733</b>	<b>(18,900)</b>	<b>40,750</b>	<b>-</b>	<b>114,646</b>

The Heritage Lottery Fund/Department for Culture, Media & Sport Catalyst: Endowment is a match funding scheme offered to cultural organisations to assist them in building endowments from which they can earn interest. The scheme began in 2012/13. Further details are provided in Note 15.

Transfers represent movements from the General Fund into the Investment and Contingency Fund and the utilisation of funds for projects and capital expenditure.

Fair Value Reserve (Investments)	As at 1 April 2013	Unrealised gains/losses under fair value	Realised gains/losses under fair value	As at 31 March 2014	Reserve/Fund excl fair value as at 31 March 2014	Reserve/Fund
						incl fair value as at 31 March 2014
<b>Unrestricted</b>						
General Fund	500	(25)	-	475	(175)	300
<b>Restricted</b>						
Portrait Fund	928	(38)	-	890	5,482	6,372



## **14. DESIGNATED FUNDS**

### **FIXED ASSET FUND**

This fund represents the net book value of all the Gallery's furniture and equipment, (mainly IT equipment), and plant and machinery.

### **FIXED ASSET REVALUATION RESERVE**

This fund represents the indexation and revaluation increases on the plant and machinery assets held in the Unrestricted Fixed Asset Fund.

### **INVESTMENT AND CONTINGENCY FUND**

This fund represents a designation of surpluses to be invested in projects in accordance with the reserves policy. Transfers represent the year-end surplus transferred to this fund.

### **PORTRAIT FUND**

This fund represented income designated for the development of the Collection (acquisitions and related costs such as conservation and displays, including unrestricted legacies and interest earned).

### **DEFERRED PROJECTS FUND**

This fund represents underspends generated this year which are to be employed in projects next year. The projects include structural minor works, future exhibitions planning, funding relating to projects supported by the Lerner Gift, and an integrated HR and Payroll software application project outstanding from 2013/14. The Fund also includes funding earmarked for future acquisitions. Transfers represent the underspends identified in this year set aside for projects to be undertaken in future years.

### **GENERAL FUND**

General funds need to be sufficient to enable the Gallery to manage its working capital, specifically the cash tied up in stock. The balance of £300,000 in the General Reserve equates in total to at least three-quarters of the average stock levels in the accounts.

## **15. RESTRICTED FUNDS**

### **FIXED ASSET FUND**

This fund represents the net book value of the Gallery's restricted tangible assets. These assets consist of the main Gallery building - including the Ondaatje extension and the Duveen Wing - the Orange Street complex and the leased East Wing.

### **FIXED ASSET REVALUATION RESERVE**

This fund represents the indexation and revaluation increases on the Land and buildings assets held in the Restricted Fixed Asset Fund.

### **CAPITALISED COLLECTION FUND**

This fund represents the value of Heritage Assets funded by restricted donations and Grant-in-Aid allocated to capitalised acquisitions for Collections. (For an explanation of the transfers, see Grants and Donations Fund below).

### **PORTRAIT FUND**

This fund represents restricted funds received specifically for the Portrait Fund for the development of the Collection (acquisitions and related costs such as conservation and displays).

### **HERITAGE LOTTERY FUND/DEPARTMENT FOR CULTURE, MEDIA AND SPORT CATALYST: ENDOWMENT FUND**

The Heritage Lottery Fund/Department for Culture, Media & Sport Catalyst: Endowment is a match funding scheme offered to cultural organisations to assist them in building endowments from which they can earn interest. The terms of the Catalyst: Endowment require the Gallery to raise £1 million by June 2016. During this period the scheme will match this fund raising £1:£1. To date the Gallery has raised over £420,000 towards the £1 million target and has been able to draw down its first tranches of match funding. The figure for income includes both the amount the Gallery has raised to date and the match funding drawn down from the scheme. The funds raised through the scheme will be used to support the Portrait Fund.

### **GRANTS AND DONATIONS FUND**

This fund represents grants and donations given for a specified purpose. Transfers on this occasion represent heritage assets purchased with restricted income transferred to the Capitalised Collection Fund.

### **DAME HELEN GARDNER BEQUEST**

This fund represents royalties received under Dame Helen Gardner's bequest, restricted to purchasing literary or early 17th Century portraits.

## 16. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 March 2014 are represented by:

	Unrestricted		Restricted £000	Total
	Designated £000	General £000		
Fixed Assets	6,544	-	81,200	<b>87,744</b>
Heritage Assets	-	-	14,531	<b>14,531</b>
Investments	-	-	3,335	<b>3,335</b>
Current Assets	3,521	2,937	5,215	<b>11,673</b>
Current Liabilities	-	(2,637)	-	<b>(2,637)</b>
Long term Liabilities	-	-	-	-
<b>Total Net Assets</b>	<b>10,065</b>	<b>300</b>	<b>104,281</b>	<b>114,646</b>

## 17. FINANCIAL COMMITMENTS

As at 31 March 2014 the Gallery had annual commitments under non-cancellable operating leases and other arrangements as follows:

Arrangements which expire:	2014		2013	
	Land and buildings £000	Other Operating Leases £000	Restated Land and buildings £000	Other Operating Leases £000
Less than one year	-	7	-	-
One to five years	-	-	-	9
Greater than five years	<b>149</b>	-	<b>146</b>	-

## 18. CAPITAL COMMITMENTS

	2014 £000	2013 £000
Capital expenditure contracted for but not provided in the accounts	<b>21</b>	-
Capital expenditure authorised but not contracted for	<b>10,331</b>	754

Capital expenditure authorised but not contracted for relates to the planned purchase of a portrait, software enhancements and planned works to the Gallery.

## 19. CASH FLOW INFORMATION

### a) Reconciliation of changes in resources to net cash (outflow)/ inflow from operating activities

	2014	2013
	£000	£000
Net incoming/(outgoing) resources before revaluations	(167)	(823)
less: Investment income	(18)	(33)
Donated acquisitions	(857)	(264)
Loss on disposal of fixed assets	-	-
Depreciation	2,132	2,168
(Increase) / Decrease in debtors	168	(340)
(Decrease) / Increase in creditors	138	(247)
Increase / (Decrease) in deferred income	201	84
(Increase)/ Decrease in stock	(202)	(98)
<b>Net cash flow from operating activities</b>	<b><u>1,395</u></b>	<b><u>447</u></b>

### b) Analysis of Cash Flows

#### Capital expenditure and financial investment

Payments to acquire tangible fixed assets	<b><u>(661)</u></b>	<b><u>(1,305)</u></b>
-------------------------------------------	---------------------	-----------------------

#### Management of liquid resources

Purchase of investments	-	(234)
Disposals of investments	-	287
Investment management charges	<b><u>47</u></b>	<b><u>17</u></b>
	<b><u>47</u></b>	<b><u>70</u></b>

#### Return on investments and servicing of finance

Interest received	<b><u>18</u></b>	<b><u>32</u></b>
Investment dividends	-	1
	<b><u>18</u></b>	<b><u>33</u></b>

### c) Reconciliation of net cash flow to movement in net funds

(Decrease)/Increase in cash in period	<b><u>752</u></b>	<b><u>(825)</u></b>
Cash flow from change in liquid resources	<b><u>47</u></b>	<b><u>70</u></b>
Movement in net funds in the period	<b><u>799</u></b>	<b><u>(755)</u></b>
Net funds at 1 April	<b><u>2,497</u></b>	<b><u>3,252</u></b>
Net funds at 31 March	<b><u>3,296</u></b>	<b><u>2,497</u></b>

### d) Analysis of net funds

	1 April 2013	Cash flow	31 March 2014
	£000	£000	£000
Cash at bank and in hand	<b><u>2,497</u></b>	<b><u>799</u></b>	<b><u>3,296</u></b>
Net funds	<b><u>2,497</u></b>	<b><u>799</u></b>	<b><u>3,296</u></b>

**20. TRADING SUBSIDIARY  
NATIONAL PORTRAIT GALLERY COMPANY LIMITED**

The National Portrait Gallery owns the whole of the issued share capital of 1 issued share of £1 nominal value of the National Portrait Gallery Company Limited, a company registered in England and Wales. The Company's principle activities are Retail, Gallery Hire and running the Gallery catering franchise.

A summary of the results of the subsidiary is shown below:

	2014 £000	2013 £000
<b><u>Profit and loss account</u></b>		
Turnover	2,856	2,763
Cost of sales	(1,021)	(1,041)
<b>Gross Profit</b>	<u>1,835</u>	<u>1,722</u>
Administrative expenses	(1,124)	(1,040)
<b>Trading Profit</b>	<u>711</u>	<u>682</u>
Interest receivable	4	4
Loan interest payable	-	-
<b>Profit on Ordinary Activities Before Taxation</b>	<u>715</u>	<u>686</u>
Taxation	-	-
<b>Profit on Ordinary Activities After Taxation</b>	<u><u>715</u></u>	<u><u>686</u></u>
<b><u>Balance sheet</u></b>		
Tangible fixed assets	-	-
Current assets	1,024	961
Creditors	(309)	(275)
Payment under Gift Aid to Gallery	(715)	(686)
<b>Net assets</b>	<u><u>-</u></u>	<u><u>-</u></u>
<b>Share capital and reserves</b>	<u><u>-</u></u>	<u><u>-</u></u>

Reconciliation of results of the Company to the Consolidated Statement of Financial Activities.

	2014 £000	2013 £000
Turnover	2,856	2,763
Intra group transactions	-	-
<b>Trading income included within SOFA</b>	<u>2,856</u>	<u>2,763</u>
Cost of sales	(1,021)	(1,041)
Administrative expenses	(1,124)	(1,040)
Taxation	-	-
Intra group transactions	1,470	1,522
<b>Trading costs included within SOFA</b>	<u>(675)</u>	<u>(559)</u>
Interest receivable	4	4
<b>Included in investment income per SOFA</b>	<u>4</u>	<u>4</u>

## 21. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 March 2014.

## 22. POST BALANCE SHEET EVENTS

Dame Carol Black and Dr Polly Blakesley were re-appointed as Gallery Trustees for a further period of four years. In November 2013 the Gallery began a fundraising campaign to acquire a self portrait of the seventeenth century Dutch master Sir Anthony Van Dyck. The Gallery had raised over £3 million in donations towards the agreed sale price of £10 million by the year end. The Gallery made an application to the Heritage Lottery Fund for a grant of over £6.34 million towards the acquisition and an accompanying tour of the regions for the portrait. The Gallery was informed on 1 May that its application had been successful and that the Gallery had been awarded a grant of £6.34 million. With the HLF grant and the other funding raised at that point, the Gallery had sufficient funds to acquire the portrait. The portrait was finally acquired on 30 June 2014.

## 23. RELATED PARTY TRANSACTIONS

The National Portrait Gallery's sponsor, the Department for Culture, Media and Sport, is regarded as a related party. During the year, the Gallery has had various transactions (greater than £500) with the Department and with other entities for which the Department is regarded as the parent Department as follows: British Broadcasting Corporation (BBC), British Library, British Museum, Channel Four Television Corporation, Historic Royal Palaces, National Gallery, Tate Gallery, Imperial War Museum and the Victoria & Albert Museum. The Gallery has a ten year licence agreed with Tate for the provision of storage for the Gallery's collections, which commenced in 2012.

### Other Related Party Transactions

Organisations in which Trustees or key members of management (or their connected persons) have an interest are also regarded as related parties. During the year, the Gallery entered into the following transactions, under normal business terms, with the following organisations in which either a Trustee or a member of management was regarded as having an interest:

<u>Trustee</u>	<u>Related party</u>	<u>Position held at related party</u>	<u>Transaction and balance details</u>
Dr Brian Allen	Hazlitt Gooden Fox	Chairman of Hazlitt Group	£10,750 of sales for Corporate Membership, and £10,000 paid at a fundraising event. £22,725 for the acquisition of art works. Nil balance at year end.
Lord Janvrin	HSBC	Deputy Chairman	£10,000 paid at a fundraising event. Nil balance at year end.
Allegra Berman	HSBC	Global head of public sector banking	£10,000 paid at a fundraising event. Nil balance at year end.
Dr Augustus Casely-Hayford	Tate Gallery	Member of Tate Britain Council	£720 of fees for the loan of an art work. Nil balance at year end.
David Ross	David Ross Foundation	Trustee	£33,750 paid at fundraising event, and £10,000 paid to support a Gallery display. Nil balance at year end.
Marina Warner	Bodleian Library	Trustee	£96 of purchases for publication production costs. Nil balance at year end.
Christopher Le Brun	Royal Academy of Arts	Trustee	£46 of sales for NPG publications, and £53 for training course fees. Purchases of £951 for advertising, mounting and framing and publication costs. Nil balance at year end.

### Independent Members (Audit & Compliance Committee)

Jacqueline Riding	National Maritime Museum	Close family member is Head of Arts at NMM	£234 for loan transport costs and research costs. Nil balance at year end.
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#### Independent Members (Investment Committee)

Anthony Brooke	The Portrait Trust	Trustee	The Gallery provided a grant of £20,000 to the Trust in the year, and received a grant of £150,000 from the Trust.
Jeremy Sillem	Partners Capital	Shareholder	Partners Capital paid £1,200 at a fundraising event.

#### Gallery Management

Sandy Nairne CBE	Courtauld Institute of Art	Close family member employed at the Courtauld	£27,758 for the payment of a research grant and publication costs. Nil balance at year end.
Pim Baxter	Association of Leading Visitor Attractions (ALVA)	Director	£8,350 of purchases for benchmarking and research fees, and annual ALVA membership fee.
Judith West	Dulwich Picture Gallery	Trustee	£254 of sales for NPG publications. Nil balance at year end.
Sarah Moir	Rocket Food Company	Close family member is director of company	£4,622 of purchases for events catering. £1,610 of sales for evening hire. Nil balances at year end.

**Trustees:** Sir William Proby donated £1,450 to the Gallery, he paid £6,000 at a fundraising event and donated £200 to the Van Dyck fundraising appeal. Dame Carol Black paid £1,200 at a fundraising event, and she and her husband donated £250 each to the Van Dyck fundraising appeal. Sir Nicholas Blake donated £1,225 to the Van Dyck fundraising appeal. Dr Andrew Roberts paid £75 for Gallery membership. Lord Janvrin and Allegra Berman are both employees of HSBC and HSBC Private Bank (Luxembourg) is the custodian bank for the Gallery's and Portrait Fund's reserves under management with Partners Capital LLP.

**Independent Members:** Jeremy Sillem - an independent member of the Investment Committee - is a shareholder with Partners Capital LLP. Partners Capital LLP are the Gallery's investment advisors with £10 million of the Gallery's reserves under management.

**Staff:** Terence Pepper (the Gallery's Head of Photographic Collection) donated 962 photographs with an aggregated value of £19,342 to the Gallery's photographic collection.







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