

The Wallace Collection
Annual Report and Accounts 2021-22

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Annual Report and Accounts 2021-22

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Annual Report and Trustees' Report

Objectives and Achievements

Background/introductory information

The Wallace Collection was formed by four generations of the Marquesses of Hertford and by Sir Richard Wallace (the supposed illegitimate son of the Fourth Marquess) between the 1780s and the 1880s. Since the 1870s the Collection has been housed in Hertford House, Manchester Square, London, W1U 3BN, one of the Hertford-Wallace residences and a Grade II listed building. The Collection was bequeathed to the nation by Lady Wallace, Sir Richard's widow, in 1897 and opened to the public on 22 June 1900. Admission to the permanent collection is free.

A Treasury Minute of 28 July 1897 appointed the first Board of Trustees, which acts on the authority of a Declaration of Trust dated 27 July 1899, and of the Museums and Galleries Act 1992, which specifies the Board's general function to maintain, exhibit and grant access to, and to promote public understanding and enjoyment of the Collection. Responsibility for Government financing of the Wallace Collection rests with the Secretary of State for Culture, Media and Sport, from whom the museum receives a Grant-in-Aid out of monies provided by Parliament. The museum is a Non-Departmental Public Body sponsored by the Department for Culture, Media and Sport (DCMS). It is a charity exempt from registration under the Charities Act 2011. It has a wholly-owned subsidiary, Hertford House Marketing Limited, whose results are consolidated with the Wallace Collection's results for the purpose of these accounts.

The museum contains Old Master paintings, miniatures, sculpture, furniture, porcelain and goldsmiths' work, European, African and Asian arms and armour, and medieval and Renaissance works of art. All are of the highest quality and of international importance. Its holdings of French eighteenth-century art, European princely arms and armour, and Old Master paintings are internationally acclaimed.

The works of art in the Collection, broken down by collection category, comprise:

Pictures (paintings, watercolours, drawings and etchings)	777
Miniatures	317
Furniture	525
Sculpture	481
European Arms and Armour	1,342
Oriental Arms and Armour	1,057
Asian and African Art	98
Porcelain	287

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Earthenware	203
Glass	59
Limoges enamels	29
Gold boxes	89
Works of Art	341
Manuscript cuttings	32

These objects (5,637 in total) encompass a superb range of fine and decorative arts from the fifteenth to the nineteenth centuries. They are housed in twenty-seven rooms and galleries on the ground and first floors, with an additional Temporary Exhibition Gallery, Visitors' Library, Theatre, Meeting Room and Learning Studio on the lower ground floor.

Notably, in 2019-20, the Collection obtained permission to loan works of art and thereby develop stronger partnerships and relationships with other arts institutions.

Aims, Objectives and Priorities

The 1992 Museums and Galleries Act sets the overall statutory objectives for the Wallace Collection. Its wording is as follows:

“(4) so far as practicable and subject to the provisions of this Act, the Wallace Collection Board shall maintain the collection of objects known as the Wallace Collection and shall:

- (a) care for and preserve the objects in their collection;
- (b) secure that the objects are exhibited to the public;
- (c) secure that the objects are available to persons seeking to inspect them in connection with study or research; and
- (d) generally promote the public's enjoyment and understanding of fine and applied art both by means of the Board's collection and by such other means as they consider appropriate.”

In 2019, following consultation with DCMS, the Charity Commission granted an Order under section 105 of the Charities Act 2011 to authorise the temporary lending and borrowing of objects for exhibitions or displays. The following powers were vested in the Board of Trustees:

“1.2.1. Being satisfied that it is expedient in the interests of the Charity that it should do so, the Commission authorises the Charity:

- (1) to lend any objects in the Charity's collection (whether the loan is for purposes of public exhibition or not and whether, under the terms of the loan, the object is to

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remain in the United Kingdom or not) provided that in deciding whether or not to lend an object, and in determining the time for which, and the conditions subject to which, an object is to be lent, the Charity:

- (a) shall give special consideration to the request for the loan of an object for public exhibition; and
- (b) subject to that, shall have regard to the interests of students and other persons visiting the Charity's collection, the sustainability of the prospective borrower, the purpose of the loan and the physical condition and degree of rarity of the object and any risk to which it is likely to be exposed."

The Trustees of the Wallace Collection consider the museum's principal aim is 'to safeguard this unique and varied Collection, making it accessible for the present and preserving it for future generations.' In order to achieve this aim the Collection has, under the banner of "*Making Culture Matter*", set itself the following objectives and priorities for the period 2022 - 2025:

1. To maintain, research and preserve the Collection for future generations;
2. To broaden and deepen visitor engagement, connecting with audiences onsite and digitally;
3. To build and support a strong exhibition programme;
4. To lay a strong financial foundation for the future; and
5. To embark upon a Masterplan programme to transform the museum.

These objectives and priorities are described in further detail in this annual report.

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Achievements and Performance

Responding to COVID-19

The COVID-19 pandemic continued to create challenges throughout the 2021-22 financial year. The Wallace Collection entered the year closed to the public and did not open its doors until 3 June. However, as compared with only 26,000 visitors in 2020-21, the museum welcomed more than 162,000 visitors, which is a third of the numbers the Collection had received in 2019-20. Staff continued to strive to reach audiences digitally, and then welcomed the challenge of combining on-site and digital engagement. Self-generated income through venue hire and retail was slower to recover, particularly with the advent of the Omicron variant in December 2021.

To maintain, research and preserve the Collection for future generations

Researching and conserving the works of art in the Wallace Collection for future generations is one of the museum's core strategic aims, and the Collection made important progress on several areas of research over the last year.

Ottoman, Middle Eastern and Asian Arms and Armour

The Collection's research on its Ottoman, Middle Eastern and Asian Arms and Armour continued; Hertford House is home to one of the finest collections of non-European arms and armour in the world, which in total makes up almost 20% of the museum's works of art. It provides an unusually comprehensive view of its key areas – India, the Ottoman Empire and Iran – over the eighteenth and nineteenth centuries, although some of its star pieces were made as early as the fifteenth century. These functional weapons and prestigious luxury objects are integral to the story of the Wallace Collection, yet they have never been thoroughly researched and studied. The Hutton McRoberts Assistant Curator of Ottoman, Middle Eastern and Asian Arms and Armour, Arthur Bijl is writing a catalogue, which will be the culmination of a multi-year research project. This comprehensive catalogue, expected to be released in 2023, includes new photography following conservation and cleaning of the objects.

The Fragonard Research Project

In 2019-20, the Wallace Collection launched a major conservation and research project focusing on the artist, Jean-Honoré Fragonard. The Wallace Collection is fortunate to own eight exquisite works by Fragonard, one of the most popular artists of the eighteenth century. This ensemble is crucial to the identity of the museum, yet they have not been studied in depth. Led by Dr Yuriko Jackall, Head of Curatorial and Curator of French Paintings, the project aims to address these gaps in knowledge. Following the conservation of several Fragonard's works in 2020-21, in 2021-22, we were able to conserve *The Swing*; by removing the thick yellowing varnish, the conservation opened up new depths in the painting, bringing it back to its original glory for visitors to appreciate. Dr Jackall is now working on a major publication which will consider all of Fragonard's works in the Wallace Collection, and explore all of the findings during the process of conservation.

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The Venetian Views Research Project

The Wallace Collection has an extremely fine group of paintings by Giovanni Antonio Canal (commonly known as Canaletto), Francesco Guardi and their followers. The Venetian Views Project was launched in 2017 to conserve, analyse and research these important works, with the conservation and technical analysis carried out by the world-renowned Hamilton Kerr Institute at the University of Cambridge. In 2021-22 the final paintings returned from the Hamilton Kerr to the Wallace Collection. Over the next year, Dr Lelia Packer, lead curator on the project, will be writing the first volume dedicated to these Venetian views, presenting the research undertaken on each of the paintings. *Canaletto and Guardi: Views of Venice at the Wallace Collection* will also include extensive discussion of the conservation process with the findings made and is scheduled for publication in 2023.

Macbeth, paysage by Jean-Baptiste Camille Corot

Begun in 1858, this ambitious representation of a scene from Shakespeare's *Macbeth* was exhibited in the Paris Salon the following year. The work is one of only two Shakespearean subjects painted by Corot, the other being *Hamlet and the Gravedigger* made some twenty years later and now in the Ordrupgaard Museum in Copenhagen. The young Claude Monet greatly admired Corot's painting when he saw it at the Salon and some fifty years later, when the Wallace Collection opened its doors to the public, this was one of the most popular works in the new museum. However, over the years the painting's surface deteriorated. In 2021-22, the Collection was able to carry out extensive conservation on the work.

The Wallace Collection publications for the year are:

Arthur Bijl, Review of *Fighting, Hunting, Impressing: Arms and Armour from the Islamic World 1500-1800*, in *The Burlington Magazine*, October 2021, pp. 946-7.

Tobias Capwell, *Arms and Armour of the Renaissance Joust* (Leeds: Royal Armouries: 2021).

Tobias Capwell, 'From Cradle to Grave: Armour in the Life of the Renaissance Nobleman', in *Iron Men – Fashion in Steel*, ex. cat. (Vienna: Kunsthistorisches Museum, 2022), pp. 108- 121.

Tobias Capwell, '21st- Century Knight: Historical Jousting in Practice c. 1996- 2014', in Krause, Stefan, ed, *Tournaments: A Thousand Years of Chivalry* (London: Thomas Del Mar, 2022), Chapter 15.

Tobias Capwell, *Cloth of Steel: Elements of a Landsknecht Armour in the Wallace Collection*, in Downen, Keith and Alan Williams, eds, *Arms and Armour History, Conservation and Analysis: Essays in Honour of David Edge* (London: Archetype, 2021), pp. 30-68.

Tobias Capwell, *Armour of the English Knight 1450-1500* (London: Thomas Del Mar Ltd., 2021), 360pp.

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Lucy Davis, 'Jordaens, The King Drinks' in Jordaens's first CODART book: *100 Masterpieces Dutch and Flemish Art 1350-1750 – CODART Canon*, Lannoo 2021 (also published online: <https://canon.codart.nl/artwork/the-king-drinks/>).

Lucy Davis, CODART feature: Rubens. Reuniting the Great Landscapes, Wednesday 14 July 2021 <https://www.codart.nl/publications/new-codartfeature-rubens-reuniting-the-great-landscapes/>

Suzanne Higgott, 'The Limoges Enameller Jean de Court and the Court Artist Jean Decourt: A Question of Identity' in Lawrence Hendra and Emma Rutherford, eds, *Love's Labour's Found. Elizabethan & Jacobean Portraiture*, catalogue of an exhibition held at Philip Mould & Company, 18–19 Pall Mall, London SW1Y 5LU, 21 April 2021–28 May 2021, pp. 46–49.

Suzanne Higgott, 'Venice Glass Week 2020', in *Glass News*, Winter/Spring 2021, Number 49, pp. 13–14.

Suzanne Higgott, 'L'homme le plus fortune de son temps': *Sir Richard Wallace: Connaisseur, Collectionneur, Philanthrope* (London: The Wallace Collection, 2021).

Suzanne Higgott, *A oficina da "Pequena Paixão" de Santa Cruz de Coimbra: Context e Características* in *Exposição Esmaltes em Portugal da Época Medieval à Época Moderna*, exh. cat., Museu Nacional Soares dos Reis, 29 July – 31 October 2021, 2021, pp. 117–130.

Suzanne Higgott, *L'émergence du Verre Emailé et Doré Français dans l'Historiographie au XIXe Siècle* in *Le Verre à la Renaissance. Sur les traces des artistes verriers entre Venise et France*, exh. cat., 13 October 2021–14 February 2022, Paris 2021, pp. 200–205.

Suzanne Higgott, review of Tom Stammers, *The Purchase of the Past: Collecting Culture in Post-Revolutionary Paris, c. 1790-1790-1890*, Cambridge University Press 2020 in *Journal of the History of Collections*. Published on 30 June 2021 (online only).

Suzanne Higgott with Aurélie Gerbier, 'French Renaissance Glass with Figurative Enamelling' in Instituto Veneto di Scienze, Lettere ed Arti, *Atti*, Classe di Scienze, Fisiche, Matematiche e Naturali, 178 – I-II-III, 2019-2020, 'Study Days on Venetian Glass. Enamelled and Gilded Glass of the Renaissance', Venice 2020, pp. 143-161.

Yuriko Jackall, 'The Swing.' Online piece on *The Swing* project for the Fondation Culturelle Francophone de Londres (<https://fcfl.uk/theswing-eng/>).

Yuriko Jackall, 'Reconsidering Watteau after 300 Years,' in *London Art History Society Journal* (2021).

Yuriko Jackall, 'Becoming Hubert Robert: Some New Suggestions', *The Burlington Magazine* 163 (March 2021), pp. 244–53 (with paintings conservator Kari Rayner).

Yuriko Jackall, catalogue entries in *L'Empire des sens, de Boucher à Greuze* (Musée

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Cognacq-Jay, Paris, 19 May through 19 July).

Lelia Packer with Ashok Roy, *Frans Hals: The Male Portrait*, London: Bloomsbury, 2021

Ada de Wit, review of *Sculpture Journal*, vol. 29, issue 3 in *Burlington Magazine*, July 2021, pp. 638–39.

Ada de Wit, review of J. Griffin and A. Szczerski (eds), *Young Poland. The Polish Arts and Crafts Movement, 1890–1918*, London: Lund Humphries 2020 in *The Furniture History Society Newsletter*, vol. 223, August 2021, pp. 33–35.

Félix Zorzo, ‘Sèvres Porcelain. From White Clay, to White Gold’, in *Scala Regia* #7 (Lisbon, 2021), pp. 38–53.

To broaden and deepen visitor engagement, connecting with audiences onsite and digitally

Throughout the last financial year (2020-21), the Collection devoted all resource available to create meaningful and exciting content that could be shared with online audiences through events, blogs, videos, social media and other programming. This was a departure from the previous activity of the Collection which focused on engaging with individuals exclusively onsite.

Over 2021-22, staff rose to the challenge of creating a hybrid model of programming. As the museum began to welcome visitors back to Hertford House, the Learning team also started again to programme onsite activities for schools, community groups, adults and families. The facilities in the public spaces (Meeting Room, Theatre and Learning Studio) were upgraded, allowing the museum to hold events with both onsite and online participants.

603 learning events were held throughout 2021-22, generating 13,574 individual engagements. This represents stellar growth on 2020-21, where the pandemic severely restricted our operations (total 188 learning events with 7,790 engagements).

There have been 3.2 million page views of the website over the year, by 731,218 users, and there have been more than 66,000 subsequent views of the Collection’s online talks and concerts, which is extremely positive and means that the museum’s content is reaching an extensive audience.

A new digital guide to the Collection was launched in June 2021 through Bloomberg Connects. All visitors onsite and online are invited to download the app, with which they can explore almost 75% of the works of art in the Collection through audio, video and written content. A unique feature of our guide is its accessible content, which includes object-focused AD and BSL films, as well as a BSL welcome video; providing accessible content in this way is of great importance to the Collection. With international visitor levels in London increasing post-pandemic, an eight-language director’s highlights tour in English, Mandarin, French, Italian, Arabic, German, Dutch and Spanish audio and text is available.

The guide has now been started more than 19,000 times, and the Collection is monitoring

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closely what percentage of visitors are taking it up. This will allow us to continue developing new and exciting content. Currently, the number of objects on the guide is growing as information from gallery books is being transferred, offering an even more comprehensive digital experience for visitors.

To build and support a strong exhibition programme

The Collection is committed to building a strong exhibition programme, which seeks to:

- Programme exhibitions that speak to one or many of the following aims:
 - Celebrate, promote and add to the body of research of the Collection's core strengths in Arms and Armour, French 18th century art or Old Masters;
 - Explore unusual and interesting connections that help visitors see the Collection through new eyes; and
 - Expand audiences by exploring themes related to the Collection that might appeal to individuals outside of the museum's core visitor demographic or 'non-museum goers'.
- Increase visitor numbers and audiences through attracting new types of visitor to the Collection.
- Drive revenue through tickets sales and catalogue purchases, as well as secondary spend in restaurant and retail, and of course, membership.

In 2021-22 the Collection was delighted to start programming exhibitions again and celebrated with two exceptional shows showcasing two of its greatest masterpieces by Rubens and Hals.

From 3 June to 15 August 2021, the Collection presented *Rubens: Reuniting the Great Landscapes*. For the first time in over two hundred years, Peter Paul Rubens's (1577-1640) two great masterpieces of landscape painting, the Wallace Collection's *The Rainbow Landscape* and the National Gallery's *A View of Het Steen in the Early Morning* were reunited. Painted as a companion pair, these sweeping panoramic works show Rubens's newly acquired manor house and estate, Het Steen, at Elewijt (between Brussels and Antwerp) as it was in about 1636. They both celebrate the fertile countryside of Brabant and pay homage to the great Flemish tradition of landscape painting.

Visitors to this exhibition had a unique opportunity to experience these great paintings together and on their own, and to be immersed in their wealth of detail and ambitious scale. More than 14,000 visitors saw the exhibition, which was accompanied by a documentary film and catalogue.

In the autumn, the museum celebrated Frans Hals's (1582/3-1666) most famous and beloved painting, *The Laughing Cavalier*, painted in 1624. Since it entered the Wallace Collection in 1865 as the only work by Hals, this iconic image had never previously been seen together with other works by the artist, and it formed the centrepiece of the exhibition, *Frans Hals: the Male Portrait*, which was open from 22 September 2021 to 30 January 2022. In the first ever show to focus solely on Hals's portraits of men posing on their own, *The Laughing Cavalier* was showcased alongside other great male portraits by Hals in order to explore his

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highly innovative approach to male portraiture in particular, from the beginning of his career in the 1610s until the end of his life in 1666.

The exhibition brought together a careful selection of the artist's best male portraits from Europe and North America. In doing so, the show aimed to demonstrate how, through pose and virtuosic painterly technique, Hals completely revolutionised the male portrait into something entirely new and fresh, capturing and revealing his sitters' characters like no one else before him. It also showcased the evolution of Hals's style, which is especially evident in his male portraits, from finely painted works to those demonstrating increasingly free and loose handling in his later years.

The Collection welcomed 19,000 visitors to the exhibition, which could be explored through the catalogue and a fascinating multimedia guide, containing insightful curator commentary, expert voices and observations from a special guest contributor, Grayson Perry.

To lay a strong financial foundation for the future

As mentioned above, the Collection reopened to the public in June 2021, and was able to remain open to the public for the rest of 2021-22. Self-generated income from the restaurant and the retail operation was able to begin to regain some of the ground lost in 2020-21 but grew slowly as visitor numbers were far below pre-COVID levels and fluctuated significantly month to month, particularly over December due to the Omicron variant. Income from the Collection's venue hire was also slow to come back, with many holiday events and parties cancelled in November and December due to fears of another wave.

However, as the Collection reached the end of the financial year, the forecast for 2021-22 was strong as there was robust interest for venue hire, and visitor numbers in March rose to the greatest level since the pandemic began. Fundraising income continued to be healthy, and both the Rubens and Frans Hals exhibitions were fully sponsored, which meant that all ticket income was able to contribute positively to the budget.

Although the Collection does not expect self-generated income to return to the levels it reached pre-pandemic for the next two years, there are positive signs, particularly with the venue hire business.

To embark upon a Masterplan programme to transform the museum

As a historic house that has been modified, Hertford House has size and layout constraints within which the Wallace Collection must work. As visitor numbers to the Collection have grown (more than doubling between 2000 and 2020), current visitor facilities have proved inadequate and do not provide the best visitor experience possible. Added to this, the West Galleries, the four Galleries of Arms and Armour, and the Renaissance Gallery with Smoking Room need to be refurbished to match the high calibre of the other galleries in the museum. To carry out these works, there will need to be a holistic look at the museum's technical infrastructure, with a particular focus on sustainability.

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The Trustees and Senior Management Team believe these works require a Masterplan, and during 2019-20 and 2020-21 much consideration had been given by the Trustees and the Senior Management Team on how to proceed with developing this for the Collection to address these issues. In 2021-22, progress has been made as an initial requirements document has been agreed. In 2022-23, the Director and Senior Management Team plan to begin the process of fundraising and start the tender process.

Financial Review

Financial results

Net income for the year is £0.867m (2020-21: £2.914m), however this result is flattered by a £0.630m revaluation gain on investments (2020-21 £2.196m gain) as stock markets continue to recover from losses seen at the outbreak of the pandemic. If this amount is excluded the net income/expenditure before gains/losses on investments is £0.237m (2020-21: £0.718m) of which restricted net loss is £0.034m (2020-21: £1.149m income) and unrestricted £0.271m net income (2020-21 £0.441m net loss).

Income increased by 3.0% to £7.468m (2020-21: £7.252m); the increase in visitor numbers enabled the Collection to reduce its reliance on government funding (Grant-in-Aid and furlough income) from £4.979m in 2020-21 to £4.496m in the 2021-22 as trading activities improved and the first paid exhibition since March 2020 was opened.

Donations and legacies of £1.503m were £0.213m lower than the £1.716m achieved last year; this decrease is because of two one-off donations in 2020-21 for specific conservation and exhibition projects and there were no similar amounts this year.

The restarting of the paid exhibition programme has meant that income from charitable activities has increased by £0.229m to £0.343m. Trading income recovered slowly this year to £0.832m (2020-21: £0.174m) although this is still some way short of the trading income generated pre-pandemic.

Expenditure increased by £0.697m to £7.231m with the main reasons for the increase being the return of on site programming and exhibitions. Trading costs of goods sold and other costs has increased in line with the increase in income.

Investment policy and objectives

Following the establishment of the endowment fund, the museum has financial investments. The investment objectives are to achieve a minimum income yield of 3% and capital growth in real terms over the time horizon of the investment portfolio. There are no specific restrictions on asset types and investment structures subject to their suitability to the portfolio objectives. However, investments in hedge funds, derivative strategies, structured products, real estate and other alternative asset classes are to be considered in the context of the portfolio's long-term objectives and agreed in advance with the museum and its investment advisors. No direct investments are permitted in tobacco or armament companies.

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Two investment fund managers, Rathbone Investment Management Limited and Troy Asset Management Limited, were appointed in 2015-16, with the guidance of investment advisors. There has been no change in fund managers during the year.

The total return on the portfolio for the year to March 2022 was 9.02%. The income return was 2.71% and the capital return was 6.14%. The total return over performed the target of UK RPI plus 3% which was 12.2% in 2021-22. The 12 month income yield to March 2022 was 2.7%, which did not exceed the income yield target of 3%.

Financial risks

A description of the principal risks and uncertainties facing the museum and its subsidiary undertakings, as identified by the Collection's Trustees, together with a summary of their plans and strategies for managing those risks is shown within the Governance Statement on pages 27-31.

Reserves policy

The reserves policy agreed by the Trustees is to hold unrestricted and undesignated reserves of between one and three months' expenditure with a target of three months' expenditure in order to enable financial stability and act as a safeguard against volatile and unpredictable income streams and unforeseen expenditure or liabilities. The balance at 31 March 2022 of £1.486m (2020-21: £1.236m) represents cover of just over two and a half months budgeted expenditure (2020-21 two months).

The Audit Committee reviews the reserves policy and makes recommendations to the Board of Trustees for its consideration when circumstances change significantly and at least annually.

Payment of creditors

During 2021-22, the Wallace Collection paid 95% of undisputed creditors within 30 days of receipt of an invoice (2020-21: 95%).

Sustainability

The Collection is housed in Grade II listed former residence built in the eighteenth and nineteenth centuries. The nature of the collection is such that it requires carefully controlled environmental conditions, and most of the museum's spaces are fully air-conditioned to best preserve the works of art. A high proportion of the Collection's carbon footprint is associated with the energy required to maintain the environmental conditions within the galleries. The Collection is committed to integrating energy saving and carbon reduction measures into its activities and to adopting the best environmental practices, where possible and affordable, into all areas of its operation.

A Sustainability Action Group has been created, and is in the process of developing a sustainability plan to be approved by the Board and adopted formally in 2023. A Trustee has been appointed as Sustainability Champion. As part of the ongoing work current

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usage/output data is being measured (for GHG emission scope 1, 2 and 3 as well as other waste management measurements) and where possible, measurable target reductions will be set against an agreed baseline. In early 2023 the Collection will launch a masterplan feasibility study, with an architect appointed to develop a RIBA Stage 0 functional design brief for the redevelopment of Hertford House; a key aim of this project is to safeguard both the building and the works of art by upgrading the plant and infrastructure to an environmentally sustainable model. In the meantime, where feasible and affordable the Collections seeks to chose the most sustainable option in its decision making across all departments. Nine galleries were refurbished and relit during 2020-21 and the existing halogen lighting replaced with energy efficient LED fittings. Sustainability criteria is embedded in procurement processes.

Immunity from Seizure Report 2021-22

In May 2021 the Collection was granted Approved Status for Immunity from Seizure under Part 6, Section 136 of the Tribunals, Courts and Enforcements Act.

This means that, subject to meeting the conditions set out in the Act, objects on loan from outside the United Kingdom for the purposes of a temporary exhibition may not be seized or forfeited by a United Kingdom court order (unless the court is required to make the order under European Community or international obligations). In accordance with regulations made under the Act, the Wallace Collection publishes on its website specified information about such protected objects. This includes details of the provenance of the objects including a statement indicating whether or not the Collection possesses a complete history of ownership between the years 1933 and 1945. The Collection's Due Diligence Policy is also published online. The Collection has its own staff training materials for provenance research and internal staff meetings are held to discuss issues relating to immunity from seizure and due diligence.

Exhibitions including works for which protection under the legislation was sought during 2021-22 are as follows:

Frans Hals: The Male Portrait (22 September 2021-30 January 2022)

Inspiring Walt Disney: The Animation of French Decorative Art (6 April 2022-16 October 2022)

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

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Performance

In addition to financial measures, the museum also continues to monitor performance against some key performance indicators, as agreed with its sponsor body DCMS and detailed below:

		2021-22	2020-21
Key performance indicators:			
	Number of visits to the museum	162,489	25,597
	Charitable giving (fundraising)	£1,503,000	£1,712,000
Other performance indicators:			
Access			
	Number of unique website visits	722,000	487,000
Audience profile			
	Number of visits by children under 16	6,138	1,024
	Number of overseas visits	19,498	1,836
Learning			
	Number of facilitated and self-directed visits to the museum by visitors under 18 in formal education	1,866	-
	Number of instances of visitors under 18 participating in on site organised activities	121	-
Visitor satisfaction			
	% of visitors who would recommend a visit	95	95
	% of visitors who were very satisfied with their visit	95	94
Self-generated income			
	Trading income (net profit)	£358,000	£2,000

Sources of data

The museum measures these and other performance indicators and returns this data to DCMS periodically.

Visitor numbers are collected through an electronic counting device at the visitor entrance. Child visits are collected by a manual counting system. Learning numbers are kept by the Learning department for the sessions that they run. The website registers the number of visitors to our site. Visitor recommendation and satisfaction percentages are taken from visitor surveys carried out by an independent company. Net income from trading is reported in the accounts of our trading company, Hertford House Marketing Limited. All these sources help the museum to monitor and report on its performance to DCMS on a regular basis.

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Reference and Administrative Details of the Charity, its Trustees and Advisors

Preparation of the Accounts

The Accounts have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the consent of HM Treasury in accordance with sections 9(4) and 9(5) of the Museums and Galleries Act 1992. The accounts are compliant with the Charities Statement of Recommended Practice (FRS102), Charities Act 2011 and with Charity Commission guidance.

The consolidated accounts are for the Wallace Collection and Hertford House Marketing Limited; they exclude the accounts for the Wallace Collection in America Inc, as this is an entirely separate organisation over which the Wallace Collection exercises no control.

Audit

Under statute, the Comptroller and Auditor General is the principal auditor of the Wallace Collection's consolidated accounts for the year 2021-22. The audit fee in respect of this work was £21,250. External auditors are engaged for the trading subsidiary audit and internal audit services. There were no non-audit services provided by the Comptroller and Auditor General during 2021-22 (2020-21: nil). The auditors of Hertford House Marketing Limited provided services relating to the preparation of the statutory accounts and iXBRL tagging of £1,190 (2020-21: £1,135), group reporting to NAO including confirmations regarding regularity compliance of £ 1,940 (2020-21: £1,850) and corporation tax return support of £1,350 (2020-21: £1,250).

Fundraising Regulator

The Wallace Collection is registered with the Fundraising Regulator whose key function is to adjudicate on fundraising complaints. Fundraising for the Collection is performed entirely by the in-house development team and no external professional fundraisers are, or were in the past year, involved in any fundraising. There have been no complaints made to either the Collection directly or to the Fundraising Regulator about the Collection's fundraising practices. The Wallace Collection protects vulnerable people and other members of the public from unreasonable intrusion, in that it does not cold call, operate telephone fundraising, street fundraising, undertake direct marketing campaigns or exert pressure on them to give money.

Staff and organisation

The Wallace Collection is an Equal Opportunity Employer and has agreed statements of policy under Section 2(3) of the Health and Safety at Work Act 1974. Senior officers meet weekly and communicate with staff through weekly team briefings, full monthly staff meetings and regular staff notices and other informal meetings. The Wallace Collection follows the policy issued by the Cabinet Office on the employment of disabled people.

Sickness absence

Sickness absence accounted for 4.05% of all staff time during 2021-22 (2020-21: 3.09%), or 8.3 days per staff member (2020-21: 7.83 days)

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Trade Union Facility Time

In accordance with the Trade Union (Facility Time Requirements) regulations 2017, all entities are required to present information on trade union facility time in their organisations. Facility time is paid time off for union representatives to carry out trade union activities.

	2021-22	2020-21
Table 1: Relevant Union Officials		
Number of employees who were relevant union officials during the period	4	4
Full time equivalent employee number	4	4
Table 2: Percentage of time spent on facility time		
	No of Employees	No of Employees
0%	2	3
1-50%	2	1
51-99%	0	0
100%	0	0
Table3: Percentage of pay bill spent on facility time		
Pay spent on facility time	£484	£437
Total wage bill	£3,215,000	£3,521,832
Percentage of facility time against total pay bill	0%	0%
Table 4: Paid union activities		
Paid union activities	0%	0%

Dr Xavier Bray
Director and Accounting Officer
 1 June 2023

Jessica Pulay
Chair
 1 June 2023

The Wallace Collection Annual Report and Accounts 2021-22

Remuneration Report

In accordance with the Financial Reporting Manual the Wallace Collection has prepared this Remuneration Report containing certain information about directors' remuneration. 'Directors' is interpreted to mean persons in senior positions having authority or responsibility for directing or controlling the major activities of the museum. These members of staff constitute the Senior Management Team (Annex A), however, executive authority over the decisions of the museum as a whole remains in the hands of the Director, guided by the Chair and Board of Trustees.

The Chair and Board of Trustees neither received nor waived any remuneration for their services during the year (2020-21: £Nil).

Remuneration Policy

The Chair assesses the performance of the Director each year. The Director's performance-related bonus of up to 15% of salary is decided by the Remuneration Committee, which consists of the Chair, plus the Trustee members of the Audit Committee (Annex A), and is based on the restrictions of the Director's contract and against achievement of annual objectives and targets. Any bonus payment is not pensionable and is non-consolidated. The performance of all other staff is formally appraised annually, with the Director conducting the appraisals of members of the Senior Management Team.

The Collection complies as appropriate with the Civil Service pay guidance, as modified by the Museum Freedoms.

Service Contracts

The officials covered by this report all have open-ended appointments. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. The current Director's contract commenced in October 2016 and is open-ended, with a notice period of thirteen weeks. All other senior managers are on permanent contracts with three-month notice periods. No senior managers were employed through an agency in 2021-22 or 2020-21.

The majority of staff members are employed on permanent contracts. Some individuals working on discrete short-term projects are employed on contracts which match the duration of the projects concerned. Staff are paid according to the nature of the role they perform and each job is graded and included in one of eleven salary bands. There were no off-payroll arrangements during the year.

Remuneration (salary, benefits in kind and pensions)

The emoluments and pension details of the Director are disclosed below, together with the rest of the Senior Management Team.

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	Salary		Bonus		Pension benefits		Total	
	2021-22 £000	2020-21 £000	2021-22 £000	2020-21 £000	2021-22 £000	2020-21 £000	2021-22 £000	2020-21 £000
Dr Xavier Bray Director	115-120	110-115	-	15-20*	46	43	160-165	170-175
Derek Purnell Chief Operating Officer (left July 2020)	-	20-25 (Full Year 70-75)	-	-	-	-	-	20-25 (Full Year 70-75)
Sarah Harmer Director of Development	75-80	75-80	-	-	-	-	75-80	75-80
Melanie Newlands Director of Finance and Commerce	70-75	65-70	-	-	28	27	95-100	95-100

* relates to 2019-20 Financial Year

The table above has been subject to audit

The value of pension benefits 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 decreases due to a transfer of pension rights.

Total remuneration includes salary, performance-related pay and benefits in kind. It does not include employer pension contributions or the cash equivalent transfer values of pensions.

No benefits in kind or non-cash benefits of value were received by senior managers (2020-21:nil) and no redundancy, severance or compensation payments were made to senior managers during 2021-22 (2020-21:nil).

Fair Pay Disclosures

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid employee in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce. The banded remuneration of the highest-paid employee at the reporting period end date was £115,000-120,000 (2020-21: £125,000-£130,000). This was 4.95 times the median remuneration of the workforce (2020-21: 5.44 times) at the reporting period end date, which was £23,726 (2020-21: £23,476). It was 4.2 times the upper quartile remuneration (£28,000) and 5.2 times the lower quartile remuneration (£22,607).

In 2021-22, no employees received remuneration in excess of the highest paid director (2020-21: none). Remuneration ranged from £22,568– £118,568 per annum (2020-21: £22,357-£111,071). Total remuneration includes salary, performance related pay, and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions. The average salary (excluding the highest paid Director) fell by 1.74% due the fact there were a number of vacant positions at the Manager and Head of Department level in 2021-22.

The highest paid director's banded remuneration has decreased by 7.8% due the decision to suspend paying bonuses in 2021-22, however this is offset by a pay rise awarded in July 2021 following a bench marking exercise performed by the Remuneration Committee. Excluding non-consolidated bonus payments, the highest paid director's banded remuneration has increased by 4.4%.

The above information has been subject to audit

The Wallace Collection Annual Report and Accounts 2021-22

Exit Packages

There were no redundancies during the year.

	Number of compulsory redundancies agreed		Number of other departures agreed		Total number of exit packages by cost band	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Exit Package Cost Band						
£10,000-£25,000	-	-	-	1	-	1
Total number of exit packages	-	-	-	1	-	1
Total resource cost (£'000)	-	-	-	17	-	17

The table above has been subject to audit

For employees of the museum, redundancy and other departure costs are payable in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Where the museum has agreed early retirements, the additional costs are met by the museum and not the Civil Service pension scheme.

Pension Benefits

	Accrued pension at pension age as at 31 March 2022 £000	Real increase in pension at pension age £000	Cash equivalent transfer value at 31 March 2022 £000	Cash equivalent transfer value at 31 March 2021 £000	Real increase in CETV £000	Employer's contribution to partnership pension account (nearest £100) £000
Dr Xavier Bray Director	10-15	2.5-5	158	122	24	
Sarah Harmer Director of Development						8.7
Melanie Newlands Director of Finance and Commerce	5-10	0-2.5	79	58	15	

The table above has been subject to audit

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

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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.

The real increase in CETV 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.

Civil Service Pensions

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.

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 switch into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). 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 defined contribution (money purchase) pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and 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

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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 an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Dr Xavier Bray
Director and Accounting Officer
1 June 2023

Jessica Pulay
Chair
1 June 2023

The Wallace Collection Annual Report and Accounts 2021-22

Statement of Trustees' and Accounting Officer's Responsibilities

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

In preparing the Wallace Collection's accounts, the Trustees and Accounting Officer are required to:

- observe the Accounts Direction* issued by the Secretary of State including the relevant accounting and disclosure requirements, and apply them on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards and statements of recommended practices have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Wallace Collection will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director as the Accounting Officer for the Collection. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records and for safeguarding the Wallace Collection's assets, are set out in *Managing Public Money*, issued by 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, being information needed by the external auditor in connection with preparing his report, of which he is unaware. Having made enquiries of the Board of Trustees and museum's internal auditor, the Accounting Officer has taken all the steps that he is obliged to take as Accounting Officer in order to make himself aware of any relevant audit information and to establish that the external auditor is aware of that information. Having made enquiries of the Accounting Officer, fellow Trustees and the museum's internal auditor, each Trustee has taken all the steps that he/she is obliged to take as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the external auditor is aware of that information.

The Wallace Collection Annual Report and Accounts 2021-22

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

Dr. Xavier Bray
Director and Accounting Officer
1 June 2023

Jessica Pulay
Chair
1 June 2023

*A copy of which is available from the Wallace Collection, Hertford House, Manchester Square, London, W1U 3BN

The Wallace Collection Annual Report and Accounts 2021-22

Governance Statement

The Wallace Collection is governed by a Declaration of Trust dated 27 July 1899, and the Museums and Galleries Act 1992. The Wallace Collection is a non-departmental public body sponsored by the Department for Culture, Media and Sport (DCMS), and is a charity exempt from registration under the Charities Act 2011. As an exempt charity, it is regulated by DCMS, rather than the Charity Commission.

The Wallace Collection is governed by a Board of Trustees answerable to the Secretary of State for Culture, Media and Sport. The Minister is, in turn, answerable to Parliament. The Director of the Wallace Collection is accountable both to the Board as Chief Executive and to the Permanent Secretary of DCMS as Accounting Officer. Further detail is given in the Statement of Trustees' and Accounting Officer's Responsibilities above.

The Board of Trustees

The Board of Trustees of the Wallace Collection is responsible for the overall management and direction of the Wallace Collection. The Director of the Wallace Collection is responsible to the Board of Trustees and is accountable to the Permanent Secretary of DCMS for compliance with the Management Statement and Financial Memorandum. Within the framework of their statutory duties as stated under the Museums and Galleries Act 1992, the role of the Trustees is generally concerned with policy and strategy, leaving operational issues to the Director. The Board is chiefly responsible for:

- The setting of key strategic objectives;
- Reviewing overall performance;
- Appointing the Director (in consultation with the Prime Minister);
- Endorsing appointments to key management positions; and
- Considering the remuneration of senior staff.

There are three sub committees of the Board: the Audit Committee, the Fundraising Committee and the Investment Committee.

The Board of Trustees meets not less than four times a year, as does the Audit Committee, and details of attendance are shown at Annex A. The Audit Committee, together with the Chair, fulfil the role of a Remuneration Committee. Other committees on which Trustees are invited to serve include the International Council (concerned with fundraising). The Investment Committee was created following the setting up of the Endowment Fund and meets as necessary to appoint investment managers and review the performance of the investment funds and managers. It receives professional advice in support of its work.

Both the main Board and the Audit Committee receive detailed reports ahead of each meeting compiled by the Director and his staff. These reports cover every aspect of Wallace Collection work over the previous quarter, and form a useful basis for Trustee discussions. The Trustees are happy with the quality and layout of these reports and provide feedback to ensure that they remain an

The Wallace Collection Annual Report and Accounts 2021-22

excellent source of information and data.

The Trustees believe that they have complied with their duty in section 11 of the Charities Act 2011 to have due regard to guidance published by the Charity Commission.

Board effectiveness

The Board keeps its effectiveness under review. This includes appraisals of each Trustee by the Chair and an appraisal of the Chair by another member of the Board. The most recent assessment of Board effectiveness through a questionnaire concluded that the Board overall felt its effectiveness was either fully satisfactory or exceeded expectations.

Wallace Collection Staff

The Director is responsible for resource allocation, leading strategic management, developing the cultural agenda and sustaining the values of the Wallace Collection. He is assisted by the other members of the Senior Management Team who are the Director of Finance and Commerce and Director of Development. Each is supported by a number of department heads who are responsible for specific areas of activity within the museum. The Senior Management Team meets weekly and there is a monthly full staff meeting. The Director meets both members of the Senior Management Team on a regular basis. In this way the Director can satisfy himself that he is informed on all operational issues in order that he can report to the Board of Trustees.

Trustee appointments

The Trustees are appointed by the Prime Minister. The minimum number of Trustees is set at six, and there is no maximum. At 31 March 2022, there were eight in post (Annex A). Following a competitive process, and consultation with other Trustees and with the Director, the Chair recommends nominees (no fewer than two for each Trusteeship at a time) to DCMS who in turn recommend names to the Prime Minister. Traditionally, the Prime Minister chooses from among the names put forward, and appointments are apolitical. The procedure is subject to the recommendations of the Nolan report. Usually appointments are for not more than four years in the first instance, but with the option of reappointment. Trustees can resign by notice in writing to the Prime Minister.

The Trustees appoint their own Chair, who normally serves until retirement from the Board. The Chair can resign as Chair by notice in writing to the Board. António Horta-Osório's term as Chair of the Board of Trustees came to an end on the 31 December 2021. Eric Ellul was elected Acting Chair by the Board until Jessica Pulay was appointed in September 2022.

Trustees receive appropriate training on appointment, primarily through a programme of department visits and meetings with the Director and Senior Management Team. An introductory Trustees' Handbook of key documents and publications including the Corporate Plan, the Annual Report and Accounts, and the organisation chart is provided.

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A register of Trustees' interests is maintained and is available for public inspection on request; this is reviewed by all Trustees at least once a year. Trustees are required to declare any conflicts or potential conflicts of interest at Board and committee meetings, and these are recorded in the minutes. Depending on the nature of the conflict or potential conflict, the Chair may require a Trustee to leave the meeting, or not take part in a discussion or decision on a particular issue. There were no declared potential conflicts of interest in relation to items discussed during the year.

Compliance with Corporate Governance Code

The Wallace Collection is a non-departmental public body and a charity. It is mindful of the Corporate Governance Code for central government departments and the Trustees are content that the museum complies as appropriate for a non-departmental public body.

Report from Audit Committee

The Audit Committee is responsible for reviewing the museum's key risks, and the controls in place to manage them, and monitoring its compliance with statutory requirements – including the Annual Report and Accounts. The Committee reports on its work at each Board meeting. During the year, it received and considered management accounts at each meeting. It received reports from external auditors on the accounts for 2020-21 and on planning for the 2021-22 audit. The internal auditor reported to the Committee on his findings and was able to provide the Committee and Trustees with significant assurance that the Collection generally has good controls; however, recommendations were made for a number of areas reviewed, with some controls requiring attention. The risk register was received and reviewed in its entirety during the course of the year.

Report from Investment Committee

The Investment Committee kept the performance of the fund managers that it had appointed in 2015-16 under review. In carrying out its work, it received professional advice from investment advisors.

Risk

Risk is unavoidable and the resources available for managing risk are finite. The aim of risk management within the museum is, therefore, to achieve an optimum response to risk, prioritised in accordance with an evaluation of the risks. The approach adopted takes into account the HM Treasury guidance on management of risk ("The Orange Book") with reference as appropriate to best practice guidance from the National Audit Office and risk management standards. The museum assesses risk through consideration of the likelihood of something happening, and the impact that would arise if the risk were actually to occur.

The Senior Management Team (SMT), including the Director, is responsible for the strategic management of the Wallace Collection, and as part of this set the tone for the museum's approach to, and appetite for, risk. This varies depending upon the specific issue. This approach is considered to be appropriate to the Wallace Collection given its size and enables it to maintain a flexible approach to risk.

The museum works to meet the objectives set in the Aims, Objectives and Priorities section of this

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report and monitors progress against these objectives. The day-to-day risks associated with these activities are managed, challenged and updated through the meetings of staff set out under the Wallace Collection Staff section above.

These risks, financial, reputational or otherwise, are recorded on, and managed, through a Risk Register. This was created by the SMT who also ensure it is regularly updated. The register is reviewed by the Audit Committee and considered by the Board. It covers the key risks that the Wallace Collection faces and assigns a key individual to manage each risk.

Risk management is therefore a part of the everyday decision-making process at the Wallace Collection. Given the tight financial constraints that the Wallace Collection has operated under for many years, it is only natural that risk is considered as part of management and Trustee decisions.

Risk is not only limited to financial risk, where every new project is carefully costed, budgeted for and monitored, but also includes the risk to the fragile Collection and the fabric of Hertford House that is entrusted to the Trustees' care. The risk assessment and monitoring process is engendered in all staff through the discipline of the budgeting round, plus consideration in meetings with relevant staff throughout the year. For major projects a Steering Group is established, headed by a senior staff member, and they are charged with ensuring that the project operates to set parameters and budgets. Thus the risks inherent in any new venture are weighed up carefully in advance and are monitored throughout the duration of the project.

The key risk priorities of the Wallace Collection in 2021-22 are:

- The funding environment – for the first half of the year there remained uncertainty around future Grant in Aid settlements, however this has been addressed through the Comprehensive Spending Review, which has provided some welcome medium-term certainty around funding and the risk has been reduced accordingly.
- Pandemic recovery – there remains a risk that the recovery is slower than anticipated, including the pace of recovery for inbound tourism. Lower footfall will lead to lower commercial income. This will be mitigated to some extent by refurbishment and rebranding of restaurant, a strong exhibition schedule and a focus on generating income from events.
- Increasing operational and financial risks relating to inflationary pressures – both in the supply chain and the labour market – have emerged as a major risk in the second half of the financial year. This will be mitigated to some extent by robust budgeting and a review of key supplier contracts, and also through working with DCMS on the Museums Freedoms review, which could enable much-needed operational flexibility around pay.
- Ensuring the security of visitors, staff, volunteers and collections at a time of global instability. The museum has a thorough and flexible security strategy that responds to changes in risk.
- Balancing appropriately financial constraints and increasing pressure to expand services and maintain and improve the fabric of a Grade II listed building. This has been mitigated, to some extent, by successful applications to private funders as well as to the Public Bodies Infrastructure Fund. Funding is actively being sought for an architect led design team to develop a functional design brief for the redevelopment of Hertford House.

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Both the Board of Trustees and the Audit Committee play a key role in the monitoring of these risks and the internal controls in place to mitigate them.

The Board brings wide-ranging experience and a fresh perspective to key decision-making discussions, and all key issues are brought to the Trustee Board's notice for discussion and ratification. The Audit Committee supports the main Trustee Board and the Accounting Officer by questioning senior management and the internal and external audit functions to satisfy themselves that the Wallace Collection has an adequate system of internal controls in order to adequately manage key risks. It has done this by inviting designated responsible risk holders within the museum to report on their work on a regular basis, and has also received assurance from the internal auditor that the internal controls in place are sound.

The Board consider this to be an effective risk management strategy, and is confident that the Wallace Collection is successfully managing the key risk priorities noted above.

Whistleblowing Arrangements

The Collection upholds the core values detailed in the code of Professional Ethics of the Museums Association and actively promotes their implementation. In line with these commitments, the Collection encourages employees and others with serious concerns on any aspect of the Collection to come forward and voice those concerns, and expects its managers to encourage employees to express their views openly.

Data quality

The Board of Trustees have gained assurance that the data quality of the information it receives is sound through a mix of both internal and external audit work and its own challenge of the data presented.

Data handling

The Wallace Collection maintains a record of incidents involving the loss, unauthorised disclosure or unsecure disposal of personal data, the release of which risks causing harm or distress to the individuals concerned. The incident record includes the nature of the incident, the nature of the data involved, the number of people potentially affected and the steps taken to notify the individual concerned. Based on severity, these incidents are reported to the Information Commissioner's Office. There were no incidents during the year reported to the ICO.

Dr Xavier Bray
Director and Accounting Officer
1 June 2023

Jessica Pulay
Chair
1 June 2023

The Wallace Collection Annual Report and Accounts 2021-22

Annex A - Trustees

The Trustees of the Wallace Collection are appointed by the Prime Minister. The members of the Board of Trustees during the year were:

Board Member	Appointed	Further notes	Attendance at quarterly meetings
António Horta-Osório*	1 January 2015 reappointed January 2019 for 2 years. Retired	Chair (until 31 December 2021)	3/3
Marilyn Berk	9 January 2017	Member of the Audit Committee	4/4
James Barnard	1 December 2021		1/1
Sophie Birsham	1 December 2021	-	1/1
Jennifer Eady QC	6 January 2013 - reappointed 7 January 2017 Term extended by six months on 8 January 2021 Retired 6 July 2021	-	1/1
Eric Ellul	9 January 2017	Member of the Audit Committee, Chair of Audit Committee (from July 2021 until December 2021), Acting Chair of the Board of Trustees from January 2022	4/4
Jessica Pulay	6 January 2013 - reappointed 7 January 2017 Term extended by six months on 8 January 2021 Retired 6 July 2021	Chair of the Audit Committee (until July 2021)	1/1
Kate de Rothschild Agius	6 January 2013 for five years -	-	4/4

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	reappointed 6 January 2018		
Dr Ashok Roy	6 January 2013 for five years - reappointed 6 January 2018	-	4/4
Timothy Schroder	6 January 2013 for five years- reappointed 6 January 2018	-	4/4
Alison Taylor	1 December 2021	Acting Chair of Audit Committee (from December 2021)	1/1

* António Horta-Osório's term as Chair of the Board of Trustees came to an end on the 31 December 2021. Eric Ellul was elected Acting Chair by the Board for the duration of the recruitment process for a new Chair. On 19 September 2022 Jessica Pulay was appointed to a five year term as Trustee, and was elected by the Board of Trustees as their Chair with immediate effect.

In addition, the Board of Trustees may appoint honorary trustees, who do not share the statutory duties of Board members.

Mrs Jane Lewis	appointed January 1998
Mr Pierre Arizzoli-Clementel	appointed August 2007
The Marquess of Hertford DL	appointed July 2008; reappointed January 2015

HRH The Countess of Wessex GCVO	Royal Patron
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The Audit Committee has two external independent members, Jim Close and Martin James, in addition to the Trustees who are members.

A register of interests for all Trustees is held at Hertford House.

Principal Officers of the Wallace Collection (the Senior Management Team)

Dr Xavier Bray	Director
Sarah Harmer	Director of Development
Melanie Newlands	Director of Finance and Commerce

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Directors of Hertford House Marketing Limited during the year

Dr Xavier Bray
Melanie Newlands

Bankers

Lloyds Banking Group
25 Gresham Street
London EC2V 7HN

Auditors

The Wallace Collection
(*Consolidated Accounts*)

Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
London SW1W 9SP

Hertford House Marketing Limited
(*Trading Company*)

haysmacintyre
24 Red Lion Square
London WC1R 4AG

Investment advisors

Alvarium Investment Advisors (UK) Limited
10 Old Burlington Street
London W1S 3AG

Guggenheim Investment Advisors (Suisse) SA
8 rue St-Leger
1205 Geneva

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Annex B - Wallace Collection Endowment Donors and Benefactors 2021-22

The list below gratefully acknowledges all of the Donors to the Wallace Collection Endowment since its inception and all of those who have generously supported the Wallace Collection from 1 April 2021 to 31 March 2022.

Donors to the Wallace Collection Endowment

£1 million and above

The Monument Trust

£500,000 and above

Lionel and Ariane Sauvage

£100,000 and above

Mr Stanley Gordon Clarke
Sir Siegmund Warburg's Voluntary Settlement

£10,000 and above

Kate de Rothschild Agius and Marcus Agius
Lady Alexander of Weedon
Alexis and Anne-Marie Habib Foundation
Mr Omar Ali & Mrs Saira Ali
Alvarium Guggenheim
Nada Bayoud and Andrew Wynn
Marilyn Berk
The Boston Consulting Group
Sir Francis Brooke Bt. & The Hon. Lady Brooke
Timothy and Andrea Collins
Michael and Angela Cronk
Mr and Mrs Michel David-Weill
Mr and Mrs Deschamps
The Desmond Foundation
Eric and Virginie Ellul
Mme Alice Goldet
António and Ana Horta-Osório
The John Armitage Charitable Trust
Christian and Florence Levett
The Lord Leonard and Lady Estelle Wolfson Foundation

Lord and Lady Lupton

The Michael and Nicola Sacher Charitable Trust

Albéric and Audrey de Montgolfier

Mr and Mrs Nadar

Sir John and Lady Ritblat

Robert de Rothschild

Sir Hugh and Lady Stevenson

and

Aberdeen Asset Management

Prince Ayn Aga Khan

Mr and Mrs Nicolas Cattelain

Mr and Mrs R. J. Elliott

Lt Cdr Paul Fletcher

The Geoffrey and Julian Agnew Charitable Trust

David and Janice Gu

J.P. Morgan

Annika Lejeune

Lloyds Banking Group

Mrs Clare McKeon

Morgan Stanley

In memory of the late A.V.B. (Nick) Norman

Roslyn Packer AC

Jessica Pulay

Röbbig München

Richard Sachs

Adrian Sassoon

Timothy and Ellen Schroder

The Tavolozza Foundation

UBS Group AG

Arend and Cecilia Versteegh

The Wallace Collection in America

Andy Xue

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Benefactors of the Wallace Collection

Director's Circle (£5,000 per annum)

Kate de Rothschild Agius and Marcus Agius
CBE
Lady Alexander of Weedon
Nada Bayoud and Andrew Wynn
Marilyn Berk
Sophie & Michael Birshan
Sir Bruce Bossom, Bt
The Deborah Loeb Brice Foundation
Michael and Angela Cronk
Dame Vivien Duffield
Mr and Mrs R. J. Elliott
Thomas and Elsebeth Gatacre
Mr and Mrs William Iselin
Russell and Irina Jacobs
James and Clare Kirkman
Béatrice and James Lupton
Roslyn Packer AC
Jake and Hélène Marie Shafran
Dasha Shenkman OBE
Sir Hugh and Lady Stevenson
Rijnhard & Elsbeth van Tets

Conservator's Circle (£2,500 per annum)

Mr and Mrs Nick Barton
Christopher Clarke
Oliver and Cynthia Colman
Mrs Annie Mackeson-Sandbach
Ivetta Rabinovich
Paul Rivlin
Timothy and Ellen Schroder
Thomas and Catrin Treadwell

Curator's Circle (£1,500 per annum)

Julian Agnew
The John Armitage Charitable Trust
Mr James and Lady Emma Barnard (The
Barness Trust)
Nicholas Berwin
Mrs Charles H. Brown
Ian Butchoff
Peter H G Cadbury
Kate Cheetham
Mrs M. David-Weill

Bernard Dewe Mathews
Patrick K. F. Donlea
Dame Jennifer Eady
Eliane Fattal
Sam Fogg Esq.
John and Patricia Glasswell
Mme Alice Goldet
Rima Hakim-Connelly
Katrin Henkel
Hugh Hudson-Davies
David Lawson
Richard Mansell-Jones
Clare McKeon
Jackie Mountain
Mark Van Oss
Simon and Midge Palley
Lord and Lady Phillimore
Jessica Pulay
Jonathan Refoy
Richard Sachs
Marjorie Stimmel
Paul Suresh
Anthony and Jacqueline Todd
Alan and Sue Warner
Patricia Wengraf Ltd.

Young Benefactors (£750 per annum)

Quaid Childers
Phoebus Istavrioglu
Hutton McRoberts
Sebastien Paraskevas
The Hon Clarence Tan

Companions (£600 per annum)

Viscountess Bridgeman, The Bridgeman Art
Library
Mr Charles Cator
Lord Cholmondeley
Dee Singh Datta
Giles Ellwood and Philippe Sacerdot
Jennifer Montagu
In memory of the late A.V.B. (Nick) Norman
Nicholas and Christylle Phillips

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Annex C - Wallace Collection Donors 2021-22

Donors

The A&O New Change Group
Kate de Rothschild Agius and Marcus Agius CBE
Lady Alexander of Weedon
Richard and Mara Aylmer
Mr and Mrs Nick Barton
Guy and Margaret Beringer
Susan Bloomberg
Bloomberg L.P.
Peter H G Cadbury
Michael and Angela Cronk
Ian and Di Elder
The Embassy of Belgium to the United
Kingdom
The Embassy of the Kingdom of the
Netherlands
Peter Finer Ltd
Thomas and Elsebeth Gatacre
Mme Alice Goldet
Mr and Mrs Matthew Hartley
Heineken
Amanda Hole
Regina Jaglom Wachter
Mrs Jan Jeffcoat in memory of David Jeffcoat
Colleen Keck
KPB Corporation
Christian and Florence Levett
Lady Lowther
Richard Mansell-Jones
Mrs Clare McKeon
Hutton McRoberts
Patrick Mears
Olympia Auctions
Clarissa Palmer
Mervyn and Jill Parry
David Pike
Lady Ritblat, O.B.E
Sir Paul Ruddock
Adrian Sassoon
Runjeet Singh
Davinder Toor
Cecilia Versteegh
H. L. Visser
Alison Wells
The Wallace Collection in America

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Westminster City Council

Legacy Gifts to the Wallace Collection

The Estate of Stanley Gordon Clarke

Sian Richards

Trusts and Foundations

The John Armitage Charitable Trust

The Arms and Armour Heritage Trust

Athene Foundation

The Barakat Trust

The Belvedere Trust

The Elizabeth Cayzer Charitable Trust

Centro de Estudios Europa Hispánica (CEEH)

City Bridge Trust

The John S Cohen Foundation

The D'Oyly Carte Charitable Trust

The Clore Duffield Foundation

The Kirby Laing Foundation

The London Art History Society

John Lyon's Charity

The McCorquodale Charitable Trust

The Ofenheim Charitable Trust

The Rose Foundation

The Rothschild Foundation

The William Arthur Rudd Memorial Trust

The Adrian Swire Charitable Trust

The Tavolozza Foundation

And all those who wish to remain anonymous

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

Opinion on financial statements

I certify that I have audited the financial statements of the Wallace Collection and its Group for the year ended 31 March 2022 under the Museums and Galleries Act 1992.

The financial statements comprise the Wallace Collection and its Group's:

- Balance sheet as at 31 March 2022;
- Consolidated Statement of Financial Activities and Consolidated Statement of cashflows for the year then ended; and
- The related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom accounting standards including Financial Reporting Standards (FRS) 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion, the financial statements:

- give a true and fair view of the state of the Wallace Collection and its Group's affairs as at 31 March 2022 and its net income for the year then ended;
- have been properly prepared in accordance with the Museums and Galleries Act 1992 and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements of Public Sector Entities in the United Kingdom*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the Wallace Collection and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Wallace Collection its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Wallace Collection and its Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other Information

The other information comprises information included in the Annual Report and Trustees' Report, but does not include the financial statements nor my auditor's certificate. The Trustees and Accounting Officer are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Museums and Galleries Act 1992.

In my opinion, based on the work undertaken in the course of the audit:

- those parts of the Annual Report and Trustees' Report subject to audit have been properly prepared in accordance with Secretary of State directions issued under the Museums and Galleries Act 1992; and
- the information given in the Annual Report and Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Wallace Collection and its Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Annual Report and Trustees' Report.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Wallace Collection or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Annual Report and Trustees' Report, subject to audit are not in agreement with the accounting records and returns; or

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- certain disclosures of remuneration specified by the Charities Act 2011 have not been made or parts of the Remuneration Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Trustees and Accounting Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Wallace Collection and its Group's accounting policies and key performance indicators.
- Inquiring of management, internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Wallace Collection and its Group's policies and procedures relating to:

The Wallace Collection Annual Report and Accounts 2021-22

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Wallace Collection and its Group's controls relating to its compliance with the Museums and Galleries Act 1992, Charities Act 2011, and Managing Public Money.
- discussing among the engagement team including significant component audit teams and involving relevant internal specialists, including financial instrument specialists, and external specialists including land and building valuation specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Wallace Collection and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Wallace Collection and Group's framework of authority as well as other legal and regulatory frameworks in which the Wallace Collection and Group operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Wallace Collection and its Group. The key laws and regulations I considered in this context included, the Museums and Galleries Act 1992, the Charities Act 2011, Managing Public Money, employment law, pensions legislation and tax legislation.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit Committee and legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- in addressing the risk of fraud through revenue recognition, evaluating the design and implementation of controls; testing income to corroborating evidence; assessing the completeness of revenue streams; and testing the appropriateness of significant estimates made at year-end; and
- in addressing the risk of misstatement in land and building valuation, evaluating the design and implementation of controls; assessing the competence, objectivity and independence of valuers; testing the inputs and methodology used in the valuation; and evaluating the outputs of the valuation.

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

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

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Other auditor's responsibilities

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

Date: 6 June 2023

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

The Wallace Collection Annual Report and Accounts 2021-22

Consolidated Statement of Financial Activities for the year ended 31 March 2022

	Notes	Unrestricted Funds £000	Restricted Funds £000	Endowment Fund £000	Total 2021-22 £000	Unrestricted Funds £000	Restricted Funds £000	Endowment Fund £000	Total 2020-21 £000
Income and endowment funds from:									
Donations and legacies	2	637	866	-	1,503	622	1,083	11	1,716
Grant-in-Aid	2	3,706	687	-	4,393	3,226	865	-	4,091
Furlough income	2	-	103	-	103	-	888	-	888
Charitable activities	3	343	-	-	343	114	-	-	114
Other trading activities	14	832	-	-	832	174	-	-	174
Investments	4	159	135	-	294	148	121	-	269
Total		5,677	1,791	-	7,468	4,284	2,957	11	7,252
Expenditure on:									
Raising funds									
Fundraising	5	423	45	-	468	405	14	-	419
Marketing and design	5	160	39	-	199	205	23	-	229
Trading: cost of goods sold and other costs	5	500	-	-	500	182	-	-	182
Charitable activities									
Conservation	5	302	105	-	407	258	107	-	365
Collections		1,013	700	-	1,713	1,055	424	-	1,479
Security		1,542	103	-	1,645	1,128	543	-	1,671
Building and maintenance		1,466	833	-	2,299	1,492	697	-	2,189
Total		5,406	1,825	-	7,231	4,725	1,808	-	6,534
Net gains/(losses) on investments	8c	-	-	630	630	-	-	2,196	2,196
Net income/(expenditure)	7	271	(34)	630	867	(441)	1,149	2,207	2,914
Transfers between funds	12	-	-	-	-	-	-	-	-
		271	(34)	630	867	(441)	1,149	2,207	2,914
Other recognised gains/(losses):									
Gains/(losses) on revaluation of fixed assets		75	836	-	911	(275)	(915)	-	(1,191)
Net movement in funds		346	802	630	1,778	(717)	233	2,207	1,724
Reconciliation of funds									
Total funds brought forward		6,095	42,953	10,380	59,428	6,812	42,720	8,173	57,706
Total funds carried forward	12	6,441	43,755	11,010	61,206	6,095	42,953	10,380	59,428

All operations of the Group continued throughout both periods and no operations were acquired or discontinued in either period.

The Group has no recognised gains or losses other than those shown above and therefore no separate statement of total recognised gains or losses has been presented.

The notes on pages 47 to 59 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2021-22

Consolidated and Collection Balance Sheet at 31 March 2022

	Notes	Group 2022 £000	Group 2021 £000	Collection 2022 £000	Collection 2021 £000
Fixed assets					
Tangible assets	8a	47,349	46,159	47,344	46,149
Heritage assets	8b	86	86	86	86
Investments	8c	<u>10,877</u>	<u>10,247</u>	<u>10,877</u>	<u>10,247</u>
		<u>58,312</u>	<u>56,492</u>	<u>58,307</u>	<u>56,482</u>
Current assets					
Stock		203	186	17	17
Debtors	9	791	876	1,240	875
Cash at bank and in hand	13	<u>2,673</u>	<u>2,762</u>	<u>2,097</u>	<u>2,733</u>
		3,667	3,824	3,354	3,625
Liabilities					
Creditors					
Amounts falling due within one year	10a	<u>(759)</u>	<u>(844)</u>	<u>(510)</u>	<u>(733)</u>
Net current assets		<u>2,908</u>	<u>2,980</u>	<u>2,844</u>	<u>2,892</u>
Total assets less current liabilities		61,220	59,472	61,151	59,374
Creditors					
Amounts falling due after more than one year	10b	(14)	(44)	-	-
Net assets	11	<u>61,206</u>	<u>59,428</u>	<u>61,151</u>	<u>59,374</u>
Represented by:					
Unrestricted funds					
Designated funds	12	3,542	3,513	3,538	3,506
Unrestricted revaluation reserve	12	1,414	1,347	1,432	1,364
General funds	12	<u>1,485</u>	<u>1,236</u>	<u>1,419</u>	<u>1,171</u>
		6,441	6,096	6,389	6,041
Restricted funds					
Restricted income funds	12	36,399	36,410	36,351	36,367
Restricted revaluation reserve	12	<u>7,356</u>	<u>6,542</u>	<u>7,401</u>	<u>6,586</u>
		<u>43,755</u>	<u>42,952</u>	<u>43,752</u>	<u>42,953</u>
Total income funds		50,196	49,048	50,141	48,994
Endowment fund	12	11,010	10,380	11,010	10,380
Total funds	12	<u>61,206</u>	<u>59,428</u>	<u>61,151</u>	<u>59,374</u>

The notes on pages 47 to 59 form part of these financial statements.

Dr Xavier Bray
Director and Accounting Officer

1 June 2023

Jessica Pulay
Chair

1 June 2023

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Consolidated Statement of Cash Flows for the year ended 31 March 2022

	Notes	2022 £000	2021 £000
Cash flows from operating activities:			
Net cash provided by (used in) operating activities	13	<u>985</u>	<u>1,853</u>
Cash flows from investing activities:			
Dividends and interest from investments	4	294	269
Purchase of property, plant and equipment	8a	(1,368)	(1,058)
Purchase of heritage assets	8b	-	(4)
Purchase of investments	8c	<u>-</u>	<u>(11)</u>
Net cash provided by (used in) investing activities		<u>(1,074)</u>	<u>(804)</u>
Cash flows from financing activities:			
Receipt of endowment	2	<u>-</u>	<u>11</u>
Net cash provided by (used in) financing activities		<u>-</u>	<u>11</u>
Change in cash and cash equivalents in the year		(89)	1,059
Cash and cash equivalents at beginning of the year		<u>2,762</u>	<u>1,703</u>
Cash and cash equivalents at end of the year		<u>2,673</u>	<u>2,762</u>

The notes on pages 47 to 59 form part of these financial statements.

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Notes to the financial statements for the year ended 31 March 2022

1. Accounting policies

a) Basis of accounting

The financial statements of the museum, which is a public benefit entity under Financial Reporting Standard 102 (FRS102), have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and with the exception of investments which have been included at market value, and comply with Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP), Government Financial Reporting Manual, applicable accounting standards (FRS102) and the Accounts Direction issued by the Department for Culture, Media & Sport in 2019 with the consent of Treasury in accordance with the Museums and Galleries Act 1992.

The accounts are consolidated and include Hertford House Marketing Limited, a trading subsidiary, in which the Wallace Collection owns the whole of the issued share capital of two shares of £1 nominal each.

b) Going concern

The accounts have been prepared on the going concern basis. Under Section 2 of the Museums and Galleries Act 1992, the Museum has a statutory responsibility to care and preserve the objects in its collection and make them available to the public, and the Trustees and Accounting Officer have assumed in making the going concern assessment that sufficient Government funding support will continue to be made available to fulfil this responsibility. Together with Government support, the Museum has adequate remaining reserves and sufficient cash, and a history of success in generating income which is expected to continue and recover. The Trustees are satisfied that the Museum will continue to operate for the foreseeable future, being a minimum of twelve months from when these accounts were approved, and accordingly have applied the going concern basis for preparing its accounts. The Trustees continue to monitor the situation closely.

c) Income

Income is recognised when the museum becomes entitled to it, its receipt is probable and the amount can be measured reliably.

Grants for fixed assets are recognised in the Statement of Financial Activities when they are receivable.

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 to which it relates.

The museum has made use of the Coronavirus Job Retention Scheme, with approval from DCMS. This was used to contribute to the cost of furloughing staff where work could not be found for them in the year and is showed gross in the accounts. Staff costs are shown in full within expenditure and are not net of this income. Income is accounted for when staff have been furloughed.

Sponsorship for specific projects and donations are recognised when the museum becomes entitled to the income, there is probability of receipt and the amount is quantifiable. Amounts received in advance are recognised as deferred income, and transferred to the Statement of Financial Activities in the year in which the respective conditions are fulfilled.

Legacies are credited to income when the museum becomes entitled to the income, receipt is probable and the amount is quantifiable.

Investment income is recognised as an addition to unrestricted funds unless there is a restriction as to the use of the income. Restricted income is allocated to the restricted fund to which the income relates. Net gains or losses in the market value of investments are allocated to the endowment fund.

Included in other trading activities is income from sales which is included in the financial statements in the year in which the goods or services are supplied. Charitable activities income includes ticket sales for exhibitions and these are recognised in the statement of financial activities when the ticket holders attend the respective exhibitions. All other income is accounted for on a receivable basis.

Donated services and goods are recognised as income and expenditure when the museum becomes entitled to them, receipt is probable and the amount can be measured reliably. The services and goods are valued at the price that the museum would have paid in the open market for services or goods of equivalent value.

d) Expenditure

Expenditure is recognised on an accruals basis and classified under the principal categories of charitable and other expenditure rather than the type of expense, in order to provide more useful information to users of the financial statements.

Costs of generating funds includes fund raising and publicity costs incurred in seeking voluntary contributions for the museum, and in publicising the museum.

Support costs are apportioned between activities on the basis that are most appropriate to each category of support cost. These bases include the expenditure for each activity, the number of staff involved in each activity, and analyses of use by each activity.

The Wallace Collection Annual Report and Accounts 2021-22

e) Fund accounting

Designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes. The purpose and use of the designated funds are set out in the notes to the financial statements.

The endowment fund comprises donations made on condition that the capital value of the donation is held in perpetuity. The income is allocated to the unrestricted or restricted funds in accordance with the wishes of the donor.

f) Tangible fixed assets

Tangible fixed assets with a cost of £3,500 and above are capitalised and stated at their current cost. Where appropriate, assets of a lower value, but over £1,000 and purchased in bulk are grouped and capitalised when the combined total exceeds £3,500. This avoids the unnecessary capitalisation of comparatively low value items.

The property, Hertford House, was transferred to the Trustees of the museum by the Secretary of State for the Environment on 22 December 1993. The basis for the valuation for this property is stated in note 8(a).

Depreciation is provided on all tangible fixed assets, except land and heritage assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold land	- not depreciated
Freehold buildings	- the structure is depreciated over 95 years; the fit out over 25 years and the associated plant over 20 years. The refurbishment of the Great Gallery is depreciated over 95 years.
Office equipment	- over four years (except Wallace Live which is depreciated over the expected remaining life of seven years)
Fixtures and fittings	- over four years (electrical equipment), ten years (other fixtures and fittings and security equipment) and 25 years (refurbishment projects).

Depreciation on additions is charged from the date of purchase. When the acquisition date is not identifiable a full year's depreciation is charged.

Assets under construction are capitalised and not depreciated until they come into use. At that point they are transferred into other categories of asset and depreciated accordingly.

All material classes of fixed assets are revalued to current costs. A quinquennial valuation of land and buildings is carried out by a professional valuer. In the years between quinquennial valuations, a desk top valuation is performed. Impairment reviews are carried out where fixed assets show indications of potential impairments.

g) Stock

Stock comprises goods for resale, and is stated at the lower of cost and net realisable value.

h) Heritage assets

Formed by four generations of Marquesses of Hertford and by Sir Richard Wallace, the Wallace Collection was bequeathed to the nation by Lady Wallace in 1897. Her bequest stipulated that it should be preserved as a national museum 'unmixed with other works of art'. Owing to this stipulation the Wallace Collection neither acquires nor disposes of works of art.

In the Trustees' opinion, appropriate and relevant information on cost or value is not available for the museum's collections for assets purchased before 2001. This is owing to the lack of information on purchase cost, the diverse nature of the objects, and the volume of items held.

In the Trustees' opinion, conventional valuation approaches lack sufficient reliability and any valuation is likely to incur significant cost that is likely to be onerous. Even if valuations could be obtained the costs would not be at commensurate with any benefits to the museum management, curatorial staff, the public, or users of the financial statements. For this reason the Collections are not recognised as assets in the museum's balance sheet. 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.

There is no separate accession register as such for the Wallace Bequest since this function is deemed to be fulfilled by the original bequest documentation and subsequent catalogues.

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h) Heritage assets (continued)

Since the Wallace Collection is prohibited by the terms of Lady Wallace's bequest and subsequent statute from adding to or disposing of its permanent collection, objects and archival material relevant to the Collection and the family history are occasionally acquired for the Hertford House Historic Collection subsequent to the 1897 bequest. An accession register has been implemented for the Hertford House Historic Collection. Additions with a cost price in excess of £2,000 are capitalised and recognised in the balance sheet at the cost or value of the acquisition. Such items are not depreciated as they are deemed to have indefinite lives. Items are not revalued as a matter of course unless significantly impaired. To date no impairments have occurred of capitalised items.

i) Pension costs

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme which is an unfunded, multi-employer, defined-benefit scheme. The Wallace Collection is unable to identify its share of the underlying liabilities. Additional details of the scheme are in Note 6b.

j) Financial instruments

Financial assets

The museum's financial assets include trade and other debtors which have fixed or determinable payments that are not quoted in an active market. The museum has no intention of trading these. Subsequent to initial recognition at fair value, these assets are carried at amortised cost, less impairment, using the effective interest method.

The museum also holds investments purchased using donations to its permanent endowment fund. These are included at market valuation.

Financial liabilities

Trade, other creditors and accruals are recorded at their carrying value, in recognition that these liabilities fall due within one 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 financial assets 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. Any 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.

k) Taxation

The Wallace Collection is exempt under section 505 of the Income and Corporation Taxes Act 1988 from taxes on income arising from the pursuit of its charitable objectives. The trading subsidiary, Hertford House Marketing Limited, distributes its profit to the Wallace Collection at the year end, so no tax is due on this.

l) Key source of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Valuation of property, plant and equipment (PPE).

Property, plant and equipment represent a significant proportion of the asset base and therefore the estimates and assumptions such as the treatment of the Collection's property as specialised and the specification of modern replacements for historical buildings, have been made to determine their carrying value and related depreciation which are critical to the reported financial position and expenditure. Revaluation of PPE requires management to rely on the expertise of professional surveyors. The land and buildings were valued as at 31 March 2021 and 2022 by an external valuer, Gerald Eve LLP, a regulated firm of chartered surveyors. The valuation was prepared in accordance with the requirements of the RICS Valuation – Global Standards January 2022 and UK national standards (November 2018), the Charities SORP and FRS 102. Further detail is provided in Note 8a

m) Public benefit entity

The Wallace Collection is a public benefit entity and meets the public benefit requirement in the Charities Act

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2. Donations and legacies, and Grant in Aid

	Unrestricted £000	Restricted £000	Endow- ment £000	Total 2021-22 £000	Unrestricted £000	Restricted £000	Endow- ment £000	2020-21
Donations	587	866	-	1,453	582	1,083	11	1,676
Legacies	50	-	-	50	40	-	-	40
Grant in Aid	3,706	687	-	4,393	3,226	865	-	4,091
Coronavirus Job Retention Scheme	-	103	-	103	-	888	-	888
	<u>4,343</u>	<u>1,656</u>	<u>-</u>	<u>5,999</u>	<u>3,848</u>	<u>2,836</u>	<u>11</u>	<u>6,695</u>

Unrestricted donations include £22,000 of pro bono investment support (2020-21 £42,000). The matching expenditure has been included in fundraising costs.

Grant-in-Aid of £4,393,000 (2020-21 £4,091,000) was received from the Department for Culture, Media and Sport of which £977,000 (2020-21 £1,152,000) was for capital purposes.

The Collection claimed £103,000 (2020-21 £888,000) from HMRC towards the cost of furloughing staff, with approval from DCMS. The museum was closed in April and May 2021 in line with Government guidance. In total 64 members of staff were furloughed during the year (41 employees on permanent contract and 23 employees on zero hour contracts)

3. Income from charitable activities

	2021-22 Unrestricted £000	2020-21 Unrestricted £000
Ticket Income	190	28
Study days and art activities	44	23
Tours and filming	5	9
Miscellaneous other income	<u>104</u>	<u>54</u>
	<u>343</u>	<u>114</u>

4. Income from investments

	Unrestricted £000	Restricted £000	Total 2021-22 £000	Unrestricted £000	Restricted £000	2020-21 £000
UK investment funds	31	26	57	27	23	50
Fixed interest bonds	18	16	34	25	21	46
UK equities	69	59	128	52	45	97
Overseas equities	24	20	44	32	27	59
Infrastructure and property	16	14	30	6	6	12
Interest receivable	1	-	1	4	-	4
	<u>159</u>	<u>135</u>	<u>294</u>	<u>147</u>	<u>122</u>	<u>269</u>

5. Expenditure

	Direct costs	Support costs	Depreciation	Total 2021-22	Direct costs	Support costs	Depreciation	2020-21
Raising funds								
Fundraising	373	95	-	468	323	97	-	419
Marketing and design	133	66	-	199	157	72	-	229
Trading	442	56	2	500	147	33	2	182
Charitable Activities								
Conservation	368	39	-	407	327	38	-	365
Collections	1,572	141	-	1,713	1,349	131	-	1,479
Security	1,505	140	-	1,645	1,524	147	-	1,671
Building and maintenance	1,043	168	1,088	2,299	986	168	1,035	2,189
	<u>5,436</u>	<u>705</u>	<u>1,090</u>	<u>7,231</u>	<u>4,812</u>	<u>685</u>	<u>1,037</u>	<u>6,534</u>

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5b) Support costs breakdown by activity

	Governance £000	Human Resources £000	Finance & IT £000	Office Supplies £000	Director's Office £000	Total 2021-22 £000	2020-21 £000
Raising funds							
Fundraising	2	2	24	7	60	95	97
Marketing and design	1	-	8	5	52	66	72
Trading	2	2	30	1	21	56	33
Charitable activities							
Conservation	2	1	23	2	11	39	38
Collections	7	7	100	4	23	141	130
Security	7	15	96	1	21	140	148
Building and maintenance	10	-	136	1	21	168	168
	<u>31</u>	<u>27</u>	<u>417</u>	<u>21</u>	<u>209</u>	<u>705</u>	<u>685</u>

Basis of allocation of support costs Expenditure Staff numbers Expenditure Estimated use Estimated use

6. Staff costs

6a)	2021-22 £000	2020-21 £000
Wages and salaries	2,523	2,787
Social security costs	214	223
Pension costs	<u>478</u>	<u>512</u>
	<u>3,215</u>	<u>3,521</u>
Temporary staff	<u>38</u>	<u>60</u>
	<u>3,253</u>	<u>3,581</u>
Redundancy Costs	<u>-</u>	<u>17</u>
	<u>3,253</u>	<u>3,598</u>

No staff costs were capitalised (2020-21: £nil).

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

	2021-22	2020-21
£60,001 – £70,000	-	1
£70,001 – £80,000	2	1
£100,001 – £110,000	-	-
£110,001 – £120,000	-	-
£120,001 – £130,000	<u>1</u>	<u>1</u>
	<u>3</u>	<u>3</u>

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6b) Pension costs

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS). The PCSPS and CSOPS - known as 'alpha' - are non-contributory and unfunded multi-employer defined benefit schemes but the Wallace Collection is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (<https://www.civilservicepensionscheme.org.uk/about-us/scheme-valuations/>).

For 2021-22, employers' contributions of £430,183 were payable to the PCSPS (2020-21: £442,654) at one of four rates in the range 26.6% to 30.3% 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 2021-22 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 £69,569 (2020-21: £73,575) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% of pensionable earnings. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions equivalent to 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £4,722 (2020-21: £5,693). No contributions were prepaid at that date.

6c) Average number of employees

The average number of employees, across the reporting period and analysed by function, was:

	2021-22 Headcount	2021-22 Full-time equivalent	2020-21 Headcount	2020-21 Full-time equivalent
Director's Office	2.0	2.0	2.0	2.0
Conservation	4.3	3.9	4.9	4.9
Collections	19.8	18.0	21.3	19.3
Security and Gallery	50.5	40.1	50.8	40.5
Building and Maintenance	1.5	1.3	3.0	2.5
Fundraising	5.0	4.9	4.9	4.9
Marketing and Design	1.3	1.3	2.0	2.0
Trading	6.8	6.6	7.0	6.7
Finance, HR and IT	3.9	3.7	3.5	3.3
	<u>95.1</u>	<u>81.8</u>	<u>99.4</u>	<u>86.1</u>

6d) Trustees

The Trustees neither received nor waived any emoluments during the year (2020-21: £nil). No expenses were reimbursed to any Trustee (2020-21: £nil).

7. Net income/(expenditure)

Net income/(expenditure) is stated after charging:

	2021-22 £000	2020-21 £000
External audit fees: NAO	21	20
External audit fees: trading subsidiary auditors	7	7
Other fees: trading subsidiary auditors	4	4
Internal Audit Fees	6	9
Operating lease rentals for the hire of plant and machinery	9	10

No fees were paid to the NAO for non-audit work.

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8a) Tangible fixed assets Group

	Freehold land and buildings £000	Fixtures and fittings £000	Office equip- ment £000	Assets under construction £000	Total £000
Cost or valuation					
Balance at 1 April 2021	42,556	6,354	1,079	477	50,466
Additions	997	327	44	-	1,368
Transfers	427	32	-	(459)	-
Disposals	-	-	(58)	-	(58)
Revaluation	(155)	633	-	-	478
Balance at 31 March 2022	<u>43,825</u>	<u>7,346</u>	<u>1,065</u>	<u>18</u>	<u>52,254</u>
Depreciation					
Balance at 1 April 2021	-	3,412	895	-	4,307
Charge for the year	700	298	92	-	1,090
Disposals	-	-	(58)	-	(58)
Revaluation	(700)	266	-	-	(434)
Balance at 31 March 2022	<u>-</u>	<u>3,976</u>	<u>929</u>	<u>-</u>	<u>4,905</u>
Net book value					
Balance at 31 March 2022	<u>43,825</u>	<u>3,370</u>	<u>136</u>	<u>18</u>	<u>47,349</u>
Balance at 31 March 2021	<u>42,556</u>	<u>2,942</u>	<u>184</u>	<u>477</u>	<u>46,159</u>

The net book value at 31 March 2022 represents tangible fixed assets used for:

	Freehold land and buildings £000	Fixtures and fittings £000	Office equip- ment £000	Assets under construction £000	Total £000
Charitable purposes	43,825	3,361	136	18	47,340
Trading activities	-	9	-	-	9
	<u>43,825</u>	<u>3,370</u>	<u>136</u>	<u>18</u>	<u>47,349</u>

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	Freehold land and buildings £000	Fixtures and fittings £000	Office equip- ment £000	Assets under construction £000	Total £000
Cost or valuation					
Balance at 1 April 2021	42,556	6,317	1,070	477	50,420
Additions	999	327	44	-	1,370
Transfers	425	32	-	(457)	-
Disposals	-	-	(51)	-	(51)
Revaluation	(155)	633	-	-	478
Balance at 31 March 2022	<u>43,825</u>	<u>7,309</u>	<u>1,063</u>	<u>20</u>	<u>52,217</u>
Depreciation					
Balance at 1 April 2021	-	3,387	887	-	4,274
Charge for the year	700	294	90	-	1,084
Disposals	-	-	(51)	-	(51)
Revaluation	(700)	266	-	-	(434)
Balance at 31 March 2022	<u>-</u>	<u>3,947</u>	<u>926</u>	<u>-</u>	<u>4,873</u>
Net book value					
Balance at 31 March 2022	<u>43,825</u>	<u>3,362</u>	<u>137</u>	<u>20</u>	<u>47,344</u>
Balance at 31 March 2021	<u>42,556</u>	<u>2,932</u>	<u>184</u>	<u>477</u>	<u>46,149</u>

The Wallace Collection is housed in Hertford House, Manchester Square, London, W1U 3BN. The freehold title to this property was transferred to the Trustees of the Wallace Collection from the Secretary of State for the Environment on 22 December 1993 at its then net book value.

The freehold property comprising the Wallace Collection is valued every five years by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors. The last full valuation was performed at 31 March 2020 and the valuation was prepared in accordance with the requirements of the RICS Valuation - Professional Standards, January 2014 amendment and Financial Reporting Standard (FRS) 15 (UK GAAP). The property was categorised as specialised and consequently valued on a Depreciated Replacement Cost (DRC) basis. A desk top valuation is performed by Gerald Eve in the years in between a full valuation.

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8 b) Heritage assets

	2021-22 £000	2020-21 £000
Balance at 1 April	86	82
Additions	-	4
Balance at 31 March	<u>86</u>	<u>86</u>

Objects and archival material relevant to the Collection and the family history are occasionally acquired for the Hertford House Historic Collection subsequent to the 1897 bequest.

8 c) Investments

	Group 2022 £000	Group 2021 £000	Collection 2022 £000	Collection 2021 £000
Market value at 1 April	10,247	8,040	10,247	8,040
Additions	-	11	-	11
Disposals	-	-	-	-
Net gain/(loss) on revaluation	630	2,196	630	2,196
Market value at 31 March	<u>10,877</u>	<u>10,247</u>	<u>10,877</u>	<u>10,247</u>
	Group 2022 £000	Group 2021 £000	Collection 2022 £000	Collection 2021 £000
At market value:				
UK investment funds	2,212	1,962	2,212	1,962
Fixed interest bonds	681	765	681	765
UK equities	4,197	4,410	4,197	4,410
Overseas equities	2,457	2,498	2,457	2,498
Infrastructure and property	1,100	509	1,100	509
Cash	230	104	230	104
	<u>10,877</u>	<u>10,247</u>	<u>10,877</u>	<u>10,247</u>
At cost	<u>8,608</u>	<u>8,608</u>	<u>8,608</u>	<u>8,608</u>

All investments are stated at fair value at 31 March 2022. Valuations for investments with an active market are based on published quoted prices at or close to the balance sheet date. Valuations for other investments are based on recent valuation reports. Fixed asset investments are held for the purposes of producing a long-term return and are not intended to be spent within the next 12 months.

Cash held in investments is not available for use to further charitable activities as it forms part of the permanent endowment fund from which only the income is available for charitable activities.

9) Debtors

	Group 2022 £000	Group 2021 £000	Collection 2022 £000	Collection 2021 £000
Trade debtors	167	73	111	40
Other debtors	50	48	50	48
VAT debtors	155	260	155	262
Amount due from subsidiary	-	-	557	71
Prepayments and accrued income	419	496	367	454
	<u>791</u>	<u>876</u>	<u>1,240</u>	<u>875</u>

None of the above is expected to be received after more than one year.

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10a) Creditors: amounts falling due within one year

	Group 2022 £000	Group 2021 £000	Collection 2022 £000	Collection 2021 £000
Trade creditors	249	501	179	498
Taxation and Social Security	115	109	116	109
Accruals	216	137	207	126
Deferred income	179	98	8	-
Other creditors	-	-	-	-
	<u>759</u>	<u>844</u>	<u>510</u>	<u>733</u>

10b) Creditors: amounts falling due after more than one year

	Group 2022 £000	Group 2021 £000	Collection 2022 £000	Collection 2021 £000
Deferred income	<u>14</u>	<u>44</u>	<u>-</u>	<u>-</u>

The movement on the deferred income account (in total for amounts due within and in more than one year) is as follows:

	Group 2022 £000	Group 2021 £000	Collection 2022 £000	Collection 2021 £000
Deferred income at 1 April	141	194	-	-
Released from previous year	(82)	(54)	-	-
Deferred in current year	<u>134</u>	<u>0</u>	<u>7</u>	<u>-</u>
Deferred income at 31 March	<u>193</u>	<u>141</u>	<u>7</u>	<u>-</u>

Collection deferred income relates to a grant received in advance and income from benefactors. Group deferred income also includes income relating to events taking place in subsequent periods.

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11. Analysis of consolidated net assets between funds

	Unrestricted funds £000	Restricted funds £000	Endowment fund £000	Total 2022 £000
Fixed assets	5,244	42,191	10,877	58,312
Current assets	1,970	1,564	133	3,667
Current liabilities	(759)	-	-	(759)
Liabilities due after one year	(14)	-	-	(14)
Total net assets	6,441	43,755	11,010	61,206

12. Consolidated statement of funds

	Balance at 1 April 2021 £000	Income £000	Expenditure £000	Revaluation £000	Transfers £000	Balance at 31 March 2022 £000
Unrestricted funds						
Designated funds:						
Capital projects (a)	3,501	-	(257)	-	286	3,530
Heritage assets (b)	12	-	-	-	-	12
Revaluation reserve	1,347	-	-	75	(8)	1,414
General funds	1,235	5,677	(5,149)	-	(278)	1,485
Total unrestricted funds	6,095	5,677	(5,406)	75	-	6,441
Restricted funds						
Capital reserve (c)	34,772	-	(833)	-	821	34,760
Heritage assets (d)	72	-	-	-	-	72
Revaluation reserve	6,541	-	-	836	(20)	7,357
Conservation projects (e)	310	53	(115)	-	-	248
Education fund (f)	138	175	(97)	-	-	216
Infrastructure fund (g)	437	687	-	-	(717)	407
Publication fund (h)	-	-	-	-	-	-
Archive and library fund (i)	60	135	(55)	-	-	140
Curatorial projects (j)	138	181	(115)	-	-	204
Collection Services fund (k)	362	329	(511)	-	-	180
Gallery refurbishment (l)	44	128	5	-	(84)	93
Temporary Exhibition infrastructure (n)	78	-	-	-	-	78
Coronavirus Job Retention scheme	-	103	(103)	-	-	-
Total restricted funds	42,953	1,791	(1,825)	836	-	43,755
Endowment fund	10,380	-	-	630	-	11,010
Total funds	59,428	7,468	(7,231)	1,541	-	61,206

a) The capital projects fund comprises the net book value of the museum's tangible fixed assets purchased using unrestricted funds.

b) The heritage assets fund represents the value of heritage assets held by the Hertford House Historic Collection which have been purchased using unrestricted funds.

c) The capital reserve fund represents the net book value of the museum's tangible fixed assets purchased using restricted funds.

d) The heritage assets restricted fund represents the value of heritage assets held by the Hertford House Historic Collection which have been purchased using restricted funds given for this purpose.

e) The conservation projects fund includes funds specifically for conservation projects from various donors.

f) The education fund assists with the cost of the museum's education department.

g) The infrastructure fund represents those restricted funds specifically raised for infrastructure projects.

h) The publication fund reflects donations towards the museum's scholarship activities.

i) The archive and library fund holds income from the endowment fund restricted to that work and other donations for archival work.

j) The curatorial fund is for donations towards curatorial purchases and activities.

k) The Collection Services fund is for donations for exhibitions and other work by the department.

l) The gallery refurbishment fund represents those restricted funds specifically raised for that purpose. The transfer relates to the restricted element of the works under construction during the year.

m) The educational and research fund is for activities in those areas which are supported by Endowment Fund income.

n) The temporary exhibition infrastructure fund is for the ticketing and other infrastructure costs associated with starting a paid exhibition programme.

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13. Reconciliation of consolidated net (expenditure)/income to net cash inflow from operating activities

	Notes	2021-22 £000	2020-21 £000
Net income/(expenditure) for the year (as per the statement of financial activities)		237	708
Adjustments for:			
Depreciation charges	8a)	1,090	1,037
Dividends and interest from investments	4	(294)	(269)
(Increase)/decrease in stock		(17)	27
Decrease/(increase) in debtors	9	85	52
(Decrease)/increase in creditors	10	(116)	298
Net cash provided by (used in) operating activities		<u>985</u>	<u>1,853</u>
		Group	Group
		2022	2021
		£000	£000
Analysis of cash and cash equivalents			
Cash held in commercial banks		2,671	2,759
Cash in hand		<u>2</u>	<u>3</u>
		<u>2,673</u>	<u>2,762</u>

14. Hertford House Marketing Limited

The Wallace Collection owns the whole of the issued share capital of two shares of £1 nominal value of Hertford House Marketing Limited, a company registered in England and Wales (company number 3183595). The company's principal activities are corporate event hire, retail, image licensing and the running of the Wallace Restaurant franchise. The museum's Director was a director throughout the year.

Statement of comprehensive income

	2021-22 £000	2020-21 £000
Turnover	832	174
Cost of sales	<u>(165)</u>	<u>(55)</u>
Gross profit	667	119
Administrative expenses	<u>(309)</u>	<u>(117)</u>
Operating profit	358	2
Interest receivable	-	-
Profit on ordinary activities before gift aid payment	<u>358</u>	<u>2</u>

Profit of £360,000 (2020-21 £3,000) was distributed under gift aid to the Wallace Collection.

Reconciliation to the Consolidated Statement of Financial Activities

	2021-22 £000	2020-21 £000
Cost of sales	165	55
Administrative expenses	<u>309</u>	<u>117</u>
Gross Profit	474	173
Less: intercompany sales	-	-
Per Consolidated Statement of Financial Activities	<u>474</u>	<u>173</u>

Balance sheet

	2022 £000	2021 £000
Tangible fixed assets	9	11
Current assets	868	243
Current liabilities	(841)	(184)
Liabilities due after one year	<u>(14)</u>	<u>(44)</u>
Net assets	<u>22</u>	<u>26</u>
Share capital	-	-
Reserves	<u>22</u>	<u>26</u>
Net assets	<u>22</u>	<u>26</u>

The Current Assets include stock of £186,546 (2020-21 £170,492).

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15. Financial commitments

At 31 March 2022, the museum had total future minimum lease payments under non-cancellable operating leases for equipment as follows:

	2022 £000	2021 £000
Not later than one year	8	9
Later than one year and not later than five years	-	8
Later than five years	-	-
Total	<u>8</u>	<u>17</u>

Hertford House Marketing Limited has no such financial commitments.

16. Financial instruments

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.

Many of the museum's financial instruments relate to contracts to buy non-financial items in line with the museum's expected purchase and usage requirements and the museum is therefore exposed to little credit, liquidity or market risk. However, the museum holds fixed asset investments following the establishment of its permanent endowment fund in 2015-16 and is exposed to market risk on these. It seeks to manage this risk through the use of professional investment advisors and fund managers.

Liquidity Risk

Approximately 61% (2020-21: 59%) of the museum's non-endowment income was provided as Grant-in-Aid from the Department for Culture, Media and Sport. The remaining proportion is self-generated income. The risk is managed by the reserves policy for general funds which seeks to build these funds to three months expenditure. As the cash requirements of the museum are met largely through Grant-in-Aid received from the Department of Culture, Media and Sport, financial instruments play a more limited role in managing risk than would apply to a non-public sector body of a similar size.

Foreign Currency Risk

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

Interest Rate Risk

The museum draws down its annual Grant-in-Aid allocation according to its monthly cash flow requirements. The museum's current financial assets represents cash held for these short term requirements and therefore earns interest at a floating rate. None of the museum's financial assets carry fixed rates of interest. As only a relatively small proportion of income £1,000 (2020-21: £3,000) is generated from interest earned, the museum is not exposed to significant interest rate risk.

17. Related party transactions

The Wallace Collection is a Non-Departmental Public Body whose sponsoring body is the Department for Digital, Culture, Media and Sport (DCMS). Other bodies sponsored by DCMS are regarded as related parties, as are organisations in which Trustees or key members of management (or their connected persons) have an interest. During the year, the Wallace Collection only entered into transactions with related parties under normal business terms.

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17. Related party transactions (continued)

Related party	Nature of relationship	Grants, donations or income		Outstanding balance at 31
		received	Purchases	March 2022
		£000	£000	£000
National Gallery	DCMS funded body	8	-	8
British Museum	DCMS funded body	-	3	-
Lloyds Bank Group	António Horta-Osório is the Group Chief Executive of the Lloyds Banking Group			The Lloyds Bank Group has acted as the Wallace Collection's bankers for many years on normal business terms.
Wallace Collection Foundation (formerly Hertford House Trust)	António Horta-Osório is an ex officio trustee* of the Wallace Collection Foundation.	-	-	204

* With reduced voting rights

Wallace Collection in America, Inc

The Wallace Collection in America, Inc (WCiA) is a US tax-exempt organisation under section 501(c) (3) of the US Internal Revenue Code. It is incorporated in the State of Delaware. The objectives of the WCiA are to educate the public about art in general and to raise awareness among Americans and others about the activities and collections of the Wallace Collection. It is able to make grants to the Wallace Collection and other organisations in pursuit of these objectives.

The WCiA has a board of three directors. No Trustees of the Wallace Collection currently sit on the Board.

During the year grants of £nil (2020-21 £nil) were made to the Wallace Collection. At 31 March 2022, the WCiA had net assets of £506,000 in the form of cash at bank (2020-21 £474,000)

The WCiA has not been consolidated in the group accounts of the Wallace Collection as the Wallace Collection did not exercise control during the period.

No Trustees or staff member obtained any personal benefit from the transactions disclosed above and no Trustee and or staff member had any other material transactions with the museum in the year. No Trustees held any significant interests which would conflict with their management responsibilities of the museum. Several Trustees are also supporters of the museum, and they are shown in Annex B to the Annual Report. Donations received from Trustees and their close family members in the year were £121,639 including gift aid (2019-20: £45,010). Donations received without conditions from Trustees and other related parties totalled £113,649 (2020-21: £69,227).

Compensation for key management personnel has been disclosed in the remuneration report.

18. Contingent liabilities

There were no contingent liabilities as at 31 March 2022 (2021: Nil).

19. Post balance sheet events

The accounts were authorised for issue on the date of the Comptroller and Auditor General's certification. There were no reportable events between the balance sheet date and the date the accounts were authorised for issue.

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