

# National Portrait Gallery Annual Report and Accounts 2015-16

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

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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 2016. 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 Charities Statement of Recommended Practice (FRS 102).

The Trustees have complied with their duty in section 11 of the Charities Act 2011 to have due regard to guidance published by the Charity Commission and for the Commission's guidance on public benefit.

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 This act superseded the Treasury Minute of 2 December 1856 by which the Gallery was originally established.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, and is a public benefit entity.

### 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 12,402 portraits of the most famous people in British history. Of these more than 4,084 are paintings, sculptures and miniatures, approaching 60% of which are regularly displayed at the National Portrait Gallery or elsewhere. In addition, there are some 8,318 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), 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 2015/16 and up to the date on which the accounts were signed is at page 30. 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 Dr Nicholas Cullinan. 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. A Memorandum of Understanding was agreed in January 2015 between the Portrait Trust and the Gallery which clarified how the two organisations would work together. The Gallery also agreed to provide the Trust with an annual grant of £20,000, over the three years 2015/16 to 2017/18, in order for the Trust to be able to cover its running costs and pursue its charitable objectives.

Details of the Gallery's external advisers are at pages 30 and 31.

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 16 and 17).

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 17.

## Objectives and Performance Indicators

The Gallery signed a new Management Agreement with the Department for Culture, Media and Sport in July 2014. The Agreement confirmed the Gallery's six Corporate Objectives along with some specific priorities that the Secretary of State outlined for the Gallery. The Agreement also included twelve key performance indicators (KPIs) that the Gallery has to report against. Many of the KPIs were the same as those the Gallery has reported against in past years, but some were different and as a result will have no prior period comparators because the data was not compiled in the earlier periods. These performance indicators relate to audience profile, learning and outreach, visitor satisfaction, income generation (both charitable and non-charitable) and regional engagement. The Management 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 2015/16 detailed on pages 32 and 33, (with comparators for previous years provided where possible).

The 2015/18 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.

The Management Agreement with DCMS introduced five priorities set for the Gallery by the Secretary of State which included:

- that the world-class collections and front-line services of the Gallery are protected;
- that free entry to the permanent collections of the national museums will continue to be available and public access will be protected;
- that the Gallery will continue to work in partnership with other museums in the UK;
- that the Gallery will continue to strengthen the financial resilience of the sector, building on the work you have already embarked on to develop philanthropy in the sector, and adding further impetus to organisation's efforts to increase their share of 'earned income';
- that the Gallery will support international cultural exchange and build relationships which help develop the culture sector in this country and assist export promotion in that sector.

## ACTIVITIES, PERFORMANCE AND PLANNED FUTURE DEVELOPMENTS

### 1) Extending and broadening audiences

#### Visitor numbers

The Gallery's audiences continued to grow on a national and international level during 2015/16, with an increased number of people having access to exhibitions, displays and the Collection both on-site and online, and through the Gallery's National Programme, touring initiatives and learning and participation projects.

Visitor figures once again exceeded two million visits, and a new annual record was set, with the Gallery attracting 2,102,975 visits, 21,342 more than in 2014/15. During the year the Gallery held several high-profile exhibitions, including *Sargent: Portraits of Artists and Friends*, which attracted an audience of over 120,000, and *Audrey Hepburn: Portraits of an Icon*, which was seen by 127,000 people - the most popular ticketed exhibition staged in the Porter Gallery to date.

There was growth within key target demographic groups, such as Black, Asian and Minority Ethnic audiences, which equated to 13% of overall visitors; 21% of UK visitors were students or from lower social-economic groups. Overseas visitors made up 41% of the total number and 34% were London residents. Satisfaction levels remained high, with 99% of visitors describing their experience as excellent or good and 96% saying they would recommend a visit to friends or family.

#### Communications

Marketing campaigns continued to make use of both traditional and new media to expand the reach of the Gallery's messaging. Social channels and digital advertising were central to each campaign, with notable activity including a film trailer for *Giacometti: Pure Presence*, a Pinterest map of locations linked to the iconic Duke to promote *Wellington: Triumphs, Politics and Passions* and a highly successful fashion and style bloggers event, which helped to spread the word about *Audrey Hepburn: Portraits of an Icon*.

Press activity resulted in widespread media coverage for exhibitions; the critically-acclaimed *Giacometti: Pure Presence* exhibition received a series of five star reviews and there was extensive news exposure for the opening of *Audrey Hepburn: Portraits of an Icon*, including an interview with Hepburn's son Luca Dotti on ITV's *This Morning*. The Communications team worked closely with the BBC on the broadcast collaboration *Simon Schama's Face of Britain*, which included a five-part documentary series on BBC2 - a major press launch was hosted at the Gallery, and each episode was live-tweeted @NPGLondon.

#### Late Shift

Thursday and Friday evenings at the Gallery continued to prove popular, with a wide range of engaging conversations on diverse subjects inspired by the exhibition programme - from *Sargent: Portraits of Artists and Friends* to *Vogue 100: A Century of Style*. The programme responded to history, art, literature and identity: with DJs, live music, art classes, film seasons and talks, it continued to engage a younger demographic. Programming also included monthly events exploring LGBTQI issues, and British Sign Language-interpreted events.

#### Friday Evening Music

Standout performances as part of the Friday Evening Music programme were the Piatti Quartet (an all Beethoven programme in response to *Wellington: Triumphs, Politics and Passions*), Juliet Fraser (performing *Three Voices* by Morton Feldman) and Anton Lyakhovsky (Mussorsky's *Pictures at an Exhibition*, to complement *Russia and the Arts: The Age of Tolstoy and Tchaikovsky*).

## The Portrait Choir

The Portrait Choir enjoyed a very busy and successful year, with performances at The Globe (in *All the Angels: Handel and the First Messiah*) and Latitude Festival, as well as residences inspired by *Wellington: Triumphs, Politics and Passions* and *Audrey Hepburn: Portraits of an Icon*. The Portrait Choir, The Visitor's Choir and The Staff Choir performed together for the first time, and the Choir hosted its first Youth Singing Day, complementing the regular public Singing Days.

## Families

The Gallery is committed to providing an excellent welcome for families. The Family Activity Base (FAB) continued to attract thousands of family groups, providing free materials and resources at weekends and over public holidays. Children's book illustrator Yasmeen Ismail created new characters for the *BP Portrait Award 2015* Family Trail. Artist-led creative workshops and drop-in sessions explored the Collection and exhibitions, with highlights including wearable sculpture, set design, studio photography and a special event with children's author Dame Jacqueline Wilson.

## Young People

The Gallery's active Youth Forum (twenty-five strong) expanded their peer-led activities, hosting monthly artist-led *Pick up a Pencil* drop-in drawing events, consulting on Gallery exhibitions and projects, and giving lively 'Youth Insights' Gallery talks about Van Dyck and self-portraiture to over 100 members of the public. Creative events for young people spanned a range of arts activities, from spoken word and poetry to figurative drawing, and the third *BP Portrait Award* Young People's Private View attracted 170 young people.

## Schools and Colleges

41,503 individual children and young people participated in on-site activities during 2015/16, with a further 360 participating off-site.

The Gallery's growing offer for Secondary Schools included training for PGCE students, talks by historian Simon Schama and activist Peter Tatchell, and an off-site whole-school Citizenship Day for *Creative Connections*. *Meet the Artist* events continued to prove popular with GCSE students. Workshops for Primary students included *The Big Draw*, which developed critical thinking skills, and a Year 6 Transition project with two local primary schools inspired by the *Van Dyck* display. New online resources included the *In Focus* series around individual artists in the Gallery's Collection and the interactive medical timeline *A Picture of Health*, supported by Walgreens Boots Alliance. Thousands of teachers are now reached by regular e-bulletins and the new Schools Twitter feed #NPGSchools.

## Adult Programmes

A sell-out international conference on *Sargent: Portraits of Artists and Friends*, supported by the Terra Foundation, was a great success. The Gallery's adult Group Tours programme continued to expand, with tours responding to the exhibition programme proving especially popular. Thursday Lunchtime Lectures focussed on the exhibitions programme, alongside a wide range of subjects relating to the Collection. Audiences continued to remain high despite the introduction of a small ticket fee for Lectures. Two-day artist-led Weekend Workshops, focussing on either painting or photography, took place every other weekend and regularly reached capacity.

## Access

The Gallery continued to deliver artist-led workshops for children in Great Ormond Street, Evelina London Children's Hospital at St Thomas' Hospital, the Royal London Hospital and Newham University Hospital. This much-needed provision enabled young people in clinical settings to access the arts. *Creative Spaces*, an eight-week art studio course for adults with learning disabilities, ran twice, and *Drawing Room* monthly drawing classes for adults with disabilities continued to prove popular. *Musical Portraits*, the Gallery's project for young people with Autism, developed, with

sessions three times a year: in partnership with Wigmore Hall and Turtle Key Arts, young people work with artists and musicians to create musical responses to the Gallery's Collection.

### Outreach

Funding from Bank of America Merrill Lynch supported the delivery of an art project engaging students with hearing, language and communication needs from Oak Lodge School in Wandsworth and students with Autism Spectrum Disorder (ASD) from Drumbeat School & ASD Service, Lewisham. Both schools visited *Giacometti: Pure Presence* and went on to work with artists to create their own pieces. The young people were introduced to new ways of working and new genres of art, developing their knowledge and understanding of art history in a unique and supportive learning environment.

### Creative Connections

The third project display opened at the Gallery showcasing art created by students from Haverstock School with artist Kate Peters with a private view for students, friends and families. In autumn 2015 the project entered its fourth year, and photographer Simon Terrill was commissioned to work with students from St Saviours and St Olave's school in Southwark to develop their photography skills and explore their pride in their local neighbourhood. The Collection has proved a rich resource of inspirational role models with links to their borough.

### Interpretation

Initiatives for 2015/16 included the approaches adopted for the dispersed exhibition *Simon Schama's Face of Britain*. The interpretation in the six cross-period thematic displays was based on Schama's book text and film scripts. A free audio guide voiced by Simon Schama was available on the Gallery players or as a downloadable App automatically triggered by i-Beacon technology. Over 1,000 Apps were downloaded, and the visitor rating on returning players was 98% 'very good'.

### National Programmes

*Picture the Poet* toured to The Collection, Lincoln, Sunderland Museum & Winter Gardens and Tullie House, Carlisle. Key partners, the National Literacy Trust and Apples and Snakes, worked with the Gallery and the tour venues to develop programmes for schools and young people involving poets such as Ian McMillan, Benjamin Zephaniah and Andrew Motion and photographers including Madeleine Waller. The project was funded by the Arts Council's Strategic Touring Fund and other funders.

The Van Dyck self-portrait toured to Manchester Art Gallery as the focus of *Artists in the Frame*. It then returned to the Gallery to be displayed alongside portraits by Van Dyck borrowed from Chequers in the display *Van Dyck: Transforming British Art*, before heading to Dulwich Picture Gallery, where the artist Mark Wallinger responded to the work in the display *I am Van Dyck*. Each venue developed an extensive learning programme to complement their display.

The National Trust's Beningbrough Hall, near York, showed contemporary portraits from the Collection in *Royals: Then and Now*, and Montacute House, near Yeovil, showed the display *Pictured and Seen*, which also drew on National Trust collections. *The Modernist Face* exhibition was shown as a result of the partnership between the Gallery, the Barber Institute and the University of Birmingham.

The Gallery-led Subject Specialist Network *Understanding British Portraits* arranged a programme of seminars at venues including Woburn Abbey and the Museum of the Mind, Bethlem Hospital.

The Gallery lent works to thirty-two UK venues, not including long term loans, and twelve venues overseas - including the Metropolitan Museum of Art, New York and Deutsches Historisches Museum, Berlin.

## 2) Developing the Collection

### Introduction and Highlights of Primary Collections Acquisitions

The growth of the Gallery's historic, modern and contemporary collections remains central to our mission and 2015/16 saw several important new acquisitions, many of which were generous gifts that helped to fill critical gaps in the Gallery's holdings. Among the most significant was the acquisition of the Lucian Freud Archive, acquired as part of the Acceptance in Lieu scheme, as well as an important unfinished painting, a Lucian Freud self-portrait (c.1985). The Freud Archive contains forty-seven sketchbooks, drawings, watercolours and letters, and will be the subject of a research and cataloguing project.

The Gallery was fortunate to acquire a portrait of Henry Stanley, 4th Earl of Derby, one of the earliest recorded patrons of a theatre company, by an unknown artist, (c. 1580s) as a gift in honour of the former Director Sandy Nairne. There were many significant twentieth century acquisitions, including gifts of a sketch of Field Marshal Viscount Bernard Montgomery (1945), a self-portrait of the Polish born émigré artist Henryk Gotlib (1956) and a drawing of the fashion icon Dame Mary Quant by Bryan Organ (1969). A powerful bronze bust of the photographer Cecil Beaton by Frank Dobson (c.1930) was purchased at auction. A bronze portrait of the tennis star Virginia Wade by David Wynne (1972) was acquired as a gift, helping to increase our holdings of outstanding British sportsmen and women. Several important contemporary works were also acquired, including the gift of a self-portrait by the painter Chantal Joffe (2008) showing her with her daughter Esme, Catherine Goodman's painted portrait of the film director Stephen Frears (2013-14) and a half-length portrait sculpture of the broadcaster, and writer Joan Bakewell (2014) by Glenys Barton, together with an unusual emblematic self-portrait by Grayson Perry, 'A Map of Days' (2013).

Important vintage photographs included an exceptionally rare and important album of photographs by the pioneering Victorian photographer Oscar Rejlander (c. 1860s) which was saved for the nation with the support of the Art Fund and other donors, after being barred for export. We also acquired an early daguerreotype of the novelist William Makepeace Thackeray (c.1850s), and an iconic image by E.O. Hoppe of the actress and dancer Tilly Losch (1928). Some important late 20th century and contemporary photographs came into the Collection as gifts, including a group of portraits by the Douglas Brothers depicting sitters including Sir Daniel Day Lewis, Alan Bennett, Ian McEwan, Tilda Swinton, Kazuo Ishiguro and John le Carré, dating mainly from the 1990s, and an important photograph of John Lennon and Yoko Ono by Lennon (1968). An impressive and arresting large format portrait of Prince Charles by Nadav Kander (2013) was purchased from the artist, as well as compelling photographs of Prince Charles and Camilla, Duchess of Cornwall, by Mario Testino (2006), acquired as part gift and part purchase.

### Commissions

Two J.P. Morgan Fund for New Commissions-funded portraits were completed: the inventor of the World Wide Web, Sir Tim Berners Lee, was sculpted in painted bronze by Sean Henry, and the publisher Dame Gail Rebuck was painted by Jennifer McRae in a setting that reflects both her public and home life. The leading American artist Chuck Close produced a large-scale watercolour printed portrait of the Gallery's former Director, Sandy Nairne, which was based on a large-format colour Polaroid photograph.

### The Photographs Collection

Highlights of the photographic works acquired for the Reference Collection in 2015/16 include an extraordinary group of nineteenth century Royal portraits, and a portfolio of portraits relating to the James Bond film *SPECTRE* by Anderson and Low, both presented as gifts. We continued to focus on BAME sitters, acquiring portraits of Errol John, Edric Connor, Nina Mae McKinney, Evelyn Dove, and Elisabeth Welch. A rare group of nineteenth century photographs of jockeys was also welcomed, together with further generous gifts by the Gallery's former Head of Photographs, Terence Pepper. More than thirty selected portraits of various sitters were also added to the Collection.

## Reference Collection: The Heinz Archive and Library

Gifts to the Reference Collection in the Heinz Archive and Library included two important acquisitions: eighty-nine portraits relating to the Duke of Wellington given by Sir Edward du Cann, and sixty-nine lithographs from the *Sporting Gazette and Agricultural Journal* given by John W. Young. In addition, a drawing of the artists Frederic Lord Leighton, George Du Maurier and William Powell Frith by George Du Maurier was donated by Donato Esposito. The Collected Archives received, among other gifts, the account ledger of Adolph Hahn from Rupert Maas and the important Lucian Freud Archive as mentioned above.

## Collections Care and Collections Management

A variety of projects were undertaken in 2015/16. The frame verification project at the Gallery's Southwark Store, and the subsequent database update, proved invaluable for Collections planning. The Art Handling Technicians were able to further develop their skills by undertaking bespoke acrylic mount-making for *Vogue 100: A Century of Style*. Painting conservation treatments on portraits of Walter Sickert (NPG 4761) and Lord George Stuart (NPG 5964) were completed, and frame conservation projects included the construction of new frames for portraits of Malcolm Morley (NPG 6935) and the Duke of Wellington (NPG 3766). The Conservation team also prepared a number of paintings, photographs and drawings for the *Contemporary Conversations* intervention displays in four of the Gallery's historic rooms. Technical analysis and paint sampling revealed more about the rendering of the portrait of the Brontë sisters by Branwell Brontë, a key exhibit in *Celebrating Charlotte Brontë*. The Collections team continued to support colleagues with plans to install low energy LED lighting on the first floor.

## 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, 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 two independent Trustees, Lady Douro and Sir Christopher Ondaatje.

The Gallery's Portrait Fund (which assists with acquisitions) stood at £6,686,000. In July the £1 Million Portrait Fund Challenge was drawn to a successful conclusion, a year earlier than the scheme's deadline. The Challenge arose as part of the Gallery's bid in 2012/13 to the Heritage Lottery Fund and Department for Culture, Media and Sport's *Catalyst: Endowment* match funding scheme, which enabled a total of £2 million (£1 million fundraising; £1 million matched) to be raised. This sum will be added to the Portrait Fund during 2016/17.

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

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

### Introduction

A varied and extensive programme of exhibitions and displays continued to promote the understanding of portraiture for all our visitors both physically and virtually throughout 2015/16. The programme balanced popular with more focussed research-based exhibitions, with the displays programme acting as counterpoint and an opportunity to celebrate anniversaries, and as a means of

presenting the Collection in thematic ways. The provision of a lively and interesting programme draws visitors to the Gallery and promotes other activities and opportunities for engagement.

In 2015/16, research into the Collection remained at the heart of what we do. Through the development of content, cataloguing, digitisation and publishing we can continue to share research via a range of platforms, promoting the Gallery's work to the widest possible audience.

Looking ahead, the development of a Digital Strategy will increase planning and development in this area, ensuring that across the organisation new practices and processes will be embedded to bring digital to the fore. We understand how our audiences are engaging with the Gallery now, and we need to ensure we know what this means for the future.

The extensive publishing programme means that our titles are seen nationally and internationally and promotes the Gallery in a broad context. Collaborations over the coming years will extend this.

As we work on the programme and activity for the coming years we are mindful of the changing economic climate, sustainability and the desire to continue to reach new audiences.

### Exhibition Highlights

*Audrey Hepburn: Portraits of an Icon* was an elegant beginning to a varied exhibition programme. The show was made up of both well-known photographs and rarely seen works and personal items, such as Hepburn's dance slippers. The exhibition attracted 126,687 visitors, higher than the original projection and the highest for a Porter Gallery exhibition. *Giacometti: Pure Presence* received stunning reviews from the press and was praised by visitors. Curated by Paul Moorhouse and designed externally by Stanton Williams Architects, the exhibition beautifully demonstrated Giacometti's fascination with the figure and the development of his work over time. *Vogue 100: A Century of Style* and *Russia and the Arts: The Age of Tolstoy and Tchaikovsky* are proving very popular with visitors. The exhibitions originated from strong partnerships with British *Vogue* and the State Tretyakov Gallery in Moscow respectively. In 2016/17, *Vogue 100* will tour to Manchester Art Gallery and a selection of the Gallery's star works will travel to Moscow in an exchange with the Tretyakov, positively extending the reach of the Gallery.

### *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 Enforcement 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 the Displays

Our extensive and innovative programme of temporary displays was enriched by several important collaborations with artists, scholars and the media. In September 2015 the Gallery staged *Simon Schama's Face of Britain*, in partnership with the BBC, a major presentation of work from the Collection alongside portraits on loan. Other highlights included celebrations of anniversaries, such as *Winston Churchill in Photographs*, fifty years since the statesman's death, and *Celebrating Charlotte*

*Brontë* which included loans from the Brontë Parsonage Museum marking the 200th anniversary of the writer's birth. A collaboration with the Indian artist Ketaki Sheth explored themes of national and personal identity, focusing on a set of remarkable photographs of the Sidi people of African descent living in India. The Gallery's on-going collaboration with communities and schools in London saw the presentation of work created by young people from Camden in the summer 2015 display *Creative Connections*. An arresting display of work by two leading female portrait painters, Chantal Joffe and Ishbel Myerscough, was a central highlight of the contemporary programme.

### Digital Programmes

The Portrait Explorer system re-emerged in the Gallery Bookshop and Portrait Café spaces following the closure of the Digital Space. At the same time as contributing to a new Digital Strategy, developments online created a 14% growth in visits (to 4.5 million visits). At the close of 2015/16, 206,000 portrait records were visible via the Gallery's website ([www.npg.org.uk](http://www.npg.org.uk)), of which 125,000 were illustrated. All website landing pages now provide visitors with a visually-led experience. Digitisation and content enhancement ensured that *Search the Collection* remained the most popular website feature (45% of all visits). A *Tell us More* feature increased visitor participation: to date over 1,000 contributions from family members and subject specialists have provided new insights into the Collection. Work began to embed over 1,500 film clips from the BBC Archive in relevant sitter and artist pages. Website pages now provide a greater range of contextual information: every dated portrait displays that year's timeline of events; nearly 90,000 portraits have a 'Place made or portrayed' entry, and over 14,000 different sitters and artists have links to family members.

### Research Programmes

As part of the legacy of the *Making Art in Tudor Britain* project, work began on the digitisation of Sir Roy Strong's ground-breaking catalogue of Tudor and Jacobean Portraits, published in 1969. The *Catalogue of Later Victorian Portraits-Medical Pioneers* (funded by Walgreens Alliance Boots) was launched online in October 2015, and work continues on a performing arts tranche. As part of the Thames Consortium, the Gallery was awarded studentships for a further three years under the Arts and Humanities Research Council's (AHRC's) Collaborative Doctoral Partnership, and a new studentship will begin in October 2016. In association with the Museum of National History at Frederiksborg, and supported by the Carlsberg Foundation, the Gallery established a two-year Postdoctoral Fellowship on the subject of British/Danish portraiture. The Gallery was also a partner in a successful AHRC Research Networking application on the naturalist and patron of science, Sir Joseph Banks. The period was also productive for individual members of staff (please see: [www.npg.uk/research](http://www.npg.uk/research)).

### Cataloguing Projects and Plans

1,500 items in the Reference Collection were catalogued and scanned in 2015/16, including a donation of illustrated sheet music covers from the 1950s and 1960s. Part-funding is in place to catalogue a collection of 1,000 fashion plates, and plans are underway to seek funding to catalogue the Lucian Freud Archive. Library volunteers retrospectively catalogued a decade of sales catalogues (1991-2000) and a project to catalogue a substantial gift of material from the former Head of Photographs, Terence Pepper, will begin shortly. Over 4,200 portraits in external collections were recorded and 3,800 portrait images were processed as part of the Gallery's ongoing commitment to recording British portraiture.

### Photographs Collection Cataloguing

2,068 works were catalogued during this period. In addition, a large number of skeletal records were improved with the addition of digital images. Of the records catalogued in 2015/16, 490 were from the Terence Pepper Gift. Other highlights included the complete cataloguing and digitisation of the newly-acquired album of photographs by Oscar Rejlander in the Primary Collection, and gifts of material relating to Jean Simmons, Lady Evelyn Moyne, and Bettina Harden. The Photographs team continue to catalogue the National Photographic Record (1950-51), preparing 473 new records for public

access. The important and extensive collection of Camille Silvy photographs continues to receive attention, and the Harry Diamond Archive, recently given to the Gallery, was surveyed.

## Publishing

The Gallery's publishing business went from strength to strength in 2015/16. The Gallery saw very high sales of the exhibition catalogue *Audrey Hepburn: Portrait of an Icon* through the Gallery Shops and in the general book trade. The Gallery also sold rights for this title in the USA, Australia, Germany and Japan. *Giacometti: Pure Presence* sold well, and a German edition was secured. The *BP Portrait Award 2015* catalogue (which had an essay by Neil Gaiman) and the *Taylor Wessing Photographic Portrait Prize 2015* catalogue sold well at the Gallery and at the UK touring venues. *500 Portraits: 25 Years of the BP Portrait Award* was updated and reissued, and achieved very strong sales. We continued to expand our list of non-exhibition-related titles with *A Portrait of Fashion*, which attracted high-profile media attention. Two new titles were added to the Companions range, *Shakespeare and His Contemporaries* and *Pepys and His Contemporaries*, published to tie-in with key anniversaries. The year ended with good sales of the *Russia and the Arts: The Age of Tolstoy and Tchaikovsky* catalogue, and incredibly strong sales of the three *Vogue 100: A Century of Style* publications.

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

### Financial summary

2015/16 was a successful year for the Gallery in terms of meeting internal financial targets and audience development objectives, as well as in achieving good results across the range of performance indicators agreed with the Department for Culture, Media and Sport (DCMS). The Gallery continued to adjust to the more difficult funding climate, which has seen support from Government decline over the period of the 2010 Spending Review. Notwithstanding these funding constraints and the difficult economic climate, the Gallery attracted a record number of visitors during the year, exceeding the previous year's total - which itself was a record.

### Voluntary income

2015/16 proved a particularly successful year for income generation. The number of individual donors supporting the Gallery increased significantly, and Membership and Gift Aid exceeded targets, thanks in part to the popularity of *Audrey Hepburn: Portraits of an Icon*. Charitable trusts and foundations continued to make a significant contribution to many aspects of the Gallery's work, and the Gallery's Portrait Fund (which assists with acquisitions) will be increased in the following year thanks to the successful conclusion in July 2015 of the *£1 Million Portrait Fund Challenge*. Corporate support remained a key income generator and exceeded target, with continuing strong long-term partnerships as well as new sponsoring partners, and income from venue hire was significantly over-budget.

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

By the close of 2015/16, the Gallery had fifty-four Life Patrons and welcomed new donors to its 156 Patrons, with an on-going high retention rate. The Portrait Circle continued to provide high-level support, with five donors. The Gallery received generous major gifts towards *Russia and the Arts: The Age of Tolstoy and Tchaikovsky*, the Rejlander acquisition and The Portrait Choir. Building on the success of previous legacy campaigns, the Gallery received a number of legacy gifts in 2015/16.

Membership continued to prove extremely popular, thanks to a series of well-received exhibitions, including *Sargent: Portraits of Artists and Friends*, *Audrey Hepburn: Portraits of an Icon* and more recently *Vogue 100: A Century of Style*, which encouraged new Members to sign-up. The number of Members increased to just under 16,000, a record for the scheme since its inception in 1998. The average retention rate was 63%. Both Membership and Gift Aid exceeded their income targets for the financial year.

## *Development Board and Board of American Friends*

The Development Council, chaired by David Ross, continued to make many valuable contributions in terms of advice and expertise, as well as through personal introductions, and the Council's input and support is greatly appreciated. New cultivation events were introduced, providing opportunities for new contacts to learn more about the Gallery's work.

The American Friends of the National Portrait Gallery continued to be keen to maximise opportunities for support. We are grateful to the President, Margaret Conklin, and to the Board members for their enthusiasm and ongoing engagement, in particular for arranging a wonderful event when the Gallery's Patrons visited New York in September 2015.

## *Charitable Trusts and Foundations*

Charitable trusts and foundations continued to make a significant contribution to many aspects of the Gallery's work. The Gallery received support from the Henry Moore Foundation and Pro Helvetia for *Giacometti: Pure Presence*, and grants from the Aurelius Charitable Trust, Marc Fitch Fund and Gladys Kriebel Delmas Foundation enabled work on the *Later Victorian Portraits Catalogue* to continue for another year.

## Activities for generating funds

### *Corporate Support*

The Corporate Partnership programme had eleven Partners in 2015/16, with two new companies joining. Lead sponsors included Bank of America Merrill Lynch for *Giacometti: Pure Presence*; Leon Max for *Vogue 100: A Century of Style* and the Blavatnik Family Foundation for *Russia and the Arts: The Age of Tolstoy and Tchaikovsky*. Multi-year partners continued to offer vital support, including BP for the *Portrait Award*, Taylor Wessing for the *Photographic Portrait Prize* and Herbert Smith Freehills, who extended their sponsorship of the *Spring Season* sponsor until 2018. J.P. Morgan continued their support, enabling new commissions. Walgreens Boots Alliance supported *A Picture of Health*, an interactive timeline of Victorian medical pioneers, and Delancey joined as a new supporter, pledging three years of support for the Gallery's Schools' Programme.

On 8 February 2016 the Gallery hosted a special fundraising dinner, *A Century of Style*, to mark the opening of *Vogue 100*. The evening was very successful, and through ticket sales and on-the-night fundraising activities the Gallery raised over £90,000 of unrestricted funds.

### *Venue Hire*

In 2015/16 venue hire income exceeded budget by £41,000, raising £459,000. Numerous event clients returned to the Gallery for repeat bookings, including White & Case LLP, Deloitte and Boston Consulting Group. New clients included MHP Communications, London Metals Exchange, and Links of London.

Corporate Partners and Sponsors' event activity remained steady throughout the year. Bank of America Merrill Lynch were particularly engaged during their sponsorship of *Giacometti: Pure Presence*, holding seven events in total. Income totals for both corporate and private hires exceeded budget.

### *Trading company*

The Gallery's subsidiary trading company, the National Portrait Gallery Company Ltd, earned record profits of £1.2 million, which it will Gift Aid to the Gallery. The Company's business includes Retail, Venue Hire and the catering franchise with Company of Cooks. The profit earned in 2015/16 was £180,000, (17%) higher than that earned in the previous year (£1.045 million). The previous year's profit was at the time the highest earned by the Company since it began trading in 2007, so the Company achieved a very good result by beating this record. The profits in 2015/16 were generated

from strong performances by the Gallery's successful exhibition programme, which included *Sargent: Portraits of Artists and Friends*, *Audrey Hepburn: Portraits of an Icon* and more recently *Vogue 100: A Century of Style*, all of which attracted large numbers of visitors. However, trading figures during the autumn were lower than the budget, caused by lower than target visitor numbers to *Giacometti: Pure Presence*. This affected, in particular, the Company's retail business, which struggled to achieve its budgeted profit during that period. However, the strong performance of both *Sargent: Portraits of Artists and Friends* and *Audrey Hepburn: Portraits of an Icon* earlier in the year ensured that even during the autumn the Company was still ahead of the budgeted target for the year to date. By the end of the year, Retail's profits were the highest they had ever been, closing with profits of £657,000, £320,000 ahead of the budgeted target for the year. Venue hire had a very good year, posting strong profits of £366,000, exceeding its budgeted target by £62,000. The catering franchise also performed well, exceeding its budgeted commission of £450,000 by £75,000.

### *Retail*

In 2015/16 Retail achieved its highest ever sales figures for the third year in a row. Income in the year of £2.79 million was almost £315,000 above the previous year's record, while profits were £320,000 ahead of the original budget set for the year. Visitor numbers were broadly static during the year, but the popularity of *Audrey Hepburn: Portraits of an Icon* over the summer, the equally successful *Vogue 100: A Century of Style* at the end of the year, and the relocation of the Gallery Bookshop from the lower ground floor to a larger, more prominent site in the Ondaatje Wing Main Hall, all helped drive the key indicators to new heights: the visitor/customer conversion hit 10% for the first time, transaction values rose by 8% and spend per visitor rose by 21%. The relocation of the Bookshop proved to be a significant success, enabling the Bookshop to exceed its budgeted target for the year by 111%, even though it was not fully open in its new location until late July.

### *Rights & Images*

2015/16 was another busy and successful year for the Rights & Images team. Income earned in the year was up 2% on the previous year at £380,000. The updated licensing website launched in August 2015 with an improved client-facing system for image licensing. The team can now market directly to customers, and online business has increased. Academic and non-commercial licensing services continued to expand, receiving positive reviews. The team was heavily involved with the rights and filming management for the Gallery-wide project *Simon Schama's Face of Britain*. Merchandise licensing continued to grow, and the Gallery collaborated with the UK designers Blackpop on an award-winning range of Tudor-inspired wallpapers and fabrics which launched at Liberty of London. As intellectual property laws continue to develop the team remains involved in industry-wide forums, leading debate within the museums and galleries sector.

### *Catering franchise*

Overall the Portrait Café and Portrait Restaurant had another good year, delivering slightly higher commission than budgeted. Overall income earned from the catering franchise in the year was £525,000, £60,000 (13%) higher than the income earned from the franchise in the previous year. This result was assisted by the expansion of the cafe into the space vacated by the Bookshop, in June, which effectively doubled its seating area.

### *Investment and Other income*

The Gallery as a group receives a small amount of investment income from bank interest and dividend payments. This amounted to £20,000 in 2015/16, compared to £21,000 in 2014/15. The amounts held in interest bearing accounts provide the Gallery with its immediate working capital requirements, but the interest rates applicable to them remained low. 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 were valued in total at £11.5 million. Over the year they depreciated in value by £169,000, net of additional investments, disposals and management fees, compared to their values as at 31 March 2015. The decrease was in the form of an unrealised gain/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 declined by 9% compared to 2014/15, from £256,000 down to £232,000.

## Effectiveness and efficiency

### *Buildings and facilities*

The Gallery sought to maximise effectiveness and efficiency through rigorous contract management and partnership working on key contracted arrangements. Consolidation of smaller value servicing arrangements was reviewed giving the Gallery greater value for money. This more strategic approach will continue long-term, demonstrating best practice. Both the Engineering and Cleaning contract expiry dates have been aligned to develop possible joint ventures with the National Gallery during 2016/17.

## Staff

### *Introduction (including Recruitment)*

There was a slow upturn in the economic climate, and (as in the previous financial year, 2014/15) employee turnover remained at 19%. The primary reason cited by staff for leaving was 'Other Job and/or Career Progression', at approximately 10%, with 2% relating to 'Retirement' and 'Relocation' and a further 3% relating to 'Study' and 'Family commitments'. As a result, recruitment activity across the Gallery continued to be vigorous, with a total of 39 external campaigns being managed by the department - which relates to approximately 104 posts to replace core staffing positions lost through natural turnover, as well as meeting temporary Visitor Services staffing needs to cover exhibitions such as *Vogue 100: A Century of Style*.

The average number of staff sick days taken in 2015/16 was 2.3 days per member of staff (excluding staff on long term sick), which was the same figure as for 2014/15. Staff absence at the Gallery continued to remain well below the average number of day's sick absence for the public sector of 8.7 days, according to the Chartered Institute of Personnel and Development's 2015 Absence Management Survey.

### *Training*

The Gallery continued to increase management capabilities, with its ninth group of managers completing the Institute of Leadership and Management-accredited Management Development Programme (ILM). Action Learning Sets were also introduced to continue managers' development. The Gallery supported staff to gain professional qualifications in Finance, Conservation and Human Resources. On-line Security training was successfully tested with the Exhibitions team. The Gallery worked with the Museum of London on the second Mentoring Programme, with twenty staff joining others from the National Gallery, Royal Academy and The British Library. Specific Customer Services Training was provided for the new Customer Contact Centre team, and a new-look Performance Review process, co-created by staff from across the Gallery with support from an external expert, was piloted. The Gallery also arranged for staff to attend a number of conferences, seminars and specialist training events.

### *Equality and diversity*

The Gallery operates under an Equality Policy which responds to legislation covering race relations, sexual discrimination, disability discrimination and equality. It also requires that all staff follow the Codes of Practice issued by the Equality and Human Rights Commission. During the year, 'Equality and Unconscious Bias' workshops continued, co-designed and delivered with the charity Changing Faces, with members of the Gallery's Equality Steering Group co-facilitating. Staff development training for visitor-facing colleagues was delivered in conjunction with Action on Hearing Loss and the Business Disability Forum. The Gallery's most recent Apprentices continued their work on their NVQ qualifications, and the Gallery participated in two further rounds of the Creative Employment Programme (funded by the Arts Council and Creative Sector Skills), employing four unemployed

young people (who gained paid work experience and on-the-job training) for six months. Two paid internships were offered in the Curatorial department, with a further two placements in the Learning department, and the Gallery offered sixteen work experience placements to Year 10 students from local state schools. The Personnel team continued to participate in school career days and employability workshops with Job Centre Plus, and the Visitor Services team continued their support with work experience for NEETs, (young people who are "Not in Education, Employment, or Training").

The composition of the Gallery's workforce at the close of 2015/16 was 86% white, 14% black and minority ethnic, 34% male, 66% female, 2% disabled and 42% part time employees.

The make-up of the Gallery's workforce between permanent and temporary staff during the year was as follows, (see Note 5 for more detailed analysis):

			2016			2015
	Permanent staff	Temporary staff	Total	Permanent staff	Temporary staff	Total
Numbers (FTE)	258	32	290	251	21	272
Cost (£000)	9,841	1,065	10,906	9,319	790	10,109

The split of permanent staff by gender was as follows:

			2016			2015
	Female FTE	Male FTE	Female FTE	Male FTE	Female FTE	Male FTE
Senior civil servants	-	1	-	1	-	1
All other employees	165	92	157	93		

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.

During 2015/16, the Gallery received valuable support from volunteers as follows:

Department	Full-time equivalent
Extending and broadening audiences	0.1
Increasing understanding and engagement with the Collection	5.8

The Gallery also provided work experience and internship opportunities across its departments, as follows:

Department	Full-time equivalent
Extending and broadening audiences	0.3
Developing the Collection	0.2
Increasing understanding and engagement with the Collection	0.7
Maximising Financial Resources	0.5
Support	1.0

#### Improving our services and sustainability report

The Gallery undertook a stock condition survey of its infrastructure and fabric in 2015/16, and a review of a planned maintenance programme of works is now underway. Improvements to IT infrastructure continued, giving greater coverage to security systems and supporting changes to Gallery-wide functions. The Gallery continued to make progress in reducing its environmental impact and is now a leader in the sector. There has been a significant investment over the past seven years, with the introduction and upgrading of lighting systems to LED and low energy fittings. Works continued to improve and develop the Building Management System which controls the environment of the Estate, and energy management initiatives such as plant optimisation continue to be explored.

Projects in 2015/16 included the expansion and refurbishment of the Portrait Café, which improved the serving area and general layout, increasing the number of covers.

### *Sustainability report*

The Gallery is required to prepare a sustainability report which provides a brief overview covering the Gallery performance on sustainability in the year. The Gallery is still at an early stage in its reporting on sustainability and therefore its reporting mechanisms are at a rudimentary stage at this point.

The Gallery continues to make progress in reducing its environmental impact and is a leader in the sector. There has been significant investment over the past six years, with the introduction and upgrading of lighting systems to LED and low energy fittings. We continue to improve and develop the Building Management System, which controls the environment of the Gallery space, and to explore energy management initiatives such as plant optimisation. Honey continues to be harvested from the hives on the roof of the Gallery offices, and is sold in the main Gallery Shop.

### *Waste and Recycling*

Around 90% of the Gallery's waste, such as paper, glass, card, cans, batteries and printer cartridges, was recycled in 2015/16. The remaining 10% was diverted to an incineration plant, where it was used to generate electricity for the National Grid. 100% of food waste was recycled using an anabolic digestion process which, when complete, returns the waste to crops as fertilizer.

The art transportation collaboration with the National Gallery continued, helping to reduce the Gallery's Carbon Footprint. The Gallery continued to review information from the Bizot Group, and to consider varying the internal environmental conditions to reduce the volume of carbon generated. All future projects will include measures that minimise energy use over the life of the project, with a focus on sustainability.

In 2015/16 members of Gallery staff, supported by a representative of the London Beekeeping Association, took over the management of the Gallery's bee-hives, looking after the colonies and harvesting honey (alongside beeswax and propolis for salves and lip balms), which sold very well in the Gallery Shops.

		<b>Unit</b>	<b>2015-16</b>	<b>2014-15</b>
CO2 emissions	Scope 1 (direct)	Kg of CO <sub>2</sub> e	597,676	541,034
	Scope 2 (indirect)	Kg of CO <sub>2</sub> e	1,247,477	1,310,780
	Scope 3 (business travel)	Kg of CO <sub>2</sub> e	-	-
	Total emissions	Kg of CO <sub>2</sub> e	1,845,153	1,851,814
Energy consumption	Electricity	KWh	2,699,056	2,652,006
	Gas	KWh	3,240,316	2,924,933
	Total	KWh	5,939,372	5,576,939
Expenditure	Electricity	£	259,643	281,474
	Gas	£	79,171	98,087
	Business travel	£	12,853	15,886
Waste	Recyclables	Tonnes	109	101
	General (HTI)	Tonnes	119	119
	Food	Tonnes	77	77
	Glass	Tonnes	46	46
	Total waste	Tonnes	352	343
	Total waste expenditure	£	36,870	22,977
Finite resource consumption	Water consumption	M <sup>3</sup>	19,698	14,612
	Water supply cost	£	46,845	30,641

Due to the close environmental control maintained within the National Portrait Gallery collection spaces, variations from internationally agreed environment parameters within which the Gallery's collection is held, will have contributed to a large extent to the increased range of energy use. The particularly wet weather conditions experienced in 2015/16 compared to the previous year will have

required additional energy consumption to maintain the humidity of the environment within the Gallery. With regard to the increase in water consumption, the Gallery has revised the means of metering its use of water and this has captured an additional supply that previously was not recorded.

### *Visitor Services*

Visitor Services and Security continued to make improvements in both the way the team operates on a day-to-day basis and in the development and improvement of ongoing visitor engagement initiatives. The *Portrait of the Day* programme of free public talks remained popular, attracting a diverse audience and gaining a loyal group of repeat visitors.

The successful implementation of the new Customer Relationship Management system significantly improved the Gallery's ticketing system, enabling the online sale of tickets for current and future exhibitions to be managed in-house. The Gallery also introduced a new Contact Centre, with a dedicated team recruited to cover all switchboard calls and enquiries. The benefits of the system are already being felt through increased ticketing revenue.

### *Services to research and readers*

The Heinz Archive and Library received almost 1,350 visitors and responded to nearly 2,700 portrait enquiries by e-mail, telephone and letter. Its web pages in the 'Research' section of the website averaged 1,600 visits a month. Over the course of the year, twenty-two higher education and three school groups visited the Public Study Room for staff-led introductions to the Gallery's collections and resources. In addition, staff promoted the Archive & Library to post-graduate students and independent researchers at the History Libraries and Research Open Day at Senate House on 27 November 2015. Thirty-one Freedom of Information requests and three requests for internal review were handled, one of which was subsequently referred to the Information Commissioner's Office. Work to produce departmental retention schedules, rationalise the file structures of the shared drives, and identify and archive e-records for permanent retention was suspended in 2015 pending the appointment of a full-time Records Manager.

### *Records and information*

Cataloguing of regularly accruing series of the Gallery's Records continued and, until the expiry of the part-time Records Manager contract, e-records required for permanent retention were identified and transferred to the archive drive and catalogued onto the archive system CALM. Approximately 70% of the Library has been re-catalogued onto the library management system EOS and a project has been set up to catalogue the historic collection of auction catalogues. A project to catalogue the photographic section of the Library will begin in May 2016; funding has been secured to catalogue and digitise a collection of engraved fashion plates later in the year; and funding is now being sought to catalogue the Lucian Freud Archive which was allocated to the Gallery under the AiL Scheme in the autumn of 2015.

The National Portrait Gallery has suffered no protected personal data incidents in 2015/16 and has made no such report to the Information Commissioner's Office.

### *Governance*

Upholding the highest standards of governance through the accountability and transparency of management processes, decision-making and communications continued to be a key aim. Actions taken to strengthen governance included updates and revisions to policies covering Information Security and Acquisitions. A revised operating agreement between the Gallery and the Company was approved by Trustees and the Directors of the Company, in response to the EU Directive covering Public Sector Information. A Memorandum of Understanding was agreed between the Gallery and the Portrait Trust, ahead of the new financial year, confirming working arrangements between the two organisations and providing the Trust with financial support over the following three years, commencing in 2015/16. Dr Joanna Kennedy was appointed as a new Trustee in June 2015, in place of Mary McCartney whose term as a Trustee had expired in February 2015.

## 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 Charities Statement of Recommended Practice (FRS 102).

As required by the Statement of Recommended Practice (SORP), the Statement of Financial Activities shows total incoming resources for the year, including income received for capital expenditure and future projects occurring in 2015/16 and beyond. The Statement of Financial Activities apportions the cost of support services (directorates, 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

2015/16 was a successful year, with a record number of visitors visiting the Gallery for a second year in a row. The Gallery held two large, very successful exhibitions in the year, *Sargent: Portraits of Artists and Friends* and *Vogue 100: A Century of Style*, the latter covering the majority of the Gallery's Ground Floor. Both exhibitions were very well attended and commercially very successful. The strong exhibition programme for the year also included *Giacometti: Pure Presence*, which although it did not achieve its budgeted visitor numbers nonetheless received critical acclaim. These two large exhibitions were complemented by a smaller exhibition, *Audrey Hepburn: Portraits of an Icon*, which proved to be the most popular ticketed exhibition staged in the Porter Gallery to date. The *BP Portrait Award* was held during the summer and this too attracted significantly more (20%) than its budgeted visitor numbers. The Gallery concluded its *Catalyst:Endowment* match funding scheme in the year, with the final tranche of match funding received from the Heritage Lottery Fund. This activity helped the Gallery to a strong financial performance during the year, comparing well with the exceptional levels of income earned during the previous year. 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 £6,634,000 (£6,984,000 in 2014/15) in grant-in-aid from DCMS, a 5% decrease on the previous year. Grant-in-aid represented 29% of total income received in 2015/16, (24% in 2014/15).

Overall, total incoming resources were 20% lower than in 2014/15, with self-generated income being 25% lower. It should be noted that the outturn for 2014/15 was exceptional, being driven primarily by the very successful Van Dyck self portrait fundraising appeal, as well as a strong performance from the *Catalyst:Endowment* match-funding appeal.

Gross self-generated income represented 71% of total income, compared to 76% in 2014/15. The strongest income earning performance was provided by Donations and legacies, however this income was 45% lower than that earned in the previous year, albeit that in the previous year this class of income benefited from the highly successful Van Dyck self-portrait and fundraising *Catalyst:Endowment* fundraising appeals. Exhibition and programme sponsorship was also 45% lower than that earned in the previous year, however the 2014/15 income had benefited from an anonymous donation of £1.14 million. Income from trading activities, both charitable and non-charitable, produced a 7% increase in income compared to the previous year. Retail and Gallery hire earned their highest income to date, a very good result considering that the previous year was also a record breaking year for Retail and Gallery hire income.

Overall, resources expended increased by 7%. The increase was mainly as a result of increased staff costs associated with the exhibition programme. Support costs, excluding depreciation decreased by 5% compared to the previous year.

Total staff costs as a proportion of total resources expended increased by 1% to 53% compared to the previous year. Total staff costs increased by 8% over the two years, with staff numbers increasing by 6%. The increase in staff costs and staff numbers was, by and large, the result of the Gallery recruiting additional temporary and fixed term visitor services staff in order to adequately man the larger exhibitions held in the year. The rise in contribution rates to the Civil Service pension schemes also contributed to the rise in costs in the year.

The table on page 32 demonstrates that the Gallery performed well against the majority of performance indicators included as part of the Gallery's Management Agreement with DCMS.

## Balance Sheet

### *Unrestricted Funds*

The brought forward Unrestricted Funds balance of £10.9 million reduced by £1.6 million during the year, as a result of a decrease in the Gallery's free reserves and the depreciation in the value of its plant and machinery. The closing balance was £9.3 million of which £5.8 million represents capital assets – plant and machinery and furniture and equipment - funded from self-generated income (which are therefore not available to spend). £3.2 million has been designated for the Investment and Contingency Fund (see Reserves Policy below) and for projects deferred to 2016/17 (held in the Deferred Projects Fund). The General Fund remains at £300,000, being at least three quarters of the stock value held at the Gallery. 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 £117 million was increased by £5 million, primarily as a result of additions to the Collection in the year. The closing balance of £121.8 million consists of £22.2 million representing the Gallery's land and buildings, £60.1 million of revaluation gains on the Gallery's land and buildings, and £29.2 million representing the value of the Gallery's capitalised collections; none of these amounts is therefore available to spend. The balance of £10.3 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 2016 was £82 million.

## Payment of Creditors

The Gallery follows the Treasury's guidance on payment of invoices. In 2015/16 the Gallery paid approximately 72% of its invoices within 30 days of the invoice date, compared to 71% in 2014/15. However it paid 92% (94% in 2014/15) 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 three portfolios managed by Partners Capital LLP. The market value of the Gallery's investment was £11.5 million, and of this, £7.6 million related to the Portrait Fund's and Catalyst 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 5.5% to 6% nominal returns (after assumed long term inflation of 2% to 2.5%).
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.	
Catalyst Fund	As for the Portrait Fund	As for the Portrait Fund
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 3.5% to 4% nominal returns (after assumed long term inflation of 2% to 2.5%).

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 had depreciated in value by £168,000 (2.4%), net of management fees, whereas the Investment and Contingency Fund portfolio had appreciated in value by £27,000 (0.7%) over the same period, net of management fees. Both portfolios had experienced a turbulent year as a result of market fears over the reduced growth in the Chinese economy and the collapse in the prices of certain commodities, particularly oil. Equities had been particularly volatile over the period and the Portrait Fund's larger exposure to equities had resulted in it being impacted more than the Investment and Contingency Fund from this volatility. Despite the fall in value, the Portrait Fund outperformed its benchmark by 2.8% in the 2015 calendar year, and since inception in late 2010 it had returned 4.9% per annum.

The Catalyst Fund portfolio stood at £916,000 as at 31 March 2016. The portfolio had been constructed to mirror the Portrait Fund, given that the Catalyst Fund would be eventually subsumed into the Portrait Fund when the *Catalyst:Endowment* match funding scheme ended. Like the Portrait Fund, the Catalyst Fund experienced a small depreciation in value of £28,000 (3%) in the year, although it too had outperformed its benchmark during the 2015 calendar year despite the reduction in the Fund's value.

### 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. On average, around 30% 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 £1 million of the £2.7 million balance as at 31 March 2016 has been earmarked to specific projects in 2016/17. 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 £493,000 is expected to be spent in 2016/17.

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, Dr Nicholas Cullinan, and the Deputy Director, Pim Baxter.

### Service Contracts

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

The Director has a permanent contract of employment, effective from April 2015, with a six month notice period and its terms are agreed with the Department for Culture, Media and Sport. 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	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Nicholas Cullinan <i>Director (from 14 April 2015)</i>	95-100*	-	See below	-	-	-	38,000	-	130-135	-
Sandy Nairne <i>Director (to Feb 2015)</i>	-	100-105	-	15-20	-	-	-	47,000	-	165-170
Pim Baxter <i>Deputy Director</i>	80-85	80-85	Nil	Nil	-	-	42,000	31,000	125-130	110-115
			2015-16				2014-15			
Band of highest paid director's total remuneration (£000)					95-100		130-135			
Median Total Remuneration (£)					21,917		22,191			
Ratio					4.6		6			

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, annualised remuneration of the highest-paid director in the Gallery in the financial year 2015/16 was £95-100,000 (2014/15, £130-135,000). This assumes that the Director receives no bonus in 2015/16 year (see below). This would be 4.6 times (2014/15, 6 times) the median remuneration of the workforce, which was £21,917 (2014/15, £22,191). The figures disclosed for 2014/15 relate to the remuneration of the previous Director, Sandy Nairne CBE, who retired in February 2015. Dr Cullinan joined the Gallery as Director in April 2015.

In 2015/16, no employee received remuneration in excess of the highest-paid director, (likewise for 2014/15). The annualised remuneration ranged from £14,000 to £100,000 (2014/15, £13,000 to £130,000).

Total remuneration includes salary, non-consolidated performance-related pay (where it applies) 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 2015/16 (none also in 2014/15).

One Trustee received a stipend of £3,000 for curating an exhibition, the details of which are disclosed in Note 23, however the remaining Trustees neither received nor waived any emoluments during the year (none also in 2014/15). Expenses reimbursed or paid on behalf of two Trustees amounted to £655, all relating to travel and subsistence (in 2014/15, £552 for travel and subsistence for two Trustees).

## Salary

“Salary” includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention 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 30) 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 10% 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 annualised salary of the Director, Nicholas Cullinan, was £100,000\*. The Remuneration Committee had not yet convened to consider the Director’s 2015/16 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 10% bonus of £9,615, his remuneration in 2015/16 would be £106,206. The bonus has been pro-rated to reflect that Dr Cullinan did not serve a full year. The bonus would be split between a non-consolidated bonus of £8,166 and a £1,449 bonus which would be consolidated into his annual salary, raising his annual salary in the year to £101,449. As part of his employment contract Dr Cullinan was also provided with a relocation package of up to £10,000. This was paid on the basis of actual expenses incurred. In 2014/15 relocation expenses of £6,036 were paid, with further expenses of £1,419 being paid in 2015/16.

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. She received a temporary responsibility allowance covering the first 14 days in April, during which time she deputised as the interim Accounting Officer, until the point Dr Cullinan took up the post of Director on 14 April 2015.

## Pension benefits

Name	Real increase in pension as at 31/3/16 and related lump sum £000	Total accrued pension at age 60 at 31/3/16 and related lump sum £000	CETV at 31/3/16 £000	CETV at 31/3/15 £000	Real increase in CETV £000	Employer contribution to partnership pension account Nearest £100
Nicholas Cullinan <i>Director (from 14 April 2015)</i>	0-2.5 Plus lump sum of -	0-5.0 Plus lump sum of -	18	-	11	-
Pim Baxter <i>Deputy Director</i>	0-2.5 Plus lump sum of 5.0-7.5	15-20 Plus lump sum of 55-60	435	398	40	-

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 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

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**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes). 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 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. 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. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. 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% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 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**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages).

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

### Cash Equivalent Transfer Values

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 2015/16 - and the prior year - is provided in the table below, and is also audited information. There were no exit packages agreed during 2014/15.

Exit package cost band	Number of Compulsory Redundancies		Number of other departures agreed		Total number of packages by cost band	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
<£10,000 – 50,000	1	-	2	-	£46,359	-
£50,000 - 100,000	-	-	-	-	-	-
<b>Total number of exit packages</b>	<b>1</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>3</b>	<b>-</b>
<b>Total cost in £</b>					<b>£46,359</b>	<b>-</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 department has agreed early retirements, the additional costs are met by the department 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.

Dr Nicholas Cullinan  
Accounting Officer  
7 July 2016

Sir William Proby  
Chairman of Trustees  
7 July 2016

## THE BOARD OF TRUSTEES AND PROFESSIONAL ADVISERS

Between 1 April 2015 and 7 July 2016, the date on which the accounts were signed, the Trustees were:

Dr Brian Allen §  
Ms C Allegra Berman ‡  
Professor Dame Carol Black DBE\*  
Dr Rosalind P Blakesley  
Dr Augustus Casely-Hayford  
Kim Evans OBE\*  
The Rt Hon The Lord Janvrin GCB GCVO QSO ‡ #  
Dr Joanna Kennedy OBE FREng FICE (from 10 June 2015)  
Sir William Proby Bt CBE DL (Chairman)  
Dr Andrew Roberts  
David Ross \* #  
Stephan Shakespeare  
Professor Dame Marina Warner DBE FRSL FBA

### *ex officio*

President of the Royal Academy of Arts – Christopher Le Brun  
Lord President of the Council – The Rt Hon Nick Clegg MP (to 7 May 2015)  
Lord President of the Council – The Rt Hon Chris Grayling MP (from 10 May 2015)

\* 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 2015). Mr Neil Spence and Dr 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. Dr Jacqueline Riding was reappointed for 1 year from June 2015 and Neil Spence was reappointed for 2 years from May 2015.

# 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 Ms C Allegra Berman.

§ Finance Trustee

## EXTERNAL ADVISERS

Bankers: National Westminster Bank  
Strand Branch  
PO Box 414  
38 Strand  
London WC2H 5JB

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 2015/16. The audit fee in respect of this work was £35,000 (£33,500 in 2014/15). PKF Littlejohn LLP is the auditor for the National Portrait Gallery Company Limited and the audit fee in respect of their work was £9,500 (£9,275 in 2014/15).

Internal Auditors:

Moore Stephens LLP  
150 Aldersgate Street  
London EC1A 4AB

Investment Advisors:

Partners Capital LLP  
5th Floor  
5 Young Street  
London W8 5EH

Dr Nicholas Cullinan  
Accounting Officer  
7 July 2016

Sir William Proby  
Chairman of Trustees  
7 July 2016

## PERFORMANCE AGAINST 2015/16 MANAGEMENT AGREEMENT INDICATORS

The Gallery's Management Agreement with the Department for Culture, Media and Sport, signed in July 2014 contains 12 separate performance indicators. The table below includes the 12 indicators stipulated in the Management Agreement. A number of the indicators stipulated in the Management Agreement were new and the statistics had not been collected in years prior to 2014/15. 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	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Actual
Total number of visits to the Gallery excluding virtual visits (000s)	1	1,984	1,758	2,048	2,054	1,988	2,082	2,103
Number of unique users visiting the website (000s)		12,205	13,725	‡3,214	3,626	4,103	4,213	4,997
Number of visits to the Gallery by children aged under 16 (000s)		157	118	134	161	145	159	153
Number of overseas visits (000s)		712	612	821	923	802	783	854
Number of facilitated and self-directed visits to the Gallery by visitors aged under 18 in formal education (000s)	2						45	41
Number of instances of visitors under 18 participating in on-site organised educational sessions (000s)	2						3	3
% of visitors who would recommend a visit	3	99	93	97	97	97 (Restated)	96	95
Total amount of charitable giving (£000s)	4					5,140	8,095	7,985
Ratio of charitable giving to grant-in-aid						0.7:1	1.2:1	1.2:1
Net profit from trading company (£000)		444	406	765	686	715	1,045	1,226
Income from Exhibition Admissions and touring (£000)		1,716	990	1,955	2,640	2,230	2,147	2,884
Number of UK loan venues		165	133	118	118	142	144	95

‡ 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: These are new performance indicators introduced with the 2014 Management Agreement and before 2014/15 statistics relating to under 18 visits were not compiled, hence at this point there is no prior year comparator.

Note 3: Equates to visitors 'very likely' and 'fairly likely' to recommend a visit to the Gallery.

*Note 4:* Charitable includes gross income from activities which involve seeking financial support from, e.g. sponsors, private benefactors, charitable trusts. This includes Donations and legacies income (less any Lottery funding) and Exhibition and programme sponsorship income.

## 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 as directed by the Secretary of State for Culture, Media and Sport in an Accounts Direction\*. The Accounts are prepared on an accruals basis and must give 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 comply with the requirements of the *Government Financial Reporting Manual* and in particular 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.

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 *Managing Public Money* published by the HM Treasury.

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 of which the entity's auditors are unaware, and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information. Furthermore, the annual report and accounts as a whole is fair, balanced and understandable and the Accounting Officer acknowledges his personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Dr Nicholas Cullinan  
Accounting Officer  
7 July 2016

Sir William Proby  
Chairman of Trustees  
7 July 2016

\*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 Agreement 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 the Management Agreement. The Management Agreement includes twelve key performance indicators upon which the Gallery is required to report, and the results are included on pages 32 and 33 of this report, together with the results from prior years where these are possible to provide.

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 some changes in the membership of the Board during the year and these are noted on page 30 of the report narrative.

The Director of the Gallery is Dr Nicholas Cullinan. He took up the post of Director on 14 April 2015, following the retirement of the previous Director, Sandy Nairne CBE, in February 2015. 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 other Trustee 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.

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.

Statistics reporting the attendance of individual Trustees at Board and Sub-Committee meetings are disclosed in the Appendix to the Governance Statement on pages 42 and 43. On average, over the year 2015/16, each Board meeting was attended by 88% of the Trustees, excluding the ex-officio Trustees.

The Director leads the Senior Management Team (SMT), which carries responsibility for developing the work of the Gallery. The SMT consists of the Heads of the Gallery's Departments, Curators and the heads of certain key teams. The membership of the SMT expanded during the year to include the heads of key teams to improve communication across the Gallery. The SMT takes responsibility for evaluating current work and initiatives, as well as reviewing policies, and is supported by a Planning Team (consisting of the Heads of Departments), which reviews the Strategic and Corporate Plans, the Corporate Risk Register and monitors budgets and financial matters. The SMT 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 and 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 2015/16**

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 review took place in September 2013, as the September 2015 Review Day concentrated on the Gallery's major transformational capital project (the *Inspiring People* project – details of which can be found in the Gallery's Corporate Plan which can be viewed on the Gallery's website). 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. Detail on this review was provided in the 2013/14 Governance Statement. An interim review was undertaken in September 2014 at which the Trustees considered the skills set of the Board in the light of the challenges ahead and in view of appointments that were due to expire in the near future. They identified that it would be important, in view of the *Inspiring People* project, to ensure that the Board had skills in buildings development and architecture and in response to this Dr Joanna Kennedy was appointed in June 2015. Certain Trustees mentioned that they wished to be more engaged in certain of the learning based activities. The next Board full review is planned for September 2016.

## **Committee reports to the Board**

The minutes of the Audit and 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 and Compliance Committee, the Accounting Officer and Board rely on assurances from several other sources, including the Annual Internal Audit Report to the Audit and 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 2015/16. On this occasion the Gallery had appointed a new Trustee, with skills in capital project implementation in response to the likely requirements of the *Inspiring People* project. The new Director, Dr Nicholas Cullinan, also took up his post as the successor to Sandy Nairne. A research project commenced in the year to explore the provenance of certain art works in the Collection, to assess the Collection's vulnerability to the risk from spoliation and had made good progress by the year end. The Gallery's ability to maximise its financial resource had been strengthened with the successful commencement of the *Inspiring People* fund raising campaign. The Catalyst match-funding initiative had been brought to a successful conclusion a year ahead of the deadline, with the £1 million target achieved and the final match funding contribution secured from the Heritage Lottery Fund (HLF). The investment strategies had been revised to take account of the new, more difficult investment environment. The successful relocation of the bookshop and the extension of the cafe had resulted in significantly improved results for the former and an opportunity for the latter to make a greater contribution in future years to the Gallery's income. The Gallery had continued to improve and strengthen its buildings, systems and management infrastructure through the implementation of a new Customer Relationship Management and Ticketing System (CRMTS) which enabled the Gallery to become less reliant on third party providers and to improve its service to its visitors through the creation of an in-house contact centre. There were further improvements made to the CCTV and access control systems. Key policies covering anti-fraud, gifts and hospitality and intellectual property were renewed and reviewed. New staff performance procedures were successfully piloted in the period and would be rolled out in the new financial year. Design work on the proposed new Learning Centre, which would form the initial phase of the *Inspiring People* project, continued in the year, with the Gallery also drafting a bid for support from the HLF which would be submitted later in 2016/17.

The Chair of Audit and Compliance Committee's 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 had 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 2015/16 internal audit plan. The audit work consisted of five audits, which included a review of the procurement and contract management procedures, the Learning and outreach strategy, Rights and Images intellectual property processes, key financial controls, and the Gallery's organisational performance management framework. None of the audits found major control weaknesses, with all either being assessed as having sound controls or minor weaknesses. Overall, the HIA considered that "there is an adequate and effective system of governance, risk management and internal control to address the risk that management's objectives are not fully achieved". Internal Audit noted that the assurance ratings and number of recommendations had slightly increased in the year, but no recommendations were above a Priority 2 rating (indicating that there was a need to strengthen internal control or enhance business efficiency, but that the risk to the Gallery was not significant). The majority of assurance ratings having a green-amber score (meaning that generally a good control framework was in place, but some minor weaknesses have been identified). Only one audit resulted in an Amber assurance rating (meaning that weaknesses had been identified in the control framework which put achievement of system objectives at risk), whereas in the previous year all of the assurance ratings had been green-amber and below. Internal Audit concluded that this was not indicative of a deterioration in the internal control profile of the Gallery. Internal Audit and Gallery management completed an Assurance Mapping exercise during the year. Assurance Mapping is defined as a mechanism for linking assurances from various sources to the risks that threaten the achievement of an organisation's outcomes and objectives. The report from the mapping exercise concluded that Internal Audit considered that "the NPG has an effective assurance framework in place, with most areas with operative 'three lines of defence'. There are improvements to be made, but these are generally recognised and action is already been taken. NPG are a particularly 'self-aware' organisation in this respect". There was one area that the exercise identified as having some gaps in assurance and that was in certain of the functions undertaken within the HR department. The report recognised that management was aware of these gaps and had plans in place to address them during 2016/17.

Progress with the 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 is reviewed regularly by the Committee and also by the Board. 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 appropriate. 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 continued to work well and that she believed that the independent members provided balanced, thoughtful advice and constructive challenge to the investment proposals put forward by the investment advisors. More detail about the

work of the Committee and the performance of the portfolios in the year is contained on pages 22 and 23 and the balances are disclosed in Note 8 to the accounts.

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

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.

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>.

### **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.

A key role for the Board is to review and approve the Gallery’s Corporate Plan and associated budget. The objectives for the Gallery in 2015/16, and the strategies it will employ to achieve the objectives, are laid out in the 2015/18 Corporate Plan, which can be viewed on the Gallery’s website at <http://www.npg.org.uk/assets/files/pdf/corporate/busplan20152018.pdf>. As well as approving the Plan, the Board 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. 2015/16 was a very successful year, with the Gallery attracting a record number of visitors (2,102,975), 21,342 more than the number achieved during the previous year, which itself was a record breaking year. The result was 152,975 ahead of the visitor target set in the Corporate Plan. It also produced better than budgeted results for the year, resulting in a smaller operating deficit for the year than had been budgeted for. 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 32 and 33 include a table of performance indicators comparing the results to those achieved in previous years. Performance in 2015/16 was in line with the performance achieved in the previous year.

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 against the budget set for the year. 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 and 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 and Compliance Committee. No material qualifications were brought to the attention of the Accounting Officer or the Audit and Compliance Committee in 2015/16.

### **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 July 2014 - and report their findings to the Accounting Officer and Audit and Compliance Committee. The Chair of the Audit and 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 2016 the key risks facing the Gallery in the forthcoming year are mainly financial and reputational. The most serious risks are in maintaining levels of self-generated income, although the position has been helped by the positive outcome from the most recent Spending Review which resulted in a flat cash grant-in-aid settlement across the Spending Review period. However, DCMS warned that there was the potential for cuts in the grant-in-aid in the event of unforeseen circumstances. Furthermore, should the UK decide to leave the EU ("Brexit") following the referendum in June, then this too appeared to have the potential to result in an extended period of deeper public sector funding cuts. The Gallery is responding to this risk by strengthening its own income generation as a contingency to make up any potential shortfall. The report identified the risk posed by the *Inspiring People* project which could overstretch and impair the effectiveness of the current management team in the early stages of its implementation. However, this was being monitored closely and funding would be made available as part of the project to appoint a dedicated project management team ahead of the project's commencement. Inflation was also considered as a risk and a prudent level had been factored into the 2016/19 three year budget, based on the Bank of England's Monetary Policy Committee target. The rate would be monitored to ensure the budget assumption was adequate. Finally the difficult conditions experienced recently in the global economy arising from reduced growth in China and the collapse of certain commodity prices threatened the continued improvement in the UK and Eurozone economies. The decision to leave the European Union (EU), arising from the referendum held on 23 June 2016, held the potential to create further uncertainty for the UK and Global economies. The Gallery had assessed that there would be no significant, direct impact of a 'Brexit' result for it in the short term. In the lead up to the referendum the Gallery had ensured that the exposure of its investment portfolios to a leave vote would be minimal. In the longer term it was difficult to determine the impact of such a result. Maintaining an adequate level of reserves in accordance with the Reserves Policy would alleviate the potential impact from the risks of leaving the EU in the short term.

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 has suffered no protected personal data incidents in 2015/16 and has made no such report to the Information Commissioner's Office.

No ministerial directions were given.

Dr Nicholas Cullinan  
Accounting Officer  
7 July 2016

Sir William Proby  
Chair of Trustees  
7 July 2016

## Appendix to Governance Statement – Trustee attendance 2015/16

### Full Board meeting attendance

	Attendance in 2015/16(%)
<b>Current Trustees</b>	
Dr Brian Allen	100
Allegra Berman	75
Professor Dame Carol Black	75
Dr Rosalind Blakesley	100
Dr Augustus Casely-Hayford	75
Kim Evans	100
Lord Janvrin	75
Dr Joanna Kennedy	67
Sir William Proby (Chairman)	100
Dr Andrew Roberts	100
David Ross	75
Stephan Shakespeare	100
Marina Warner	75

**Average attendance by Trustees over the year** **86**

Dr Joanna Kennedy's period of appointment in 2015/16 included three Trustee meetings only.

### Audit and Compliance Committee attendance

	Attendance in 2015/16 (%)
<b>Attendance</b>	
David Ross (Trustee and Chairman)	100
Kim Evans (Trustee)	75
Professor Dame Carol Black (Trustee)	75
Stephen Souchon	100
Neil Spence	100
Jacqueline Riding	100

**Average attendance by Committee members  
over the year** **92**

### **Investment Committee attendance**

Attendance in  
2015/16 (%)

<b>Attendance</b>	
Allegra Berman (Trustee and Chairman)	100
Lord Janvrin (Trustee)	67
Jeremy Sillem	67
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 2015/16. 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 the National Portrait Gallery for the year ended 31 March 2016 under the Museums and Galleries Act 1992. The financial statements comprise: the Consolidated and Gallery Statements 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 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 the 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.

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

### **Opinion on regularity**

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

### **Opinion on financial statements**

In my opinion:

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

### **Opinion on other matters**

In my opinion:

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

**Matters on which I report by exception**

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

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

**Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

**13 July 2016**

**CONSOLIDATED STATEMENT OF FINANCIAL  
ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2016**

		Unrestricted Funds	Restricted Funds	<b>Total 2016</b>	Unrestricted Funds	Restricted Funds	Total 2015
Notes	£000	£000	£000	Restated £000	Restated £000	Restated £000	
<b>INCOME AND ENDOWMENTS FROM:</b>							
<b>Grant in Aid</b>	2a	6,634	-	<b>6,634</b>	6,984	-	6,984
<b>Donations and legacies</b>	2b	1,330	5,527	<b>6,857</b>	1,029	11,331	12,360
<b>Income from charitable activities</b>							
Exhibitions admissions and touring income		2,878	6	<b>2,884</b>	2,143	4	2,147
Exhibition and programme sponsorship income		1,278	-	<b>1,278</b>	2,325	-	2,325
Learning and access income		81	-	<b>81</b>	66	-	66
		<u>4,237</u>	<u>6</u>	<b>4,243</b>	<u>4,534</u>	<u>4</u>	<u>4,538</u>
<b>Income from other trading activities</b>	2c	4,879	-	<b>4,879</b>	4,569	-	4,569
<b>Other income</b>	2d	224	8	<b>232</b>	255	1	256
<b>Investment income</b>	3	20	-	<b>20</b>	20	1	21
<b>Total income and endowments</b>		<u>17,324</u>	<u>5,541</u>	<b>22,865</b>	<u>17,391</u>	<u>11,337</u>	<u>28,728</u>
<b>EXPENDITURE ON:</b>							
<b>Costs of raising funds</b>							
Costs of raising donations and legacies	5	973	34	<b>1,007</b>	1,027	35	1,062
Costs of fundraising trading	5	3,799	37	<b>3,836</b>	3,448	66	3,514
Investment management costs	5	17	12	<b>29</b>	21	22	43
	5	<u>4,789</u>	<u>83</u>	<b>4,872</b>	<u>4,496</u>	<u>123</u>	<u>4,619</u>
<b>Costs of charitable activities</b>							
Extending and broadening audiences	5	2,537	953	<b>3,490</b>	2,539	928	3,467
Developing the Collection	5	4,837	275	<b>5,112</b>	4,416	256	4,672
Increasing understanding and engagement with the Collection	5	6,161	1,043	<b>7,204</b>	5,587	1,038	6,625
	5	<u>13,535</u>	<u>2,271</u>	<b>15,806</b>	<u>12,542</u>	<u>2,222</u>	<u>14,764</u>
<b>Total Resources expended</b>		<u>18,324</u>	<u>2,354</u>	<b>20,678</b>	<u>17,038</u>	<u>2,345</u>	<u>19,383</u>
<b>Net gains/(losses) on investments</b>	8	69	(157)	<b>(88)</b>	426	801	1,227
<b>Net income/(expenditure)</b>		<u>(931)</u>	<u>3,030</u>	<b>2,099</b>	<u>779</u>	<u>9,793</u>	<u>10,572</u>
Transfers between funds	13	(757)	757	-	(290)	290	-
<b>Other recognised gains/(losses):</b>							
Gains losses on revaluation of fixed assets	6&13	80	1,282	<b>1,362</b>	30	2,340	2,370
Net movement in funds		<u>(1,608)</u>	<u>5,069</u>	<b>3,461</b>	<u>519</u>	<u>12,423</u>	<u>12,942</u>
<b>Reconciliation of funds:</b>							
Total funds brought forward at 1 April		10,884	116,704	<b>127,588</b>	10,365	104,281	114,646
<b>Total funds carried forward at 31 March</b>		<u>9,276</u>	<u>121,773</u>	<b>131,049</b>	<u>10,884</u>	<u>116,704</u>	<u>127,588</u>

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 51 to 74 form part of these accounts.

**GALLERY STATEMENT OF FINANCIAL  
ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2016**

		Unrestricted Funds	Restricted Funds	Total 2016	Unrestricted Funds Restated £000	Restricted Funds Restated £000	Total 2015 Restated £000
Notes	£000	£000	£000				
<b>INCOME AND ENDOWMENTS FROM:</b>							
<b>Grant in Aid</b>	2a	6,634	-	<b>6,634</b>	6,984	-	6,984
<b>Donations and legacies</b>	2b	1,330	5,527	<b>6,857</b>	1,029	11,331	12,360
<b>Income from charitable activities</b>							
Exhibitions admissions and touring income		2,878	6	<b>2,884</b>	2,143	4	2,147
Exhibition and programme sponsorship income		1,278	-	<b>1,278</b>	2,325	-	2,325
Learning and access income		81	-	<b>81</b>	66	-	66
		<u>4,237</u>	<u>6</u>	<u><b>4,243</b></u>	<u>4,534</u>	<u>4</u>	<u>4,538</u>
<b>Income from other trading activities</b>	2c	3,982	-	<b>3,982</b>	3,762	-	3,762
<b>Other income</b>	2d	206	8	<b>214</b>	228	1	229
<b>Investment income</b>	3	15	-	<b>15</b>	16	1	17
<b>Total income and endowments</b>		<u>16,404</u>	<u>5,541</u>	<u><b>21,945</b></u>	<u>16,553</u>	<u>11,337</u>	<u>27,890</u>
<b>EXPENDITURE ON:</b>							
<b>Costs of raising funds</b>							
Costs of raising donations and legacies	5	973	34	<b>1,007</b>	1,027	35	1,062
Costs of fundraising trading	5	2,879	37	<b>2,916</b>	2,610	66	2,676
Investment management costs	5	17	12	<b>29</b>	21	22	43
	5	<u>3,869</u>	<u>83</u>	<u><b>3,952</b></u>	<u>3,658</u>	<u>123</u>	<u>3,781</u>
<b>Costs of charitable activities</b>							
Extending and broadening audiences	5	2,537	953	<b>3,490</b>	2,539	928	3,467
Developing the Collection	5	4,837	275	<b>5,112</b>	4,416	256	4,672
Increasing understanding and engagement with the Collection	5	6,161	1,043	<b>7,204</b>	5,587	1,038	6,625
	5	<u>13,535</u>	<u>2,271</u>	<u><b>15,806</b></u>	<u>12,542</u>	<u>2,222</u>	<u>14,764</u>
<b>Total Resources expended</b>		<u>17,404</u>	<u>2,354</u>	<u><b>19,758</b></u>	<u>16,200</u>	<u>2,345</u>	<u>18,545</u>
<b>Net gains/(losses) on investments</b>	8	69	(157)	<b>(88)</b>	426	801	1,227
<b>Net income/(expenditure)</b>		<u>(931)</u>	<u>3,030</u>	<u><b>2,099</b></u>	<u>779</u>	<u>9,793</u>	<u>10,572</u>
Transfers between funds	13	(757)	757	-	(290)	290	-
<b>Other recognised gains/(losses):</b>							
Gains losses on revaluation of fixed assets	6&13	80	1,282	<b>1,362</b>	30	2,340	2,370
Net movement in funds		<u>(1,608)</u>	<u>5,069</u>	<u><b>3,461</b></u>	<u>519</u>	<u>12,423</u>	<u>12,942</u>
<b>Reconciliation of funds:</b>							
Total funds brought forward at 1 April		10,884	116,704	<b>127,588</b>	10,365	104,281	114,646
<b>Total funds carried forward at 31 March</b>		<u>9,276</u>	<u>121,773</u>	<u><b>131,049</b></u>	<u>10,884</u>	<u>116,704</u>	<u>127,588</u>

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 MARCH 2016**

	Notes	2016 £000	Restated 2015 £000
<b>Fixed Assets</b>			
Tangible assets	6	88,177	88,327
Heritage Assets	7	29,155	24,718
Available for Sale Financial Assets - Investments	8	4,587	4,405
		<u>121,919</u>	<u>117,450</u>
<b>Current Assets</b>			
Stock	11	645	699
Debtors and prepayments	10	1,090	1,310
Available for Sale Financial Assets - Investments	8	6,928	7,279
Cash at bank and in hand	9	3,120	4,000
		<u>11,783</u>	<u>13,288</u>
<b>Current Liabilities</b>			
Creditors (amounts falling due within one year)	12	<u>2,653</u>	<u>3,150</u>
<b>Net Current Assets</b>		<b>9,130</b>	10,138
<b>Total Assets less Current Liabilities</b>		<u><b>131,049</b></u>	<u>127,588</u>
<b>Net Assets</b>		<u><b>131,049</b></u>	<u>127,588</u>
Represented by:			
<b>Restricted Funds</b>			
	13	61,631	57,844
<b>Fixed Asset Revaluation Fund</b>	13	60,142	58,860
<b>Total Restricted Funds</b>		<u>121,773</u>	<u>116,704</u>
<b>Unrestricted Funds</b>			
Designated funds	13	8,739	10,427
Fixed asset revaluation fund	13	237	157
<b>Total Designated funds</b>		<u>8,976</u>	<u>10,584</u>
General funds	13	300	300
<b>Total Funds</b>		<u><b>131,049</b></u>	<u>127,588</u>

The notes on pages 51 to 74 form part of these accounts.

Dr Nicholas Cullinan  
Accounting Officer  
7 July 2016

Sir William Proby  
Chairman of Trustees  
7 July 2016

**GALLERY BALANCE SHEET**  
**AS AT 31 MARCH 2016**

	Notes	£000	2016 £000	Restated 2015 £000
<b>Fixed Assets</b>				
Tangible assets	6		88,177	88,327
Heritage Assets	7		29,155	24,718
Available for Sale Financial Assets - Investments	8		4,587	4,405
			<u>121,919</u>	<u>117,450</u>
<b>Current Assets</b>				
Stock	11	314		410
Debtors and prepayments	10	2,183		2,316
Available for Sale Financial Assets - Investments	8	6,928		7,279
Cash at bank and in hand		2,222		3,049
			<u>11,647</u>	<u>13,054</u>
<b>Current Liabilities</b>				
Creditors (amounts falling due within one year)	12		<u>2,517</u>	<u>2,916</u>
<b>Net Current Assets</b>			<b>9,130</b>	10,138
<b>Total Assets less Current Liabilities</b>			<u><b>131,049</b></u>	<u>127,588</u>
<b>Net Assets</b>			<u><b>131,049</b></u>	<u>127,588</u>
Represented by:				
<b>Restricted Funds</b>				
Restricted Funds	13		61,631	57,844
Fixed Asset Revaluation Fund	13		60,142	58,860
<b>Total Restricted Funds</b>			<u><b>121,773</b></u>	<u>116,704</u>
<b>Unrestricted Funds</b>				
Designated funds	13		8,739	10,427
Fixed asset revaluation fund	13		237	157
<b>Total Designated funds</b>			<u><b>8,976</b></u>	<u>10,584</u>
General funds	13		300	300
<b>Total Funds</b>			<u><b>131,049</b></u>	<u>127,588</u>

The notes on pages 51 to 74 form part of these accounts.

Dr Nicholas Cullinan  
Accounting Officer  
7 July 2016

Sir William Proby  
Chairman of Trustees  
7 July 2016

**CONSOLIDATED CASH FLOW STATEMENT**  
**AS AT 31 MARCH 2016**

	Notes	2016 £000	2015 £000
<b>Cashflow from operating activities</b>	19	<b>73</b>	11,513
<b>Cashflow from investing activities</b>			
Payments to acquire tangible fixed assets		(973)	(10,322)
Payments to acquire investments		-	(908)
Receipts from sales of investments		-	400
Dividends, interest and rent received from investments		<u>20</u>	<u>21</u>
	19	<b>(953)</b>	(10,809)
<b>Cashflow from financing activities</b>	19	-	-
<b>Change in cash and cash equivalents in the year</b>		<u>(880)</u>	<u>704</u>
<b>Cash and cash equivalents at 1 April 2015</b>		<b>4,000</b>	3,296
<b>Cash and cash equivalents at 31 March 2016</b>		<u><b>3,120</b></u>	<u>4,000</u>

The notes on pages 51 to 74 form part of these accounts.

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

### **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 Charities SORP (FRS 102), Accounting and Reporting by Charities: Statement of Recommended Practice, 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 and is a public benefit entity. The accounts have been prepared on a going concern basis, in accordance with the Accounts Direction, but also on the basis that, in the light of the Gallery's status as a statutory body, the Board of Trustees and Accounting Officer consider that there are no material uncertainties about the Gallery's ability to continue.

The Consolidated accounts are for the National Portrait Gallery and its subsidiary National Portrait Gallery Company Limited (the Company), (company number 6015724); 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.

As a result of the accounts being prepared in compliance with the new Charities SORP (FRS 102) there have been changes to the format of the Statement of Financial Activities (SOFA) and the Cash Flow Statement, mainly in the labelling of certain items of income and expenditure. A Gallery SOFA has also been prepared as well as the usual consolidated SOFA. Investment gains and losses have been included within Net Income and Governance costs are now treated as part of Support costs.

#### **b) *Income***

All income is included in the Statement of Financial Activities when the Gallery is entitled to the income, receipt is probable and its amount can be measured reliably. The inclusion of probable income is a change in accounting policy as a result of the application of the new FRS 102 SORP, however, there is no impact of this change in the treatment of income in the prior year.

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, receipt is probable and the legacy amount can be measured reliably.

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 activities expenditure and costs of raising donations and legacies comprise direct expenditure including direct staff costs attributable to the Gallery, the cost of donor cultivation, advocacy and communications, as well as legal expenses and certain fundraising project expenses. 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, governance, 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. A desk top valuation of the land element is also undertaken in each year between professional revaluations, by the Gallery's surveyors. 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 the Charities SORP (FRS 102), 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 (10 - 30 years)
Plant and machinery	10 - 15 years
Furniture and equipment	3 - 10 years

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) and the Public Service (Civil Servants and Others) Pension Scheme (CSOPS) which are described at Note 5. Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65. Both schemes are defined benefits schemes. The defined benefit elements of the schemes are unfunded. 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 and CSOPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and CSOPS. 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	<b>Total</b> <b>2016</b> <b>£000</b>	Total 2015 £000
	Funds	Funds		
	£000	£000		
Running costs	6,381	-	<b>6,381</b>	6,622
Capital costs	253	-	<b>253</b>	362
			<b>6,634</b>	<b>6,984</b>

£6,634,000 of Grant-in-Aid was received during the year (£6,984,000 in 2014/15).

This money is available for running costs, capital purchases, improvements and collection purchases; of this, £253,000 was provided by the DCMS to be utilised by the Gallery towards the purchase of capital items, (£362,000 in 2014/15).

All of the above income relates to the Gallery rather than the trading company

2b. DONATIONS AND LEGACIES	Unrestricted	Restricted	<b>Total</b> <b>2016</b> <b>£000</b>	Total 2015 £000
	Funds	Funds		
	£000	£000		
Fundraising dinners	91	-	<b>91</b>	149
Individual giving	961	-	<b>961</b>	695
Grants and donations	189	857	<b>1,046</b>	1,089
Donated acquisitions	-	4,161	<b>4,161</b>	286
Donations for acquisitions	-	182	<b>182</b>	9,023
Income from Lottery	-	41	<b>41</b>	-
The Heritage Lottery Fund/Department for Culture, Media & Sport Catalyst: Endowment	-	176	<b>176</b>	1,030
Legacies	-	66	<b>66</b>	-
Other fundraising income	89	44	<b>133</b>	88
	<b>1,330</b>	<b>5,527</b>	<b>6,857</b>	<b>12,360</b>

All of the above income relates to the Gallery rather than the trading company

2c. INCOME FROM OTHER TRADING ACTIVITIES	Unrestricted	Restricted	<b>Total</b> <b>2016</b> <b>£000</b>	Total 2015 £000
	Funds	Funds		
	£000	£000		
<b>Gallery trading income</b>				
Corporate members	143	-	<b>143</b>	148
Publications	579	-	<b>579</b>	645
Rights & Images	380	-	<b>380</b>	371
	<b>1,102</b>	-	<b>1,102</b>	<b>1,164</b>
<b>Trading subsidiary trading income</b>				
Gallery hire	459	-	<b>459</b>	462
Retail	2,793	-	<b>2,793</b>	2,478
Catering franchise	525	-	<b>525</b>	465
	<b>3,777</b>	-	<b>3,777</b>	<b>3,405</b>
	<b>4,879</b>	-	<b>4,879</b>	<b>4,569</b>

An additional £1,655,000 of income (2014-15 £1,553,000) due to the Gallery from the Company has been eliminated on consolidation. This relates to sales of the Gallery's publications by the trading company and the management charge. Trading company profits of £1,226,000 (2014-15 £1,045,000) have been gift aided to the Gallery for 2015-16. In total, this brings the Gallery's non consolidated trading income to £3,982,000 (2014-15 £3,762,000).

2d. OTHER INCOME	Unrestricted	Restricted	<b>Total</b> <b>2016</b> <b>£000</b>	Total 2015 Restated £000
	Funds	Funds		
	£000	£000		
Recovery of utility costs	72	-	<b>72</b>	64
Sale of audio guide, floor plans, locker charges	125	-	<b>125</b>	140
Miscellaneous trading income	-	-	<b>-</b>	4
Collection loans income	14	-	<b>14</b>	15
Other	13	8	<b>21</b>	33
	<b>224</b>	<b>8</b>	<b>232</b>	<b>256</b>

All of the above income relates to the Gallery rather than the trading company with the exception of £18,000 of cloakroom locker income (2014-15 £27,000).

### 3. INVESTMENT INCOME

	2016 £000	2015 £000
Bank interest	20	21
Investment dividends	<u>-</u>	<u>-</u>
	<u><u>20</u></u>	<u><u>21</u></u>

All of the above income relates to the Gallery rather than the trading company with the exception of £5,000 of bank interest (2014-15 £4,000).

### 4. NET INCOMING/EXPENDITURE

is stated after charging:	2016 £000	2015 £000
a) External auditors' remuneration		
National Audit Office	35	
PKF Littlejohn LLP	<u>10</u>	
b) Internal auditors' remuneration	14	19
c) Operating lease rentals on land and buildings	153	152
d) Operating lease rental on fixtures & equipment	2	7
e) Depreciation	2,224	2,188
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.

## 5. EXPENDITURE

	Direct costs	Allocated support costs	2016	Restated 2015
	£000	£000	Total £000	Total £000
<b>Costs of raising funds</b>				
Costs of raising donations and legacies	809	198	1,007	1,062
<b>Costs of fundraising trading</b>				
Charitable trading	1,410	221	1,631	1,444
Non-charitable trading	1,881	324	2,205	2,070
<b>Total costs of fundraising trading</b>	3,291	545	3,836	3,514
<b>Investment management costs</b>	29	-	29	43
<b>Total costs of raising funds</b>	4,129	743	4,872	4,619
<b>Costs of charitable activities</b>				
<b>Extending and broadening audiences</b>				
Publicity and information	1,005	70	1,075	1,035
National programme	253	32	285	339
Learning and access	1,316	814	2,130	2,093
	2,574	916	3,490	3,467
<b>Developing the Collection</b>				
Collection management	3,691	1,421	5,112	4,672
<b>Increasing understanding and engagement with the Collection</b>				
Research and documentation	1,187	778	1,965	2,025
Exhibitions and display	2,970	2,249	5,219	4,600
Charitable grants	20	-	20	-
	4,177	3,027	7,204	6,625
<b>Total costs of charitable activities</b>	10,442	5,364	15,806	14,764
	<b>14,571</b>	<b>6,107</b>	<b>20,678</b>	<b>19,383</b>

## ALLOCATION OF SUPPORT COSTS

	Directorate & Office Services	Personnel	Finance & Planning	IT & Communications	Facilities Management	Depreciation	Support Salary costs	Governance Costs	Total 2016	Restated Total 2015
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Costs of raising funds</b>										
Costs of raising donations and legacies	12	12	2	26	20	23	98	5	198	244
<b>Costs of fundraising trading</b>										
Charitable trading	11	11	3	23	35	41	88	9	221	248
Non-charitable trading	6	16	8	22	100	-	172	-	324	317
<b>Investment management costs</b>	-	-	-	-	-	-	-	-	-	-
<b>Costs of charitable activities</b>										
Publicity and information	4	3	2	5	14	14	21	7	70	98
National programme	3	1	1	3	5	5	12	2	32	35
Learning and access	15	16	3	34	257	354	126	9	814	835
<b>Extending and broadening audiences</b>	22	20	6	42	276	373	159	18	916	968
Collection management	12	84	8	27	264	348	654	24	1,421	1,381
<b>Developing the Collection</b>	12	84	8	27	264	348	654	24	1,421	1,381
Research and documentation	20	22	3	47	213	291	174	8	778	815
Exhibitions and display	18	21	7	44	828	1,148	163	20	2,249	2,277
<b>Increasing understanding and engagement with the Collection</b>	38	43	10	91	1,041	1,439	337	28	3,027	3,092
<b>Total</b>	<b>101</b>	<b>186</b>	<b>37</b>	<b>231</b>	<b>1,736</b>	<b>2,224</b>	<b>1,508</b>	<b>84</b>	<b>6,107</b>	<b>6,250</b>

All of the above expenditure relates to the Gallery rather than the trading company with the exception of £921,000 of non charitable trading costs (2014-15 £837,000).

## 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, Governance costs: 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>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Breakdown of direct costs		
Trustees' meetings and expenses	3	2
Internal Audit	15	19
External Audit	35	34
Finance and Planning costs	31	30
	<b>84</b>	<b>85</b>

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>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Staff costs during the year amounted to:		
Wages and salaries	8,808	8,214
National Insurance	584	579
Pension	1,514	1,316
	<b>10,906</b>	<b>10,109</b>

Of which staff costs capitalised for digitising the Collection:  
equivalent to 3 FTE staff in 2015/16 (2 in 2014/15)

89

68

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 2015/16 the value of the seconded staff costs was £677,128 (£664,101 in 2014/15), which was equivalent to 19 full time staff (19.5 in 2014/15).

The Trustees neither received nor waived any emoluments during the year (also in 2014/15). Expenses reimbursed or paid on behalf of two Trustees amounted to £655, relating to travel and subsistence (in 2014/15, £552 for travel and subsistence of two 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. £142,000 was spent on agency staff (contingent labour) in the year, (£17,000 in 2014/15).

### Pensions

Information on Gallery staff pension schemes are provided in the Remuneration Report .

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) - known as "alpha" - are unfunded multi-employer defined benefit schemes 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 2012. 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 2015/16, employers' contributions of £1,489,696 were payable to the PCSPS (2014/15 £1,298,127) at one of four rates in the range 20.0% to 24.5% (2014/15, 16.7% to 24.3%) of pensionable earnings, 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 2015/16 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 £24,455 (£28,428 in 2014/15) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015 and from 8% to 14.75% of pensionable earnings from 1 October 2015. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £1,127 (£2,248 in 2014/15), 0.8% of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015, 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 £2,584 (£2,665 in 2014/15). There were no contributions prepaid at that date.

## 5. TOTAL RESOURCES EXPENDED (continued)

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 7 other members of the Senior Management Team (6 in 2014/15) whose emoluments as defined for taxation purposes amounted to over £60,000 in the year are as follows:

	2016	2015
£60,001 - £70,000	6	5
£70,001 - £80,000	-	1
£80,001 - £90,000	1	-
£90,001 - £100,000	1	-
£100,001 - £110,000	-	-
£110,001 - £120,000	-	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:

	Permanent staff	Temporary staff	2016 Number	2015 Number
Costs of generating voluntary income	15	2	17	19
Charitable trading	15	0	15	16
Non-charitable trading	24	5	29	25
<b>Extending and broadening audiences</b>				
Publicity and information	3	-	3	5
National programme	2	-	2	2
Learning and access	18	4	22	21
<b>Developing the Collection</b>				
Collection management	94	18	112	95
<b>Increasing understanding and engagement with the Collection</b>				
Research and documentation	30	-	30	30
Exhibitions and display	27	1	28	27
<b>Support (including governance)</b>	30	2	32	32
	<u>258</u>	<u>32</u>	<u>290</u>	<u>272</u>

Of whom staff digitising the Collection capitalised:

3	3	2
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The average headcount of staff on permanent or fixed term contracts employed during the year was 327 (2014/15 317)

As at 31 March 2016, 55 staff had season ticket and training loans outstanding worth a total of £67,901 included in Other Debtors (2014/15 59 staff had loans totalling £80,441).

## 6. TANGIBLE FIXED ASSETS

	Land and buildings £000	Plant and machinery £000	Furniture & equipment £000	Total tangible assets £000
Valuation/cost at 1 April 2015	83,539	6,229	3,165	92,933
Additions	316	132	264	712
Disposals	-	-	(34)	(34)
Revaluation adjustment	1,321	87	-	1,408
Transfer of assets	-	-	-	-
Valuation/cost at 31 March 2016	<b>85,176</b>	<b>6,448</b>	<b>3,395</b>	<b>95,019</b>
Depreciation at 1 April 2015	1,347	545	2,714	4,606
Transfers	-	-	-	-
Disposals	-	-	(34)	(34)
Depreciation	1,433	559	232	2,224
Revaluation adjustment	39	7	-	46
Depreciation at 31 March 2016	<b>2,819</b>	<b>1,111</b>	<b>2,912</b>	<b>6,842</b>
Net book value at 31 March 2016	<b>82,357</b>	<b>5,337</b>	<b>483</b>	<b>88,177</b>
Net book value at 31 March 2015	82,192	5,684	451	88,327

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

The opening balances for Land and buildings were restated following the discovery of an error in the application of a discount rate during the desktop revaluation of the Gallery's land in 2014/15. The restatement increased the opening balance by £264,000.

The net book value at 31 March 2016 represents fixed assets for:

	Land & Buildings £000	Plant & Machinery £000	Furniture & Equipment £000	Total £000
Charitable activities	74,563	4,832	437	79,832
Other activities	7,794	505	46	8,345
Total	<b>82,357</b>	<b>5,337</b>	<b>483</b>	<b>88,177</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. The annual desk top revaluation of the Gallery's land was also undertaken by Deloitte LLP. The desktop revaluation was undertaken in accordance with the RICS Valuation Standards (the "Red Book") and the HM Treasury Financial Reporting Manual (FRM). The surveyors also took account of Central London land transactions, general capital value movements and that any replacement site would be predicated on the 'least cost' concept, to arrive at a value per acre. For the leasehold land a discount rate was applied to the value per acre of the freehold site.

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). The current net book value is £69.8 million (including plant and machinery). The St Martin's Place building also includes the East Wing, which occupies a frontage onto Charing Cross Road. The East Wing is part of the structure of the National Portrait Gallery but ownership was transferred to the National Gallery as part of the arrangements for the creation of the Ondaatje Wing. The National Portrait Gallery leases the East Wing spaces occupied by the Portrait Cafe and main shop from the National Gallery through a 99 year finance lease. This lease has been capitalised as at 31 March 2016 at a value of £3,354,000.

**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 an existing use basis at £12.3million (including plant and machinery), with an allowance to reflect the restrictions described. The current net book value is £12.5 million (including plant and machinery).

The net book value of land and buildings relates to:

	£000
Freehold	79,003
Finance lease (greater than 50 years)	3,354
Short term lease (less than 50 years)	-
	<b>82,357</b>

## 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 2015	20,245	47	646	3,403	40	337	<b>24,718</b>
Additions	262	1	12	1,195	2,956	11	<b>4,437</b>
Valuation/cost at 31 March 2016	<b>20,507</b>	<b>48</b>	<b>658</b>	<b>4,598</b>	<b>2,996</b>	<b>348</b>	<b>29,155</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 of 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 of heritage assets in the period.

Additions in the year comprise:

### Primary Collection

£262,000 purchases of portraits – paintings, sculptures and photographs.  
 £1,195,000 donations of paintings, sculptures and photographs.

### Reference Collection

£1,000 purchases of prints, drawings, paintings and sculptures.  
 £2,956,000 donations of Lucian Freud archive, prints, drawings, paintings and sculptures.

### Photographs Collection

£12,000 purchases of photographs and historic negatives.  
 £11,000 donations of photographs and historic negatives.

Summary of Heritage asset transactions

	2016	2015	2014	2013	2012
	£000	£000	£000	£000	£000
<b>Additions</b>					
Purchased assets	275	9,901	458	979	715
Donated assets	4,162	286	857	264	173
<b>Total</b>	<b>4,437</b>	<b>10,187</b>	<b>1,315</b>	<b>1,243</b>	<b>888</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 8,300 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 Digital Space 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 the 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	
	Portrait Fund	Catalyst	2016	2015
	£000	£000	£000	£000
Market value at 1 April 2015	3,845	560	4,405	3,335
Additions	-	-	-	530
Disposals	-	-	-	-
Net gain/(loss) on revaluation	210	(28)	182	540
<b>Market value at 31 March 2016</b>	<b>4,055</b>	<b>532</b>	<b>4,587</b>	<b>4,405</b>
<b>Historical cost at 31 March 2016</b>	<b>2,550</b>	<b>530</b>	<b>3,080</b>	<b>3,080</b>
Unrealised Investment Gains at 31 March 2016	1,505	2	1,507	1,325

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. The Catalyst Fund was created in January 2015 from the funds raised from the HLF *Catalyst:Endowment* match funding scheme. The Catalyst Fund portfolio mirrors the Portrait Fund portfolio in the make up of its investments, as it will eventually be subsumed into the Portrait Fund portfolio when the Catalyst scheme ends.

	2016	2015
	£000	£000
Investment assets in the UK	-	-
Investment assets outside the UK	4,587	4,405
	<b>4,587</b>	<b>4,405</b>

### Current asset investments

	Partners Capital			2016	2015
	Restricted Funds	Unrestricted Funds			
	Portrait Fund	Catalyst Fund	Investment & Contingency Fund		
	£000	£000	£000	£000	£000
Market value at 1 April 2015	2,985	384	3,910	7,279	6,626
Add: Acquisitions at cost	-	-	-	-	378
Less: disposal proceeds	-	-	-	-	(400)
Investment management charges deducted	(37)	(2)	(42)	(81)	(12)
Gain/(loss) on revaluation	(341)	2	69	(270)	687
Net Gain/(loss) on revaluation	(378)	-	27	(351)	675
<b>Market value at 31 March 2016</b>	<b>2,607</b>	<b>384</b>	<b>3,937</b>	<b>6,928</b>	<b>7,279</b>
<b>Historical cost at 31 March 2016</b>	<b>3,082</b>	<b>378</b>	<b>3,037</b>	<b>6,497</b>	<b>6,497</b>
Unrealised Investment Gains/(Losses) at 31 March 2016	(475)	6	900	431	782

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 in arrears.

	2016	2015
	£000	£000
<i>Investment assets in the UK</i>		
Government stocks (Inflation linked Gilts)	286	282
Real Assets (charities property fund)	638	563
Global equities fund	735	682
<i>Investment assets outside the UK</i>		
Government stocks (index-linked UK Gilts and conventional UK Gilts)	457	450
Asian local currency bonds	-	-
Corporate bonds	3,026	3,662
Cash	1,786	1,640
	<b>6,928</b>	<b>7,279</b>

## 9. FINANCIAL RISK MANAGEMENT

The Charities SORP FRS 102 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

On average, historically, approximately 30-40% of the Gallery's income 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 average stock levels held by the Gallery 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 £413,000 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 four years. Bad and doubtful debts are provided for on an individual basis. Bad debts amounting to £531 were written off in the year, (none in 2014/15).

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; 69% of the Gallery's financial assets represents cash and investments held for these short term requirements. Of these, 75% earn interest at a floating rate and 19% carry fixed rates of interest. The fixed rate investments consist of investments in UK inflation linked gilts and corporate and inflation linked bonds. About 31% 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.

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

	Floating rate	Fixed rate	Non-interest bearing	Real Assets	Assets earning equity return	Total	Weighted average interest rate	Weighted average period for which rate is fixed
At 31 March 2016	£000	£000	£000	£000	£000	£000	%	
Sterling	7,491	1,897	22	638	4,587	14,635	2.26	1.98 years
Other	-	-	-	-	-	-		
	<b>7,491</b>	<b>1,897</b>	<b>22</b>	<b>638</b>	<b>4,587</b>	<b>14,635</b>		
At 31 March 2015	£000	£000	£000	£000	£000	£000		
Sterling	8,669	2,022	25	563	4,405	15,684	2.01	1.29 years
Other	-	-	-	-	-	-		
	<b>8,669</b>	<b>2,022</b>	<b>25</b>	<b>563</b>	<b>4,405</b>	<b>15,684</b>		

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

## 9. FINANCIAL RISK MANAGEMENT (continued)

### Reconciled to the Consolidated Balance Sheet

	2016 £000	2015 £000
Fixed Asset Investments	4,587	4,405
Current Asset Investments	6,928	7,279
Cash at Bank	3,120	4,000
<b>Total</b>	<b>14,635</b>	<b>15,684</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 £2,000. 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	
	2016 £000	2015 £000	2016 £000	2015 £000
Debtors falling due within one year				
Trade debtors	414	809	300	647
Less provision for bad debts	(1)	-	(1)	-
	<u>413</u>	<u>809</u>	<u>299</u>	<u>647</u>
Other debtors	410	296	381	280
Prepayments	64	73	63	73
Accrued income	203	132	89	78
Amounts due from the Company	-	-	1,351	1,238
	<u>1,090</u>	<u>1,310</u>	<u>2,183</u>	<u>2,316</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, £1,226,000 relates to the distribution under Gift Aid of profits from the Company, and the remaining balance represents the intergroup balance as at 31 March 2016.

## 11. STOCK

	GROUP		GALLERY	
	2016 £000	2015 £000	2016 £000	2015 £000
Goods for resale	627	659	296	370
Work in progress	18	40	18	40
	<u>645</u>	<u>699</u>	<u>314</u>	<u>410</u>

## 12. CURRENT LIABILITIES

### a) Creditors falling due within one year

	GROUP		GALLERY	
	2016	2015	2016	2015
	£000	£000	£000	£000
Trade creditors	150	341	139	332
Other creditors	8	98	8	91
Taxation and social security	327	312	327	312
Accrued expenses	764	985	687	873
Deferred income	1,245	1,182	1,197	1,076
VAT payable	149	232	149	232
Provision for liabilities and charges	10	-	10	-
	<b>2,653</b>	<b>3,150</b>	<b>2,517</b>	<b>2,916</b>
of which creditors for capital expenditure:	15	-	-	-

### b) Movement on deferred income

	GROUP							Total
	Sponsorship	Theatre Hire, Conferences & Group Tours	Exhibition Income & Fees	Registration Fees	Donations	Membership Fees	Event Deposits	
Balance as at 1 April 2015	491	8	98	87	120	273	105	1,182
Amounts released from previous years	(491)	(8)	(98)	(87)	(120)	(273)	(105)	(1,182)
Incoming resources deferred in the current year	475	29	169	85	30	409	50	1,247
Balance as at 31 March 2016	<b>475</b>	<b>29</b>	<b>169</b>	<b>85</b>	<b>30</b>	<b>409</b>	<b>50</b>	<b>1,247</b>

The disclosure includes the deferred income related to the Group.

### 13. STATEMENT OF FUNDS

	Note	Balance at 1 April 2015	Income	Expenses	Net gains/losses	Transfers	Balance at 31 March 2016
		£000	£000	£000	£000	£000	£000
<b>Unrestricted funds</b>	14						
<b>Designated funds:</b>							
Fixed Asset Fund		5,977	396	(791)	-	-	5,583
Fixed Asset Revaluation Fund		157	-	-	80	-	237
Investment and Contingency Fund		4,205	-	-	69	(1,611)	2,663
Deferred Projects Fund		244	-	(101)	-	350	493
<b>Total designated funds</b>		<b>10,584</b>	<b>396</b>	<b>(892)</b>	<b>149</b>	<b>(1,261)</b>	<b>8,976</b>
<b>General Funds (Working Capital)</b>	14	300	16,928	(17,432)	-	504	300
<b>Total unrestricted funds</b>		<b>10,884</b>	<b>17,324</b>	<b>(18,324)</b>	<b>149</b>	<b>(757)</b>	<b>9,276</b>
<b>Restricted funds</b>	15						
Fixed Asset Fund		23,333	-	(1,433)	-	316	22,216
Fixed Asset Revaluation Fund		58,860	-	-	1,282	-	60,142
Capitalised Collection Fund		24,718	4,161	-	-	276	29,155
		106,911	4,161	(1,433)	1,282	592	111,513
Portrait Fund		6,716	112	(11)	(131)	-	6,686
Heritage Lottery Fund/Department for Culture, Media & Sport Catalyst: Endowment		1,899	129	(3)	(26)	-	1,999
Grants and Donations Fund		1,170	1,139	(907)	-	165	1,567
Dame Helen Gardner Bequest Fund		8	-	-	-	-	8
		9,793	1,380	(921)	(157)	165	10,260
<b>Total restricted funds</b>		<b>116,704</b>	<b>5,541</b>	<b>(2,354)</b>	<b>1,125</b>	<b>757</b>	<b>121,773</b>
<b>Total Funds</b>		<b>127,588</b>	<b>22,865</b>	<b>(20,678)</b>	<b>1,274</b>	<b>-</b>	<b>131,049</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.

	As at 1 April 2015	Unrealised gains/losses under fair value	Realised gains/losses under fair value	As at 31 March 2016	Reserve/Fund excl fair value as at 31 March 2016	Reserve/Fund incl fair value as at 31 March 2015
<b>Fair Value Reserve (Investments)</b>						
<b>Unrestricted</b>						
General Fund	893	27	-	920	(620)	300
<b>Restricted</b>						
Portrait Fund	1,651	(168)	-	1,483	5,203	6,686
Heritage Lottery Fund/Department for Culture, Media & Sport Catalyst: Endowment	36	(28)	-	8	1,991	1,999

## **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/(deficit) transferred to this fund.

### **PORTRAIT FUND**

This fund represents 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 planned work on improving interpretation and orientation in the Gallery, future exhibitions planning, improvements to IT applications including the continued implementation of the Customer Relationship Management and Ticketing System, archive cataloguing, building improvements and certain curatorial publications. 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 held at the Gallery.

## **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. The Gallery successfully raised the required £1 million by the end of the 2014/15 financial year and received the final instalment of match funding from HLF of £100,000 in 2015/16. 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 2016 are represented by:

	Unrestricted		Restricted £000	Total £000
	Designated £000	General £000		
Fixed Assets	5,820	-	82,358	<b>88,178</b>
Heritage Assets	-	-	29,155	<b>29,155</b>
Investments	-	-	4,587	<b>4,587</b>
Current Assets	3,156	2,953	5,673	<b>11,782</b>
Current Liabilities	-	(2,653)	-	<b>(2,653)</b>
Long term Liabilities	-	-	-	-
<b>Total Net Assets</b>	<b>8,976</b>	<b>300</b>	<b>121,773</b>	<b>131,049</b>

## 17. FINANCIAL COMMITMENTS

As at 31 March 2016 the Gallery had total minimum lease payments under non-cancellable operating leases as follows:

	2016		2015 Restated	
	Land and buildings £000	Other Operating Leases £000	Land and buildings £000	Other Operating Leases £000
Less than one year	153	2	153	-
One to five years	612	2	612	-
Greater than five years	208	-	361	-
	<b>973</b>	<b>4</b>	<b>1,126</b>	<b>-</b>

## 18. CAPITAL COMMITMENTS

	2016 £000	2015 £000
Capital expenditure contracted for but not provided in the accounts	<b>96</b>	20
Capital expenditure authorised but not contracted for	<b>465</b>	85

Capital expenditure authorised but not contracted for relates to planned software enhancements and acquisitions.

## 19. CASH FLOW INFORMATION

	2016 £000	2015 £000
<b>Cashflow from operating activities</b>		
Net income/(expenditure) for year	2,099	10,572
Less: Dividends, interest and rent from investments	(20)	(21)
Donated acquisitions	(4,161)	(286)
Add: Net gain/(losses) on investments	88	(1,227)
Investment management fees	81	12
Depreciation and impairment of tangible fixed assets	2,224	2,188
(Profit)/loss on disposal of tangible fixed assets	-	-
(Increase)/ Decrease in stock	54	(89)
(Increase) / Decrease in debtors	220	(169)
(Decrease) / Increase in creditors	(575)	399
Increase / (Decrease) in deferred income	63	134
<b>Net cash flow provided by/(used in) operating activities</b>	<u>73</u>	<u>11,513</u>
<b>Cashflow from investing activities</b>		
Payments to acquire tangible fixed assets	(973)	(10,322)
Payments to acquire investments	-	(908)
Receipts from sales of investments	-	400
Dividends, interest and rent received from investments	20	21
	<u>(953)</u>	<u>(10,809)</u>
<b>Cashflow from financing activities</b>	-	-
<b>Change in cash and cash equivalents in the year</b>	<b>(880)</b>	<b>704</b>
<b>Cash and cash equivalents at 1 April 2015</b>	<b>4,000</b>	<b>3,296</b>
<b>Cash and cash equivalents at 31 March 2016</b>	<u><b>3,120</b></u>	<u><b>4,000</b></u>
<b>Cash and cash equivalents consists of:</b>		
Cash at bank and in hand	<u>3,120</u>	<u>4,000</u>

**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 principal activities are Retail, Gallery Hire and running the Gallery catering franchise.

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

	<b>2016</b>	2015
	<b>£000</b>	£000
<b><u>Profit and loss account</u></b>		
Turnover	<b>3,797</b>	3,431
Cost of sales	<b>(1,375)</b>	(1,248)
<b>Gross Profit</b>	<b><u>2,422</u></b>	<u>2,183</u>
Administrative expenses	<b>(1,201)</b>	(1,142)
<b>Trading Profit</b>	<b><u>1,221</u></b>	<u>1,041</u>
Interest receivable	<b>5</b>	4
<b>Profit on Ordinary Activities Before Taxation</b>	<b><u>1,226</u></b>	<u>1,045</u>
Taxation	-	-
<b>Profit on Ordinary Activities After Taxation</b>	<b><u><u>1,226</u></u></b>	<u><u>1,045</u></u>
<b><u>Balance sheet</u></b>		
Tangible fixed assets	-	-
Current assets	<b>1,486</b>	1,472
Creditors	<b>(260)</b>	(427)
Payment under Gift Aid to Gallery	<b>(1,226)</b>	(1,045)
<b>Net assets</b>	<b><u>-</u></b>	<u>-</u>
<b>Share capital and reserves</b>	<b><u>-</u></b>	<u>-</u>

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

	<b>2016</b>	2015
	<b>£000</b>	£000
Turnover	<b>3,797</b>	3,431
Intra group transactions	-	-
<b>Trading income included within SOFA</b>	<b><u>3,797</u></b>	<u>3,431</u>
Cost of sales	<b>(1,375)</b>	(1,248)
Administrative expenses	<b>(1,201)</b>	(1,142)
Taxation	-	-
Intragroup transactions	<b>1,655</b>	1,553
<b>Trading costs included within SOFA</b>	<b><u>(921)</u></b>	<u>(837)</u>
Interest receivable	<b>5</b>	4
<b>Included in investment income per SOFA</b>	<b><u>5</u></b>	<u>4</u>

## 21. CONTINGENT LIABILITIES

At the balance sheet date the Gallery was in the process of agreeing a severance package with a member of staff. The potential size of the liability has not been disclosed for reasons of confidentiality while negotiations are continuing. The Gallery had also agreed to the purchase of a portrait which had been on long term loan to the Gallery. The Gallery had successfully fundraised an amount to fund the purchase and the Gallery's own contribution towards the purchase being in the region of £200,000. The details of the purchase had not been finalised by the balance sheet date and the purchase date had yet to be confirmed.

## 22. POST BALANCE SHEET EVENTS

The severance arrangement mentioned in Note 21 has been concluded, at a cost of £133,000 to the Gallery. The purchase of the acquisition also mentioned in Note 21 has also now been finalised and the Gallery's contribution towards the purchase was £203,000. The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

## 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), National Trust, National Gallery, Tate Gallery 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	£10,500 of sales for Corporate Membership. £30,138 for the acquisition of art works. Nil balance at year end.
Professor Dame Carol Black	Newnham College, Cambridge	Principal	£112 of exhibition ticket sales. Nil balance at year end.
Professor Dame Carol Black	PwC	Member of PwC's Health Industries Oversight Board	£6,000 for purchase of table at fundraising event and £20,400 for Corporate Membership. Nil balance at year end.
Dr Augustus Casely-Hayford	Tate Gallery	Member of Tate Britain Council and audience advisor	£559 of sales made from Tate group to attend seminar. Nil balance at year end.
Stephan Shakespeare	Cabinet Office	Member of Public Sector Transparency Board for Cabinet Office	£11,927 for pensions services. Nil balance at year end.
Dame Marina Warner	Bodleian Library	Council member	£48 of purchases for reproduction fees. Nil balance at year end.
Christopher Le Brun	Royal Academy of Arts	Trustee and Director	Purchases of £456 for advertising and photographic costs. Nil balance at year end.

#### Independent Members (Audit & Compliance Committee)

Dr Jacqueline Riding	National Maritime Museum	Close family member is Head of Arts at NMM	£336 for image rights clearance for use in a publication. Nil balance at year end.
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#### Independent Members (Investment Committee)

Anthony Brooke	The Portrait Trust	Trustee	The Gallery provided the Trust with a grant of £20,000. The Trust paid the Gallery a grant of £43,000 and administrative fees of £4,060. Nil balance at the year end.
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#### Gallery Management

Nicholas Cullinan	Romney Society	President	£18 purchase for Gallery membership of the society. Nil balance at the year end.
Nicola Saunders	Association for Cultural Enterprises	Trustee	£2,207 of purchases for training courses and attendance at the ACE annual conference. Nil balance at year end.

**Trustees:** Sir William Proby donated £2,825 to the Gallery. Allegra Berman paid £1,200 at a fundraising event. Dame Carol Black paid £1,200 at a fundraising event. Dr Rosalind Blakesley received a stipend from the Gallery of £3,000 for curating the *Russia and the Arts: The Age of Tolstoy and Tchaikovsky* exhibition. Dr Andrew Roberts paid £85 for Gallery membership. David Ross donated £10,000 at a fund raising event. 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 £11.5 million of the Gallery's reserves under management.

**Staff:** In 2014/15, the Gallery received £99,000 of funding from the DCMS to hold on behalf of the Women Leaders in Museums Network (WLMN). Additional funding of £8,000 was received from the Arts Council in 2015/16. Pim Baxter, the Gallery's Deputy Director, is a member of the WLMN. All of the funding was expensed by the end of 2015/16. Terence Pepper (the Gallery's Senior Special Advisor on Photographs) donated photographs with an aggregated value of £190 to the Gallery's photographic collection.

#### **24. LOSSES STATEMENT**

During the year the Gallery incurred losses of £96,000. These relate to publications and retail stock write offs.

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