

## Annual Report and Accounts For the year ended 31 March 2023

Charity Number: SC011130

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# **TRUSTEES' ANNUAL REPORT**

## **1. Our objectives and activities**

National Museums Scotland is one of the leading museum groups in Europe. Our Vision is *Inspiring People, Addressing the Challenges of Our Age*.

Our activities in 2022/23 recovered strongly post-Covid-19 and we returned to close to normal operating conditions, achieving a great deal in the year:

- Visitors returned to our museums with an enthusiasm to re-connect with our collections, displays and exhibitions
- We welcomed over 3 million visitors to our museums, with the National Museum of Scotland once again the most visited tourist attraction in Scotland and the most visited museum in the UK outside London
- Our website had its highest ever usage, attracting over 2.97million sessions
- We continued to add to our collections, acquiring objects from Scotland, the rest of the UK and around the world
- Our touring exhibitions *The Galloway Hoard: Viking-Age Treasure*, *Body Beautiful: Diversity on the Catwalk*, and *Monkeys! A Primate Story* continued their popular runs
- We collaborated with 48 organisations on loans of objects from our collection in 21 different local authorities
- Our Schools' programme reached pupils in all 32 Local Authorities in Scotland
- We made significant progress in counting and reducing our carbon emissions.

We are proud of these successes, but the financial climate remains one of the toughest the culture heritage sector has faced, leading to significant concerns for the future. We are operating under greater financial uncertainty than previous years and, as we look towards 2024/25, we see further uncertainty over our ability to meet cost rises which are out with our control. Increased pension costs, further rises in utility costs along with general inflation, pay and the additional costs to implement a 35 hour week, which are part of Scottish Government Pay Policy, will add over £2.5m to our cost base next year alone. To continue to provide the level of services we currently offer, we are relying on the Scottish Government to provide an appropriate level of funding.

Once again, the Trustees would like to record their thanks to our staff, volunteers and supporters, without whom we could not achieve all that we do.

### **Public Benefit**

National Museums Scotland is a unique combination of world-class collections, programmes, places and people. Our multi-disciplinary collection is an important resource, historically, culturally and scientifically, which we seek to share as widely as possible through our mission to preserve, interpret and make accessible for all, the past and present of Scotland, other nations and cultures, and the natural world.

We care for internationally significant collections of natural sciences, decorative arts, design and fashion, world cultures, science and technology, and Scottish history and archaeology. These collections span thousands of years and we use them to engage the public in exploring and celebrating the world through our displays and exhibitions, our online presence, national and international engagement programmes, schools' programmes and resources.

We make the collections available and promote public awareness through our four museums: the National Museum of Scotland in Edinburgh, the National War Museum within Edinburgh Castle, the National Museum of Flight in East Lothian and the National Museum of Rural Life near East Kilbride.

The National Museum of Scotland's galleries are available online via Google Arts and Culture's Museum View experience with users able to move through the permanent galleries at the click of a button, viewing around 20,000 objects on display. We make some of the most significant objects in our collections available digitally via our website, with over 795,000 objects accessible at 31 March 2023.

We reach out across Scotland, the rest of the UK and internationally in many ways. Loans and touring exhibitions help ensure our collections reach as many people as possible. We work closely with other Scottish museums on partnership projects that can raise their profile and enable wider public access to the collections, and offer advice and support to museums across Scotland, enhancing and developing collections expertise through training, targeted projects and partnerships. Our work has an impact across the world. Our international programme and partnerships aim to widen engagement and knowledge of the national collection.

The National Museums Collection Centre in Granton, north Edinburgh is our international hub for collections research, access and storage. It is the home of our conservation studios and a centre of expertise, providing a platform for cutting-edge research and innovation, interdisciplinary study, specialist training and advanced teaching. It provides vital support for our national and international activities.

As one of the leading museum groups in Europe, the cultural, social, educational and economic impact of our work is wide-reaching. We are proud of our contribution to the creation and promotion of world-class culture in Scotland which makes it a more attractive place to live and work and brings pleasure to residents and visitors.

## **Status**

We are a Scottish Charity and a Non-Departmental Public Body (NDPB) sponsored and supported through Grant-in-Aid by the Scottish Government, governed by an independent Board of Trustees. The principal functions of the organisation are set out in Section 2(1) of the National Heritage (Scotland) Act 1985, being to:

- a) Care for, preserve and add to the objects in our collections
- b) Secure that the objects are exhibited to and interpreted for the public
- c) Secure that the objects are available to persons seeking to inspect them in connection with study or research
- d) Generally promote the public's awareness, appreciation and understanding of matters agricultural, archaeological, architectural, artistic, cultural, environmental, historical, industrial, military, scientific and social, both by means of the collections and by such other means, including collaboration with other institutions, as we consider appropriate
- e) Provide education, instruction and advice, and carry out research.

National Museums Scotland wholly owns a limited company, NMS Enterprises Limited, the aims of which are to:

- Manage commercial facility hire and catering activities
- Operate the shops in our museums
- Publish books
- Develop commercially our intellectual property.

All profits are distributed to National Museums Scotland. The activities of National Museums Scotland and NMS Enterprises are consolidated in the accounting statements and together are referred to as the Group.

## **2. Achievement and performance**

With the full lifting of Covid-19 restrictions, we were pleased to welcome our highest number of visitors since 2019. We continued to connect with our audiences through digital engagement, maintaining an enhanced digital offer, including web content, events, and virtual tours, and reached our highest ever online audience. We continued to support the museum sector in Scotland, offering support through online skill sharing and training. Our collections continued to grow and we acquired objects that will enhance our programmes long into the future. We benefited from the continued support of the Scottish Government, and from our Members, Patrons and other funding partners. Our commercial income recovered strongly and will continue to support our activities in 2023/24.

## Performance and Exhibitions

In total in the year to 31 March 2023, we welcomed 3,023,013 visitors (prior year: 1,488,125) across our sites.

We held a number of programmed exhibitions during the year. At the National Museum of Scotland:

- *Audubon's Birds of America* continued until 8 May 2022 and provided a once in a generation opportunity to learn about one of the world's rarest and most coveted books.
- *The Typewriter Revolution* continued until 11 September 2022 and explored the typewriter's social and technological influence.
- *Japanese Contemporary Design* (6 May 2022 – 30 July 2023) considered how Japanese contemporary makers have combined innovative and traditional art, craft and design elements over the past five decades.
- *Anatomy: A Matter of Death and Life* (2 July – 30 October 2022) explored the history of anatomical study, from artistic explorations by Leonardo Da Vinci to the Burke and Hare murders.
- *Bernat Klein: Design on Colour* (5 November 2022 – 23 April 2023) looked at the life and career of Bernat Klein, one of the 20<sup>th</sup> century's leading forces in modernist design.
- *Doctor Who Worlds of Wonder* (9 December 2022 – 1 May 2023) provided a thrilling exploration of the science behind the BBC TV series, Doctor Who.

At the National War Museum, *Legacies of Empire* continued and will run until 21 January 2024. This exhibition examines the histories of objects brought back from colonial conflict by the military forces of the British Empire.

Our exhibition touring programme continued throughout the year. *The Galloway Hoard: Viking Age Treasure* toured to Kirkcudbright Galleries and Aberdeen Art Gallery. *Body Beautiful: Diversity on the Catwalk* continued its tour, moving from Bournemouth to Cheltenham and then to Tunbridge Wells. Visitors to the Museum Centre Vapriikki, Tampere, Finland were able to enjoy *Monkeys! A Primate Story*.

## Digital Performance

During this period we focused on three core strands of digital media activity: promoting museum visits, online booking and ways to support; engaging existing online audiences with the collections through targeted content; and communicating key messages to online audiences, supporting the work of teams across the organisation. This was achieved through a variety of channels:

- Our websites attracted 2,967,121 sessions, our highest ever level and 19% ahead of our KPI target of 2,500,000. Our main site, nms.ac.uk, received over 5.9 million page-views across the year.
- Traffic to *Explore* and *Search Our Collections* pages made up 30% of total nms.ac.uk site traffic. The most popular *Explore* section remains Scottish History and Archaeology with 44% of *Explore* traffic landing there. The three most popular *Explore* stories are the Lewis chess pieces, James VI & I, and Mary Queen of Scots, underlining the continued popularity of Scottish history topics linked to high-profile people and objects.
- Our Blog attracted over 336,000 page-views, representing a 15% year-on-year increase.
- Social media continued to be an important communication tool for the organisation promoting programmes of activity as well as engaging online audiences directly with story-led content linked to our collections and people. This drove a 5% uplift in followers, reaching a combined follower count across the main platforms of 242,000.
- We implemented a new Customer Relationship Management System to improve the experience for visitors booking online to visit our sites, exhibitions and events.

## Nationally

In 2022/2023, our National Programme activity, extending to all 32 local authority areas in Scotland, included the following:

- Our national touring exhibition, *The Galloway Hoard: Viking-age Treasure*, welcomed over 98,000 visitors at Kirkcudbright Galleries (9 October 2021 – 12 July 2022) and Aberdeen Art Gallery (30 July – 23 October 2022).
- 2,617 objects from the national collection were on loan to 48 organisations in 21 local authority areas across Scotland.
- 10 events in our National Training Programme delivered 300 learning experiences to staff and volunteers from 64 museums in Scotland.
- 83,562 pupils from 308 schools representing every local authority in Scotland were involved in *Maths Week Scotland 2022* and 53 projects were supported with grants worth a total of £69,000.
- 50 grants worth £204,129 from the National Fund for Acquisitions supported acquisitions worth £701,477, helping to develop and enhance the collections of 31 organisations in 19 local authorities across Scotland.

## Significant Acquisitions and Disposals

We continued to enhance our collections throughout the year. A number of significant acquisitions were made, supported by Scottish Government, Art Fund, NMS Charitable Trust and private donors. Highlights include:

- 6,000 moth specimens collected over 50 years in Scotland by Bob Palmer, including, importantly, quality locality data; the collection will form part of our wider library of biodiversity.
- *The Royal Scot 10-0AM Euston to Glasgow & Edinburgh London Midland and Scottish Railway Company*: billboard poster, colour lithograph, 1931, by artist P. Irwin Brown.
- An extraordinarily rare Anglo-Saxon gold sword pommel, from Blair Drummond, Stirling, of UK-national significance, via the Treasure Trove process.
- An artwork, *モアのうた' (Sāmoa no uta) – A Song About Sāmoa – Vasa (Ocean)* by New Zealand artist Yuki Kihara, 2019, comprising five barkcloth kimono robes
- The Presiding Officer's chair from the furnishings of the debating chamber at the Old Royal High School building, which was refurbished in preparation for the anticipated use of the site for a new Scottish Parliament in 1979.
- 26 pieces of 1980s Tibetan jewellery including earrings, necklaces, rings, bracelet, pendants and a miniature mantra case, which as a collection bridges the gap between the historic collections dating from late 1800s-early 1900s and the development of jewellery for the tourist market in Tibet.

In addition, through HMRC's Cultural Gifts Scheme we received:

The Howarth-Loomes collection, a unique and significant photographic collection, which we have held on long term loan since 2003, has now been fully accessioned. This collection of 17,000 objects covers the spectrum of 19th-century photography and is particularly strong in the area of stereoscopic photography.

In accordance with our published procedure and with the approval of the Cabinet Secretary for Constitution, External Affairs and Culture, the Board of Trustees of National Museums Scotland

approved a request by the Nisga'a Nation to return House of Ni'isjoohl Memorial Pole to its place of origin in what is now British Columbia, Canada.

## Learning and Programmes

Over the course of the year, demand for in-person learning and engagement activity in our museums gradually increased and it was possible to reintroduce some popular strands of programming at the National Museum of Scotland including Museum Lates, online events, workshops and lectures associated with our exhibitions. Other themed events included Edinburgh Science Festival, Gaelic Week Edinburgh, Edinburgh International Children's Festival in partnership with Imagine, and Black History Month which included a showcase of the Lord Iqbal Singh's collection to members of the Sikh community and online event *Ancient African Queens: New Perspectives on Black History*.

Demand for in-person visits from schools gradually increased across our sites. Support from both Hyundai's *The Great British School Trip*, which offered subsidised travel for schools to visit, and Edinburgh Fine Art Society for *Discover the Museum* which brought primary age children from schools in areas of multiple deprivation to the museum, contributed to the success of our schools' programme. Alongside these, free digital schools' programming, introduced during the pandemic, was maintained enabling reach across the country. We continued to grow engagement with the Scottish Government funded schools' partnership project, *Maths Week Scotland*, reaching almost 100,000 pupils directly and more through online platforms.

Seasonal programming at the National Museum of Rural Life aligned with our new strategic objective to increase public understanding and awareness of climate and biodiversity challenges. Nature and biodiversity themed activities such as half term's *Spring and Autumn Explorers*, the *Woolly Weekend* event, *Nature Track Packs* and a new programme called *Tractor Tots* engaged a range of age groups with these important topics. At the National Museum of Flight, visitors were able to participate in wartime and vintage activities, such as *Make Do and Mend*, *Dig for Victory* and *Survival at Sea*, as well as the ever-popular *Awesome Bricks* LEGO-themed weekend, and *Operation Sabotage*, a new 'escape room' style programme co-designed with young people.

This year we continued to increase our focus on equality, diversity and inclusion (with particular attention to underrepresented communities), including projects aiming to enable us to mainstream co-designing activity with audiences.

Activities enabling a range of diverse audiences to engage with the collections included:

- Development of a new a sensory map of the National Museum of Scotland and explanatory film encouraging visitors to explore the sensory experiences in different parts of the museum
- BSL access evenings and tours, Audio described access evening, relaxed events and Touch sessions and tours for visitors with sensory impairments
- Development of monthly relaxed mornings for visitors preferring a quieter visit
- Work with LGBT Youth Scotland and Sanctuary Queer to develop the LGBTQIA+ *Hidden Histories* trail
- *A New Migrants* programme designed to reach new migrants and displaced people
- Popular programmes such as *Friday Friends* and *Museum Socials* for people with dementia and their families, and on the *South Asian Stories* theme continued.

Work to engage audiences beyond our walls included adapting *Magic Carpet* programmes for very young children to enable them to be delivered in community venues. And family fun workshops, co-designed with Pilton Young People and Children's Project, were delivered at the opening of Granton Station, part of the redevelopment of the area where our Collection Centre is located.

## Fundraising and income generation

During the year to 31 March 2023, we continued to engage with individuals who support our work through our membership and patron programmes as well as those supporters who manage grants for charitable foundations or businesses. Significant support in the year included:

- The Negaunee Foundation and individual donors, who were keen to see a renewed focus on environment and biodiversity, supported the opening of the refreshed *Adventure Planet* gallery where younger visitors and families can explore and learn about the natural world.

- The start of the Leslie B Durst Textile Conservation Internship in partnership with the Clothworkers Company. Over three years an early career textile conservator will work on projects with Principal Conservator, Lynn McClean, ensuring that specialist skills and knowledge are passed on to future generations.
- Baillie Gifford's sponsorship of the exhibition *Anatomy: A Matter of Death and Life* in the National Museum of Scotland.

Thanks to the Players of the People's Postcode Lottery, National Museums Scotland received a grant of £600,000 in 2022. This grant supported family activities at the National Museum of Scotland, the National Museum of Flight and the National Museum of Rural Life, research and conservation work at the National Museums Collection Centre, activities to support visitors with Additional Support Needs, and the popular *Dr Who Worlds of Wonder* exhibition.

## **Our Team**

### Colleague Engagement

In September 2022, we undertook a Colleague Engagement Survey. The survey questions were divided into 11 topics: Day to day working life, Learning and Development, Communication, Line management, Senior management, Organisational Aims and Objectives, Values and behaviours, Equality, diversity and inclusion, Wellbeing, Health and Safety and Views on the organisation overall. The overall response rate was 68%, and our overall engagement score was 82%, up 6% from our last survey in 2018.

Common themes that stand out and have seen positive progression over the course of our surveys include training and development, wellbeing, recognition, health and safety, line management, inclusive culture, equipment/resources, pride and advocacy. Each department agreed a set of actions that they will be taking forward to address areas for development to enhance engagement in their teams. Two actions are to be taken forward at an organisational level – one relates to internal communication and the other relates to pay and reward.

### Health and Safety

We recorded 82 Health and Safety incidents in the year, up from 23 in the previous year. This increase was due to the increase in visitors and team members working at our sites compared to the previous year which experienced Covid-related closures and restrictions, and the total number remains considerably below pre-Covid levels. It was also pleasing to note the results from the Colleague Engagement Survey in relation to Health and Safety knowledge and understanding which indicated a positive health and safety culture across the organisation.

## **Volunteers**

We have strong relationships across our organisation with volunteers who support us in a variety of different ways, including leading guided tours, assisting staff with curatorial and conservation tasks, enabling events, and undertaking research activities. Volunteer programme activity increased from May 2022 on all our sites as we opened again to volunteering and some of our existing volunteers returned, but we also recruited new people. In total we gained continuing support from 167 volunteers (62 in 2021-22), representing 10,688 volunteer hours per annum (957 in 2021-22), which is equivalent to approximately 5.5 full-time staff (0.5 in 2021-22).

## **Sustainability**

As a public body, National Museums Scotland has a legal duty under the Climate Change Act (Scotland) 2009 to reach targets and act in the most sustainable way. Meeting the requirements of this Act requires a broad and complex response. Building on our organisational learning from the previous year we focussed our attention on activities organised by the three Strategic Actions in the then new, Strategic Plan 2022-2027. Our progress has been shared quarterly with the Trustees' Estates Committee, discussing progress and challenges.

We have made good progress in our actions, including:

- The Estates Department commissioned a report from Buro Happold to review our estate and infrastructure in terms of carbon reduction initiatives. This was done by November 2022 and has become a key tool for the Estates team to identify priority actions with their operational budget and for externally raised funds. The LPG-fuelled heating system in Hangar 4 at the National Museum of Flight has been changed for an air source heat pump system. Heating at this site will have low/no emissions in 2023-24 onwards.
- We continued to learn to calculate our organisational carbon emissions, closing many of the remaining gaps (e.g. retail activities, café, in-house postal service, contractors' work in Estates) and improving consistency (e.g. converting goods deliveries). Whilst our carbon management expertise developed, carbon reduction targets were initiated in some areas of our business for example office printing and business travel, and further targets are being planned for 2023-24.
- A Biodiversity Action Plan has been developed and implemented at the National Museums Collection Centre, supported by the first annual surveys. A Biodiversity Action Plan for the National Museum of Rural Life is underway, working with National Trust for Scotland.
- Our Learning and Engagement Programme focussed on sustainability with events such as the Science Festival and the *Summer of Play project – Brilliant Bugs*.
- An all-colleague training programme has been identified, comprised of both introductory and bespoke elements, to suit all roles across the organisation. Commencing in May 2023, it is aligned to our Performance and Development Review process.
- The Natural Sciences Department continue to play a key role in research projects such as *Darwin Tree of Life*; *Distributed System of Scientific Collections (DiSSCO)* and *Do Not Feed the Animals*.

We have been measuring our energy-related carbon emissions since 2012-13 and have built useful comparative data over the last decade. In this baseline year, our energy-related carbon emissions totalled 11,406 tCO<sub>2</sub>e. Our energy-related carbon footprint in 2022-23 was 1,545 tCO<sub>2</sub>e. The reduction on last year's comparative figure of 103 tonnes of carbon dioxide emissions is due to ongoing work by the Estates Department in terms of energy consumption and efficiencies.

## KPIs

Our Key Performance Indicators are reported at each Trustee meeting and to the Scottish Government on a quarterly basis.

	2021/22 Results	2022/23 Plan	2022/23 Results
<b>Key Performance Indicators</b>			
Total number of on-site visitors	1.5m	2.5m	3.0m
Online Audiences	2.9m	2.7m	3.2m
Total learning participation	140k	146k	206k
Visitor satisfaction	87%	85%	85%
Accumulated total number of collections records online	N/A	791k	795k
% Collections storage meeting appropriate standards	N/A	N/A	N/A
Organisational carbon emissions (tCO <sub>2</sub> )	1,648	N/A	1,545
Total value of revenue income	N/A	£3.0m	£4.7m
Total value of capital income	N/A	N/A	£nil

Visits across all four sites totalled 3,023,013, 22% up against a target of 2,468,050, and 105% up on the previous year. This was driven by a faster than expected return by visitors following the Covid pandemic.

Our website attracted 2,967,121 sessions by the end of this reporting year, our highest ever level and 19% ahead of our website target. The social media following for our three main platforms was 242,740, bringing the overall figure for online audiences in 2022/23 to 3,209,861 (17% above the target of 2,745,000).

At the end of the reporting year, learning engagements were 40% ahead of the annual target. The total KPI does not include Maths Week Scotland, which is reported directly to Scottish Government, with a reach of almost 100,000 pupils directly and more through online platforms.

The annual target for accumulated total number of collections records online was exceeded due to the unusual addition of a one-off file of 4,000 records of a single species of sheep from St Kilda.

We paused reporting on the percentage of collections storage meeting appropriate standards KPI during Covid-19 and aimed to resume in 2022/23 with a target of 65%. However, we were unable to carry this out in 2022/23 due to several factors including the need to prioritise staff time to successfully address the presence of pest in the collections arising as a legacy of the Covid-19 lockdowns. We are resuming reporting on this KPI in 2023/24 with staff time allocated and a target of 65% set.

The annual carbon emissions figure in the table above includes Quarter 4 billing at the National War Museum and totals our heating-related carbon emissions across all sites. It is our lowest carbon footprint since recording began ten years ago.

Commercial income is ahead of budget with all areas meeting or exceeding budget. Exhibition income was higher than budget with *Audubon's Birds of America*, *Anatomy: A Matter of Death and Life* and *Dr Who: Worlds of Wonder* attracting more visitors than expected and generating an additional £0.3m in revenue in total. Philanthropic income is higher than budget mainly due to grants from the People's Postcode Lottery. Other grants received from various funders have also been higher than anticipated including the William Grant Foundation, AHRC, Negaunee Foundation and National Lottery Heritage Fund.

There were no capital campaigns in 2022-23.

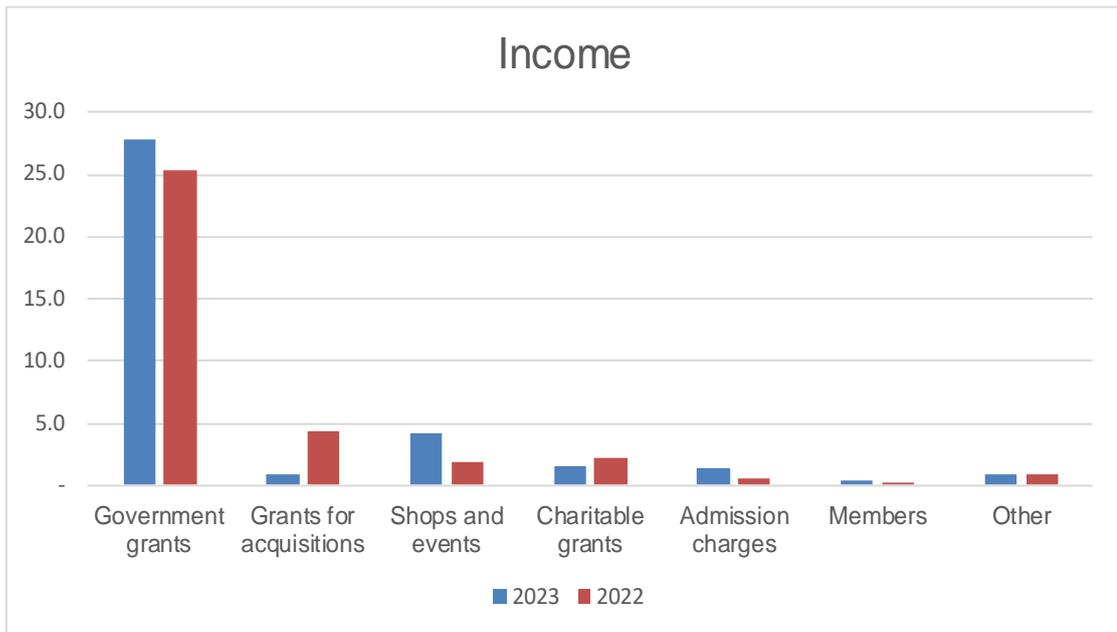
### 3. Financial review

National Museums Scotland is required to operate within the financial limits prescribed in the Framework Document laid down by the Scottish Government and to follow the Scottish Public Finance Manual unless it conflicts with the Charity SORP. We are not permitted to borrow funds and our ability to retain unrestricted reserves is heavily curtailed. Our operational financial strategy is to break even as we continue through a period of major investment in our displays, facilities and estate.

We recovered, to a large extent, from the impact of Covid-19, however we face further challenges with meeting the cost of Scottish Government pay rises, the ongoing impact of Brexit, the war in Ukraine, and rising inflation all expected to curtail our commercial income and increase our cost base.

#### Income

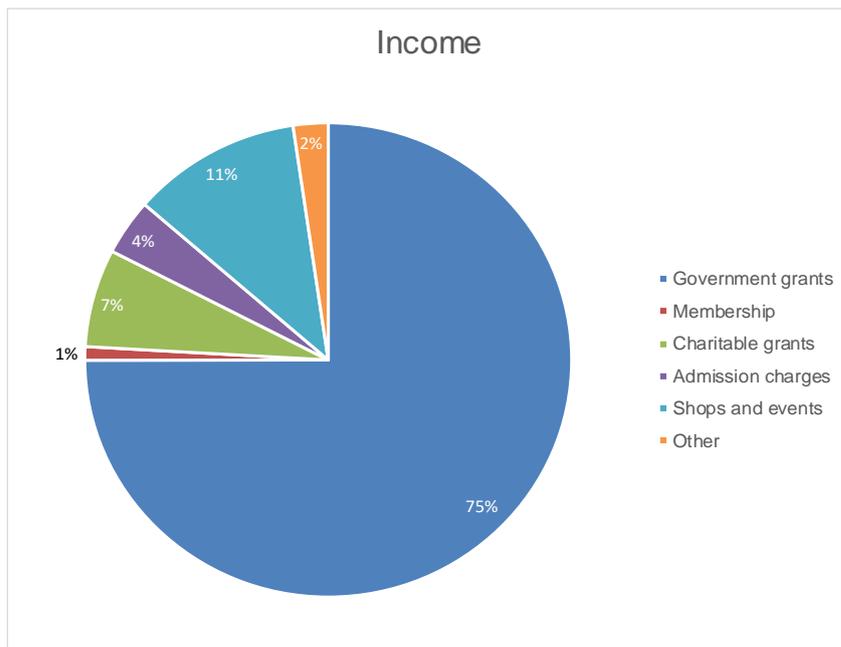
Our total income for the year was £37.0m (£35.6m in 2021-22) of which £27.8m was Grant-in-Aid from the Scottish Government (£25.3m in 2021-22), £0.4m was the value of heritage assets donated under HMRC's Cultural Gifts Scheme (£2.7m in 2021-22), £0.5m was grants specifically to fund acquisitions (£1.7m in 2021-22), £1.6m (£2.2m in 2021-22) related to restricted grants to support specific projects, £0.4m (£0.5m in 2021-22) was donations, admissions charges totalled £1.4m (£0.6, in 2021-22) and shops and events income totalled £4.2m (£1.9m in 2021-22) with £0.7m (£0.7m in 2021-22) from other activities.



We charge for admission at the National Museums of Flight and Rural Life. We do not charge for admission at the National War Museum, although visitors cannot access the Museum unless they pay Historic Environment Scotland for admission to Edinburgh Castle. Admission to the National Museum of Scotland is free apart from the main Special Exhibition Gallery, where three charged exhibitions were held during the year. Our admissions income increased by £815k to £1,410k, slightly ahead of our pre-Covid admissions income.

Donations received were £114k lower than the previous year, predominantly due to a reduction in the value of legacies received. Significantly the donation from our trading subsidiary NMS Enterprises Limited remained at £nil as it recovered from the impact of Covid. It is anticipated that this will increase in 2023/24.

Our Shop and Event income comes from NMS Enterprises which manages retail and venue hires. In the year to 31 March 2023 NMS Enterprises income was £4.2m compared to £1.9m in the previous year and £3.8m in 2019-20. Retail locations and cafes were able to return to pre-Covid trading conditions.

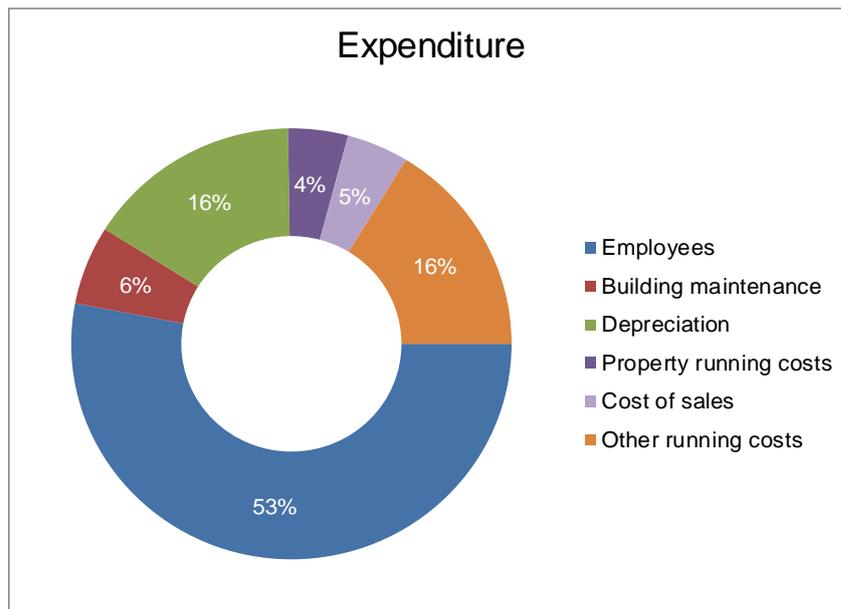


We received £7.2m in unrestricted income, excluding government grants, during the year compared to £3.8m in 2021-22. We increasingly rely on this income to invest in our museum displays and facilities,

bringing events and experiences to visitors who would otherwise miss out. It is vital in enabling us to build our reputation, reach and revenue in the short, medium and long-term. This income is susceptible to cost of living pressures faced by visitors and donors and, with rising costs, we face an increasing challenge for funding these areas in the future.

## Expenditure

The most significant category of expenditure is employee costs which accounted for 53% of our total costs (54% in 2021-22) but increased by £2.1m (11.3%) compared to the prior year. The basic payroll costs went up due to the implementation of the Scottish Government Pay Policy and a slightly increased headcount.

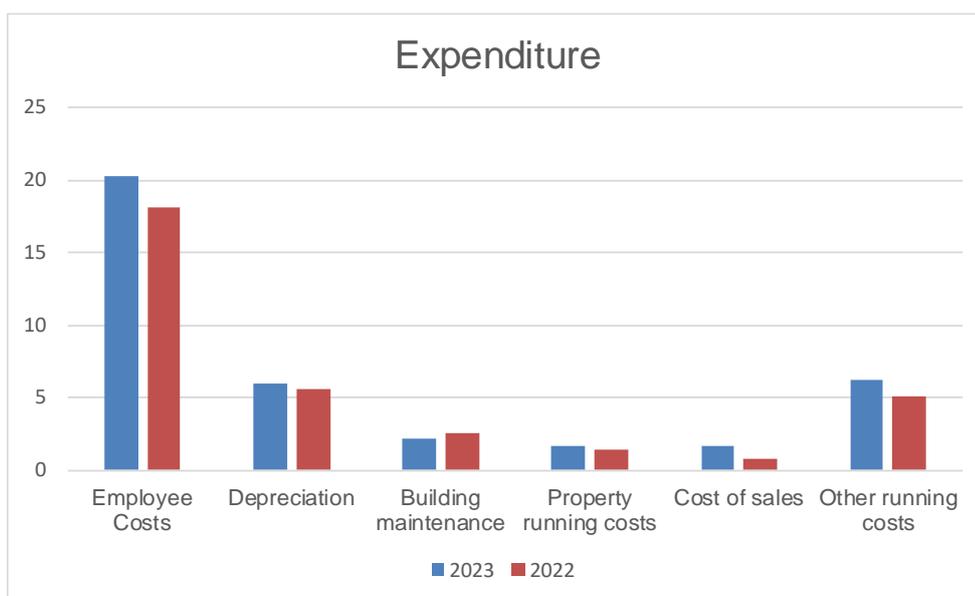


Depreciation is the cost of using our capital assets gradually over many years. We continually invest to maintain and renew our capital base of buildings, facilities and displays. These costs were slightly higher (£6.1m in 2022-23 and £5.7m in 2021-22) than the previous year due to the effect of revaluations and accounted for 16% of total expenditure compared to 17% in the previous year.

Operating our buildings (maintenance, heat and light) requires another large part of our budget. Investment to reduce energy consumption and our carbon footprint has been successful but has been offset by price increases. Our Building Maintenance costs reduced from 8% to 6% of our total costs.

Cost of sales is principally the value of stock sold in our shops and the cost of commercial events, and moved in line with our commercial income.

Other running costs include a wide range of collections care and conservation costs, exhibition and display costs and the administrative costs of running the organisation. Other running costs increased slightly compared with the previous year and accounted for 16% of total expenditure compared with 15% in 2021-22.



### Major Investment Projects

In the period, the Group acquired tangible assets at a cost of £4.3m (2021-22 £2.1m), including £2.3m (2021-22: £1.2m) on buildings, £1.1m on leasehold improvements (2021-22: £0.3m), £0.4m on galleries (2020-21: £0.3m) and £0.8m (2020-21: £0.4m) on equipment purchases.

During this financial year our capital spend focused on replacing operational assets which are essential to our activities. This included £1.1m on fire safety works, £900k on heating decarbonisation, and £168k on building management systems and LED lighting which will reduce fuel consumption in the future. We were also able to address some of the backlog of property improvement works although more needs to be done in this area. The level of backlog maintenance has been flagged as a continuing significant risk by our Audit and Risk Committee. The level of budget available for planned maintenance and periodic renewal remains insufficient given the size and complexity of the Estate.

With capital funding from Arts and Humanities Research Council (AHRC) we were able to complete the purchase of curatorial equipment which began in 2021-22 (£622k). Curatorial equipment of this nature needs to be replaced otherwise it would have a detrimental impact on our ability to research items such as the Galloway Hoard.

### Reserves

Reserves are reviewed regularly by the Board of Trustees and appropriate levels agreed based on current requirements and forward plans. As our most significant funder, the Scottish Government requires us to spend all the Grant-in-Aid received and not to hold material unrestricted reserves.

Restricted reserves principally represent the capital value of our assets, which will be written down in future years as that value is consumed. These resources are restricted to this purpose and cannot be used in any other way.

The Board Reserve held in both the charity and its subsidiary (NMS Enterprises) is available for use and is held at not less than £250,000. During the year our unrestricted reserves increased by £0.9m to £2.3m. Most of this reserve is the Board Capital Reserve (£1.4m) which will be spent in depreciation. The remaining unrestricted Board Reserve (£0.9m) is higher than the minimum level and is held as a financial cushion during this period of financial uncertainty.

Full details of our reserves can be found in Note 16 of the Accounts.

## Planning ahead

The Board of Trustees approved the final budget for 2023-24 on 29 November 2023. The 2023-24 budget takes account of the impact of inflation and a high cost of living in the UK. We are grateful to the Scottish Government for the first increase in our Grant in Aid for inflation since 2011, to help us offset the rising cost of utilities, operational costs and employee salaries.

At the time of the budget being approved, a final pay award had been agreed with Scottish Government along with an increase in Grant-in-Aid which partly covers the cost of the pay award. Taking account of efficiencies and increased commercial income we believe we will return a breakeven position in 2023-24.

The cash budget and updated forecast for the charity is shown in the table below:

	2022/23	2022/23	2023/24	2024/25
	Actual	Budget	Plan	Plan
	£000	£000	£000	£000
<b>Income</b>				
Grant-in-Aid	27,762	27,704	28,440	28,440
Other income	5,221	2,998	4,646	4,520
<b>Total Income</b>	<b>32,983</b>	<b>30,702</b>	<b>33,086</b>	<b>32,960</b>
<b>Operational Expenditure</b>				
Salaries	19,020	18,293	20,449	21,778
Operational Costs	9,904	9,485	11,555	12,374
<b>Total</b>	<b>28,924</b>	<b>27,777</b>	<b>32,004</b>	<b>34,152</b>
<b>Major Projects Expenditure</b>	<b>4,254</b>	<b>3,675</b>	<b>1,000</b>	<b>1,000</b>
<b>Surplus/(Deficit)</b>	<b>(196)</b>	<b>(750)</b>	<b>82</b>	<b>(2,192)</b>

The plan for 2024-25 in the table above assumes that our Grant-in-Aid will be held at the 2023-24 cash amount, that our operating costs in respect of utilities and business rates will increase, and that salary costs will increase where we will continue to implement Scottish Government Pay Policy. We forecast that we will require £2.1m additional Scottish Government funding to meet the increase costs and break even.

Our Trading company has been successful in recovering from the loss-making period caused by the Covid-19 pandemic. However, we remain cautious over how rising inflation and prices will impact consumer spending at our venues.

The financial challenge for future years remains significant and we operate within considerable constraints. We are required to implement Scottish Government Pay Policy, and did so for 2022-23 and 2023-24 with additional funding from Scottish Government. It is vital that future year Grant-in-aid allocations consider the pressures on our financial position from Scottish Government priorities, given that there is no policy position to reduce our scale of operations.

Our operational budgets are already under strain from standstill funding for a prolonged period. We were grateful to receive an increase in our Grant in Aid in 2023-24 to offset the impact of increased utilities and cost inflation, but this additional funding does not address the full effect of the underfunding for over a decade. We have continued to address maintenance work during 2022-23 but the current position regarding estate maintenance and renewal is that our level of backlog maintenance is increasing, and looks set to continue to rise, as a growing proportion of the estates budget needed to cover utilities costs.

There are continuing significant challenges because we operate with a very large proportion of fixed costs for maintaining our estate, collections care and paying our staff, alongside unavoidable operational costs which are being heavily impacted by continuing high inflation. Without adequate

future funding we will have to make material changes to our operations and the impact we are able to create through the National Collection.

### Risk and uncertainty

Our biggest risk is the uncertainty around our funding and the medium to long-term effects of high inflation and constrained resources throughout the organisation.

In support of delivering our operations and plans for the future we carry out a regular review of the Strategic Risk Register of major risks. At the year end the register identifies the following as the key risks:

Risk	Risk Detail
Real terms decrease in Grant-In-Aid	Scottish Government resources or priorities change leading to a greater cut in Grant-in-Aid than anticipated. 2023/24 is of significant concern given the current pressures on Government funding. Potential consequences on staff numbers, sites and opening times as a result.
Buildings not fit for purpose	Buildings not meeting appropriate legislative standard, or uneconomic to repair, or not fit to be occupied by staff or collections. Risk/impact: Health & Safety; ability to achieve strategic objectives; reputational impact
Recruitment/Retention in business critical posts	Failure to recruit or retain staff in business critical posts. Low attractiveness in the market for staff and contractors, leading to a reduction in expertise; higher staff turnover; poor quality outputs; and incomplete project teams. Effects of external factors resulting in a scarcity of particular skills in the marketplace and high competition for them that renders us unable to compete on salary. Insufficient People team resource to support recruitment into business critical posts.
Failure of plant, equipment and systems impacting on health and safety, care of collections and security	Disaster resulting from failure of plant, equipment or systems due to age and obsolescence. Risk/impact: downtime; reputational impact; damage to our buildings and collections

Each Strategic Risk is assigned an owner from the Executive Team who puts in place plans or control mechanisms to reduce the risk. Even with controls in place these risks remain high as they are associated with our constrained financial position.

The risks which are deemed high are in relation to our funding, particularly with regards to the impact of rising inflation, other macro-economic factors and increased costs in both maintenance and pay. Our existing level of funding is insufficient to enable us to maintain our estate effectively. Government Grant-in-Aid had been at a standstill for over 10 years during which time visitor numbers increased significantly and inflation has exceeded 30%. In practical terms this means that in many cases we are reactive to priority maintenance issues instead of proactively dealing with potential issues before problems arise. This year we received a capital grant of £750k to assist with our backlog maintenance (2022-23 £750k) which enabled us to address some of the estates issues.

The Scottish Government Pay Strategy, which we are required to implement, and additional Employers' Pension costs are further strains on our financial resources. Without full funding for future Pay Policy changes, some of our activities and the services we offer would require to be curtailed.

#### 4. Plans for the future

The Board of Trustees approved a new Strategic Plan 2022-27 in March 2022 which sets out our values, aims and priorities for that period. Our work will be guided by five interconnected Strategic Aims: our audiences will be more diverse, and more people will connect with our collections and their stories; we will be recognised as the world leader and preferred national partner for the interpretation of and engagement with Scotland's material heritage; we will be well advanced on the path to a carbon neutral footprint and a respected resource for understanding climate and biodiversity challenges; the unique potential of our collections, expertise and programmes will be shared and valued internationally; and we will be financially secure, supported by diverse income streams and confident in continuing to invest in our people, places and collection.

We will continue to develop a wide-ranging programme of exhibitions and events in the coming years. A full exhibition programme running until 2024 is now planned. Highlights include: *Declaration of Arbroath* displaying one of the most important documents in Scottish history; *Beyond the Little Black Dress* deconstructing the iconic garment and examining the radical power of the colour black in fashion; and *Rising Tide: Art and Environment in Oceania* considering the most important and pressing issue of our time, humanity's damaging relationship with planet Earth, all at the National Museum of Scotland. *Awesome Bricks* an interactive LEGO display will feature at the National Museum of Flight. *Legacies of Empire* will continue at the National War Museum.

Touring exhibitions will continue with *Audubon's Birds of America* going on tour for the first time to the Compton Verney Art Gallery in Warwickshire and *Monkeys! A Primate Story* opening at the National Museum of Denmark for summer 2023.

We will continue to invest in our buildings and estate with work to reduce our carbon emissions and make our buildings more cost efficient underway.

#### 5. Structure, governance and management

Our Trustees are appointed by Scottish Ministers for a single four-year term, with the possibility of reappointment for a second term. An induction programme is provided to new Trustees, with ongoing support and formal training as required. All Board members are appraised annually by the Chairman, in accordance with the Code of Practice for Ministerial Appointments to Public Bodies in Scotland.

The Board of Trustees delegates some authority to various sub-committees. The following were members of the Board who served during the year and up to the date of approval of these financial statements:

- Ann Allen MBE
- Professor Mary Bownes OBE
- Mimi Brophy
- Adam Bruce
- Professor Monojit Chatterji (appointed 1 April 23)
- Professor Manuel Fernández-Götz (appointed 1 October 23)
- Stephen Gordon-Dando (appointed 1 September 22)
- Graeme Gibson
- Dr Bridget McConnell CBE (appointed 1 April 23)
- Elizabeth McKillop (appointed 1 September 22)
- Dr Brian Lang CBE (retired 31 March 23)
- Lynda Logan (retired 31 August 22)
- Dr Catriona Macdonald (retired 31 March 23)
- Professor Richard Oram (appointed 1 October 23)
- Ian Russell CBE (Chairman)
- Janet Stevenson
- Professor Ian Wall
- Eilidh Wiseman (retired 31 August 22)
- Dr Laura Young MBE

The Board meets 5 times a year and the committees meet on a regular basis reporting to the Board of Trustees. Terms of Reference clearly define the remit and responsibilities of each committee:

- **Audit & Risk** – ensures there is an effective framework of audit, risk management and internal control.
- **Acquisitions** – reviews collections development activity and makes decisions regarding the purchase of significant acquisitions.
- **Estates** – approves and oversees the implementation of the National Museums Scotland Estate Strategy and also approves the acquisition and disposal of land and property (with consent of the Scottish Government).
- **Finance** – provides an oversight of, and assurance on, financial matters across the organisation and significant projects.
- **Nominations and Governance** – reviews the effectiveness and efficiency of the Board of Trustees and its Committees.
- **Personnel & Remuneration** – reviews the pay remit for National Museums Scotland staff, approves the implementation of the National Museums Scotland People Strategy and ensures the general well-being of staff and maintenance of human resources and performance.

National Museums Scotland maintains a Board Members' Register of Interests, which complies with the requirements of the Ethical Standards in Public Life (Scotland) Act 2002. Trustees are required to update the Register within 28 days of a change to their registered interests and they review their details annually. This information is available on our website ([www.nms.ac.uk](http://www.nms.ac.uk)) and for inspection at the National Museum of Scotland on application to the Head of Corporate Policy and Performance.

Trustees are responsible for setting National Museums Scotland's overall strategic direction and for monitoring progress towards this. A range of decisions are reserved for the Board, such as approval of major projects (£1 million and over). The Director (Chief Executive and Accountable Officer) and the Executive Team are responsible for advising on the development of strategy and its implementation through operational management.

The National Museums of Scotland Charitable Trust is wholly independent of National Museums Scotland, with its own Board of Trustees. Its purpose is to aid any Objects deemed legally charitable, giving preference to those which are directly or indirectly of benefit or assistance to National Museums Scotland. The Trust manages income received from donations, grants and bequests. Most of these funds are restricted and may only be applied to the purposes for which they were established. There is also a General Fund from which the Trustees may make discretionary grants.

National Museums Scotland works closely with the Scottish Government as a principal funder and collaborates on government initiatives with the other National Collections Institutions.

## 6. Reference and administrative details

The organisation's operational name is National Museums Scotland. Our statutory name, 'Board of Trustees of the National Museums of Scotland', is retained for use on legal and contractual documents. Our registered address and principal place of business is Chambers Street, Edinburgh EH1 1JF.

National Museums Scotland has been granted charitable status: the charity number is SC011130.

The organisation's banker is The Royal Bank of Scotland, 30 Nicolson Street, Edinburgh EH8 9DL.

Legal advice is provided primarily by CMS, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN.

The external auditor as appointed by the Auditor General for Scotland for the period of five years from 2022-23 is Audit Scotland, 4th Floor, South Suite, The Athenaeum Building, 8 Nelson Mandela Place, Glasgow G2 1BT.

So far as the Board of Trustees of the National Museums of Scotland is aware, there is no relevant audit information of which the auditors are unaware. The Board of Trustees has taken all the steps that it ought to have taken to make itself aware of any relevant audit information and to establish that auditors are aware of that information.

*Ian Russell*

**CHAIRMAN**  
**Ian Russell CBE**

**DATE** 29 November 2023

## **REMUNERATION AND STAFF REPORT**

The sections on trustee remuneration; remuneration of key management personnel; staff costs and employee benefits on pages 16 – 19 have been subject to audit. The other sections in the Remuneration and Staff Report are reviewed by the External Auditor to ensure they are consistent with the accounts.

### **Remuneration Policy (unaudited)**

The People and Remuneration Committee reviews the pay remit for National Museums Scotland employees, approves the implementation of the National Museums Scotland People Strategy and ensures the general well-being of staff and maintenance of human resources and performance.

The remuneration of the Director is set by the Board of Trustees but requires the agreement of the Scottish Government.

The remuneration of the remainder of senior management is reviewed annually and agreed by the People and Remuneration Committee (PARC) on the advice of the Director working within the approved pay remit from the Scottish Government. A formal annual performance review process is in place for all employees, including senior management.

### **Trustee remuneration (audited)**

No remuneration or benefit in kind was paid to members of the Board of Trustees during 2022-23 (2021-22: nil).

During 2022-23 National Museums Scotland paid a total of £2,041 reimbursement of travel expenses to 6 Trustees, while in 2021-22 a total of £540 was reimbursed to 3 Trustees.

### **Remuneration of key management personnel (audited)**

The Government Financial Reporting Manual requires disclosure of information about directors' remuneration, where 'directors' is interpreted to mean those who influence the decisions of National Museums Scotland as a whole. In National Museums Scotland's opinion this means the Board of Trustees and the Director, Dr Chris Beward. Total remuneration paid to the key management personnel was as follows:

Group	Pension			Pension		
	Salary	Benefits	Total	Salary	Benefits	Total
	2023 £000	2023 £000	2023 £000	2022 £000	2022 £000	2022 £000
Christopher Beward	115 - 120	45	160-165	110 - 115	45	155-160

The total cost of remuneration (excluding pensions) to key management personnel in the year was £116k (2021-22: £114k), which is included in the table above.

Pension benefits for the Director were provided through Civil Service pension arrangements. The pension entitlements earned by the Director for 2022-23 were:

Group	Real increase in pension and related lump sum at pension age	pension at pension age at 31 March 2023 and related lump	Cash Equivalent Transfer Value (CETV) at 31 March 2023	CETV at 31 March 2022	Real increase in CETV
	£000	£000	£000	£000	£000
Christopher Beward	2.5 - 5	10 - 15	190	145	29

Fair pay disclosures are included in the following table:

	2023	2022	Change
Range of employee remuneration	£94,700	£95,428	-0.8%
Employee average	£34,196	£33,146	3.2%
Highest earning employee's total remuneration mid point	£117,500	£112,500	4.4%
<i>Explanation of change</i>			
The highest paid employee's total remuneration increased by 4.4% year on year due to the 2022-23 pay award and pay grade progression with the pay award element capped at £500.			
Median salary	£26,627	£25,263	5.4%
Ratio between highest earning employee's total remuneration and the median	4.41	4.45	
<i>Explanation of Change</i>			
The median salary increased by 5.4% whereas the salary of the highest paid employee increased by 4.4% in the year due to the structure of the pay award, with higher % awards made to those on lower grades.			
25th Percentile salary	£21,537	£20,434	5.4%
Ratio between highest earning employee's total remuneration and the 25th percentile	5.46	5.51	
<i>Explanation of change</i>			
The salary of the employee on the 25th percentile increased by 5.4% whereas the salary of the highest paid employee increased by 4.4% in the year due to the structure of the pay award, with higher % awards made to those on lower grades.			
75th Percentile salary	£36,006	£34,291	5.0%
Ratio between highest earning employee's total remuneration and the 75th percentile	3.26	3.28	
<i>Explanation of change</i>			
The salary of the employee on the 75th percentile increased by 5.0% whereas the salary of the highest paid employee increased by 4.4% in the year due to the structure of the pay award, with higher % awards made to those on lower grades.			

### Staff costs and employee benefits

Further detail on staff costs and employee benefits can be found at note 4 to the accounts.

#### *Numbers of employees (audited)*

In the year the average staff head count was 481 employees (2021-22: 469), which includes many part-time employees. The full-time equivalent employee numbers are shown below analysed by the activity categories shown in note 5 to the accounts, gender and type of employment contract.

	Permanent		Other Contract		Total
	Female	Male	Female	Male	FTE
<b>Charity 2023</b>					
Curatorial	45	28	7	8	88
Conservation & Collections Management	29	11	6	1	47
Public displays & events	92	64	4	3	163
Security and Support Services	37	61	1	1	100
Marketing	9	3	1	-	13
Estates and Buildings	2	4	-	-	6
Governance	3	2	-	-	5
Development	6	1	1	1	9
	223	174	20	14	431
<b>Group 2023</b>					
NMSE	30	15	-	-	45
<b>Total</b>	<b>253</b>	<b>189</b>	<b>20</b>	<b>14</b>	<b>476</b>

Number of FTE Staff at 31st March

FTE staff numbers by grade and gender are included below (unaudited).

Group 2023	Executive Team	Heads of Departments	Other Employees	Total
Female	3	10	260	273
Male	4	10	189	203
<b>Total</b>	<b>7</b>	<b>20</b>	<b>449</b>	<b>476</b>
<b>Group 2022</b>				
Female	3	10	243	256
Male	4	9	178	191
<b>Total</b>	<b>7</b>	<b>19</b>	<b>421</b>	<b>447</b>

Staff Costs during the Year (audited)

Total staff costs in the year to 31 March 2023 were as follows:

	Group		Charity	
	2023	2022	2023	2022
	£000	£000	£000	£000
Salaries				
- Permanent staff	13,844	12,767	12,798	11,945
- Other staff	1,152	720	1,152	720
	14,996	13,487	13,950	12,665
National Insurance Costs	1,472	1,240	1,383	1,164
Pension Costs	3,785	3,462	3,675	3,352
Early Retirement	12	(17)	12	(17)
<b>Total</b>	<b>20,265</b>	<b>18,172</b>	<b>19,020</b>	<b>17,164</b>

Staff turnover in the year was 8.95% of headcount (2021-22: 16.36%).

In the year 16 employees were paid more than £60,000 (2021-22: 11), as shown in the table below:

Group	Number of staff	
	2023	2022
£60,000 to £69,999	7	2
£70,000 to £79,999	2	4
£80,000 to £89,999	6	4
£90,000 to £99,999		
£100,000 to £109,999		
£110,000 to £119,999	1	1
<b>Total</b>	<b>16</b>	<b>11</b>

#### *Pension Costs (audited)*

National Museums Scotland operates a range of pension provision for our employees, including both defined benefit and defined contribution schemes.

#### *Defined Benefit (audited)*

Most staff are members of the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded multi-employer defined benefit scheme run by the UK Government. Our share of the underlying assets and liabilities has not been identified, which means we have to account for this scheme as if it is a defined contribution scheme. You can find further information in the resource accounts of the Cabinet Office (<http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>).

Retirement benefits accrued under the defined benefit schemes to 481 staff in the year (2021-22: 469 staff). For 2022-23, employers' contributions of £3,643k were payable to the PCSPS (2021-22: £3,334k) at one of four rates in the range of 26.6% to 30.3% per cent of pensionable pay, based on salary bands (the rates in 2021-22 were between 26.6% and 30.3%). The contribution rates are set to meet the cost of the benefits accruing during 2022-23 to be paid when the member retires, and not the benefits paid during this period to existing pensioners. The rates are periodically reviewed by the UK Government and we are liable to pay whatever contribution rate is set. Due to demographic factors, we are therefore exposed to the risk of regular cost increases that we cannot reduce other than by employing fewer staff. There is no liability for any other employer's obligations arising from this scheme.

#### *Defined Contribution (audited)*

Charity employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £32k (2021-22: £23k) 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 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay.

Defined contribution scheme pension contributions were not paid in respect of staff earning more than £50,000. Benefits accrued under defined contribution schemes to 8 staff during 2022-23 (2021-22: 8 staff).

NMS Enterprises operates a defined contribution pension scheme for the benefit of its employees. The assets of the scheme are self-administered in funds independent from those of the Company. The total employer's contribution to this scheme during the year was £105k (2021-22: £105k).

#### *Compensation for loss of office (audited)*

There were no voluntary exit scheme or compulsory redundancy departures at NMS in the year to 31 March 2023. Exit costs are accounted for in full in the year of departure. No ex gratia payments were made to Key Management Personnel. 1 employee left NMS and received an ex gratia payment.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
£25,000 - £50,000	0 (0)	1 (0)	1 (0)
Total number of exit packages	0 (0)	1 (0)	1 (0)

*Figures in brackets represent 2021/22 comparison.*

*Expenditure on consultancy and off-payroll engagements (audited)*

National Museums Scotland did not enter into any off-payroll engagements or consultancy contracts in the years to 31 March 2022 or 31 March 2023.

*Equality, Diversity and Inclusion (unaudited)*

National Museums Scotland strongly believes in equality of opportunity. We fully recognise our legal responsibilities, particularly in respect of age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership and pregnancy and maternity. We have a range of policies, procedures and guidance in place to promote and ensure continuous improvement to support our employees. We continue to foster new flexible ways of working, a variety of flexible options are on offer to support our diverse workforce in ensuring a good work and home life balance. As required, we adhere to Scottish Government's Pay Policy.

*Trade Unions (unaudited)*

National Museums Scotland acknowledges its obligations in respect of the Trade Union (Facility Time Publication Requirements) Regulations 2017.

NMS recognises three trade unions as follows: FDA, Prospect, Public & Commercial Services Union (PCS).

There were 18 employees (FTE 17.11) who were relevant union officials during the period. The % of time spent on union activities can be split as follows:

Percentage of time	Number of employees
0 - 1% *	12
1 - 50%	6
51 - 99%	-
100%	-

The total cost of Facility Time was £7,898 from a total pay bill of £19.0m = 0.04%.

Out of the total paid Facility Time, 47% was spent by employees who were relevant union officials on paid trade union activities. The remaining 53% was spent on trade union duties.

*Sickness Absence (unaudited)*

The absence rate for 2022-23 is 4.2% (2021-22: 2.30%) which is slightly higher than the Scottish Government workforce total of 3.5% (2021-22: 2.80%). The calculation is based on actual FTE and takes into account all working time and sickness absence for employees who left during the financial year. It also accounts for working time for employees who joined during the year.

*Health, Safety and Wellbeing (unaudited)*

National Museums Scotland remains committed to continually improving our performance in relation to health, safety, and wellbeing. The health and safety management policy was reviewed and updated subsequent to the year end following consultation with colleagues including Trade Union representatives. Through an extensive programme of ongoing safety briefings and training, awareness of health and safety continues to be supported and embedded among employees.

## **GOVERNANCE**

### **STATEMENT OF THE ACCOUNTABLE OFFICER'S RESPONSIBILITIES**

#### **ACCOUNTABLE OFFICER'S RESPONSIBILITIES**

Under the National Heritage (Scotland) Act 1985, paragraph 9(3) schedule 7, Scottish Ministers have directed National Museums Scotland to prepare for each financial year a Statement of Accounts in the form and on the basis set out in the Accounts Direction appended to these accounts.

Section 2 of the Direction requires that we must account in accordance with the Government Financial Reporting Manual (FReM). The FReM is updated each year and section 4.4.14 of the 2022/23 FReM requires that as a charity we "*should follow the requirements of the Charities' SORP and regulations made under charities legislation*".

The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of both National Museums Scotland ('the Charity') and National Museums Scotland consolidated with NMS Enterprises Limited ('the Group') and of our financial activities, balance sheet and cash flows for the financial year.

In preparing the Accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts;
- Prepare the accounts on a going concern basis; and
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable.

The Principal Accountable Officer for the Scottish Government has appointed the Director of National Museums Scotland as Accountable Officer. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding National Museums Scotland's and the Group's assets, are set out in the Accountable Officer's Memorandum published by the Scottish Ministers.

As the Accountable Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that National Museums Scotland's and the Group's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

*Dr Christopher Breward*

**DIRECTOR**  
**Dr Christopher Breward**

**Date** 29 November 2023

# **GOVERNANCE**

## **GOVERNANCE STATEMENT**

### **Introduction**

National Museums Scotland is committed to best practice in all aspects of corporate governance and this statement describes the principal governance provisions which presently apply. The Board of Trustees keeps these provisions under review to take into account developing practice.

### **Legislation / Governing Body**

The legislation that governs the Board of Trustees of the National Museums of Scotland is the National Museums (Scotland) Act 1985 as amended by the Museums and Galleries Act 1992: <http://www.legislation.gov.uk/ukpga/1985/16>. The Board is statutorily responsible for the care of the collections, and for the overall performance of National Museums Scotland. So far as practicable and subject to the provisions of the Act, the Board's general functions are to:

- Care for, preserve and add to the objects in their collections;
- Secure that the objects are exhibited to and interpreted for the public;
- Secure that the objects are available to persons seeking to inspect them in connection with study or research;
- Generally promote the public's awareness, appreciation and understanding of matters agricultural, archaeological, architectural, artistic, cultural, environmental, historical, industrial, military, scientific and social both by means of the Board's collections and by such other means, including collaboration with other institutions, as they consider appropriate; and
- Provide education, instruction and advice and carry out research.

The responsibilities of the Board cover the following main areas:

- Strategy, Planning and Performance Review;
- Commitment and Deployment of financial, human and other resources;
- Acquisitions for and Disposals from the Collections;
- Ensuring operation within the limits of statutory authority, complying with delegated authority agreed with the Scottish Government and set out in the Management Statement and Financial Memorandum, and adherence to conditions relating to the use of public funds;
- Representing the interests of stakeholders and furthering relationships with them;
- Ensuring that appropriate standards of corporate governance and personal conduct on the part of Trustees and staff are maintained; and
- Preparation of the Annual Report and Accounts.

These responsibilities are detailed in the *Board of Trustees of National Museums Scotland: Roles and Responsibilities* guidance document which is provided to all Trustees on appointment.

To discharge these responsibilities:

- The Board meets formally five times per annum. At each meeting, the Board of Trustees receives a written report on: key operational matters from the Director; a financial report; minutes of sub-committees of the Board; an update of relevant issues relating to National Museums Scotland Enterprises; and reports on specific topics as necessary. Risk-related issues are highlighted as necessary within these agenda items. The Board may also meet outside the normal Board meeting cycle to consider specific matters such as the development of strategy.
- The Board maintains six sub-committees, whose terms of reference and members are agreed by the Board.
- The Audit & Risk Committee meets at least four times per annum. It considers and approves the Internal Audit plan for each year. At each meeting, it receives: an update on key business issues; a report on progress on the key risks in the organisation's risk register and any significant issues affecting the other risks identified in the risk register; and reports from Internal and External Auditors. It also reviews the draft Annual Accounts on behalf of the Board.

Further details of the structure of the Board and its work are included in section 5 of the Trustees Annual Report.

## **Risk Management and Internal Controls**

### Scope of Responsibility

The Accountable Officer and Trustees have joint responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's strategies and intended outcomes, whilst safeguarding the public funds and assets for which the Accountable Officer is personally responsible, in accordance with the responsibilities assigned to the organisation.

The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. It is mainly designed to ensure compliance with statutory and parliamentary requirements, promote value for money and high standards of propriety and secure effective accountability and sound systems of internal control.

### Purpose of the System of Internal Control

The system of internal control is designed to manage risk rather than eliminate the risk of failure to achieve the organisation's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify the risks to the achievement of the organisation's strategies and intended outcomes; evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically.

The system within the organisation accords with the SPFM and has been in place for the year ended 31 March 2023 and up to the date of approval of the financial statements and accords with guidance from the Scottish Ministers.

### Risk and Control Framework

All bodies subject to the requirements of the SPFM must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

The National Museums Scotland Executive Team reviews the Risk Register formally every six months by reassessing risk through a process of probability and impact assessment. The key risks are reported upon at each Audit & Risk Committee meeting in detail as to current status, with any significant changes in these risks reported to the Board of Trustees. Control mechanisms to minimise or mitigate risks are identified and reviewed for effectiveness, and "ownership" of the risks is assigned to the relevant Executive Team member. Any training required is identified and taken forward as relevant.

More generally, the organisation is committed to a process of continuous development and improvement, developing systems in response to any relevant reviews and developments in best practice in this area.

### Review of Effectiveness

The Accountable Officer and Trustees have responsibility for reviewing the effectiveness of the system of internal control. Their review is informed by:

- The Executive Team, who have responsibility for the development and maintenance of the internal control framework
- The work of the Internal Auditors, who submit regular reports to the Audit & Risk Committee which include the Internal Auditors' independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement
- Comments made by the External Auditors in their management letters and other reports.

As noted above, the Executive Team formally reviews the Risk Register twice a year, with any significant issues being reported on and discussed at its fortnightly meetings as required. Quarterly updates on progress towards the achievement of Performance Indicators and the Strategic Actions in our Operational Plan are also both reviewed at these meetings to ensure they are in line with targets prior to communication to the Board and the Scottish Government. Any matters of significance affecting the business, such as Human Resources (recruitment, attendance, training), project assurance (key projects meeting targets),

monthly management accounts (budget/actual review and revised forecasts), Operational Plan progress, are reviewed and discussed, with appropriate action taken forward.

In the year 2022-23 the Internal Auditors examined: Storage and Security of Collections, Organisational Development BPR, Travel Costs (UK and International), and Risk Management. The Internal Auditor reported no issues identifying major internal control weaknesses and that procedures were operating well in the areas reviewed. The Internal Auditor expressed an opinion that National Museums Scotland has adequate and effective arrangements for risk management, control and governance and that proper arrangements are in place to promote and secure Value for Money.

National Museums Scotland maintains a record of data breaches as required by Article 33(5) of the UK General Data Protection Regulation ('GDPR'). All data breaches must be reported to the ICO unless a breach or incident is unlikely to result in a risk to the rights and freedoms of individuals. Such reporting is undertaken in accordance with Data Protection Legislation, in particular Article 33 of the UK GDPR and following our Personal Data Breach procedure. No reportable breaches or incidents occurred in the year.

As outlined in section 3 of the Trustees Annual Report, the organisation continues to manage significant levels of risk, particularly in the following areas:

- A real-terms or cash reduction in Grant-in-Aid income from the Scottish Government;
- Buildings not meeting appropriate legislative standards; not fit to be occupied by the public, staff or collections; or uneconomic to refurbish and requiring replacement;
- Difficulties in recruiting and retaining staff in vital posts; and
- Failure of plant, equipment and systems impacting on health and safety, care of collections and security.

The Accountable Officer and Trustees consider that these risks have increased over the last year. If such growth continues, this may compromise our ability to fulfil our statutory and charitable obligations, and our ability to sustain an effective system of internal control.

*Ian Russell*

**CHAIRMAN  
IAN RUSSELL CBE**

Date 29 November 2023

*Dr Christopher Breward*

**DIRECTOR  
DR CHRISTOPHER BREWARD**

Date 29 November 2023

# Independent auditor's report to the members of National Museums Scotland, the Auditor General for Scotland and the Scottish Parliament

## Reporting on the audit of the financial statements

### Opinion on financial statements

I have audited the financial statements in the annual report and accounts of National Museums Scotland and its group for the year ended 31 March 2023 under the National Heritage (Scotland) Act 1985 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated Statement of Financial Activities, the NMS Charity Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated and Charity Cash Flow Statements and notes to the accounts, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the body and its groups affairs as at 31 March 2023 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 2 December 2022. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. 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 basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, I report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

### Risks of material misstatement

I report in my separate Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

### Responsibilities of the Accountable Officer and trustees for the financial statements

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer and trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer and trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer and trustees are responsible for assessing the body'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 there is an intention to discontinue the body's operations.

### **Auditor's responsibilities for the audit of the financial statements**

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 an auditor's report 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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the central government sector to identify that the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers, the Charities and Trustee Investment (Scotland) Act 2005, and The Charities Accounts (Scotland) Regulations 2006 are significant in the context of the body;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

### **Reporting on regularity of expenditure and income**

#### **Opinion on regularity**

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

#### **Responsibilities for regularity**

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

### **Reporting on other requirements**

#### **Opinion prescribed by the Auditor General for Scotland on audited parts of the Remuneration and Staff Report**

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers.

### **Other information**

The Accountable Officer and trustees are responsible for the other information in the annual report and accounts. The other information comprises the Trustees' Annual Report and the Governance Statement.

My responsibility is to read all 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 course of 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.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Trustees' Annual Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

### **Opinions prescribed by the Auditor General for Scotland on Trustees' Annual Report and Governance Statement**

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

- the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers.

### **Matters on which I am required to report by exception**

I am required by The Charities Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

### **Use of my report**

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

*Andrew Kerr*

Andrew Kerr  
Audit Scotland  
4th Floor, South Suite, The Athenaeum Building  
68 Nelson Mandela Place,  
Glasgow  
G2 1BT

29 November 2023

Andrew Kerr is eligible to act as an auditor in terms of section 21 of the Public Finance and Accountability (Scotland) Act 2000.

**NATIONAL MUSEUMS SCOTLAND**

**ACCOUNTING STATEMENTS**

**Consolidated Statement of Financial Activities for the Year Ended 31 March 2023**

Group	Notes	2023	2023	2023	2022
		Unrestricted Funds £000	Restricted Funds £000	Total £000	Total £000
<b>Income from:</b>					
Donations and legacies	3	28,530	2,070	30,600	32,466
Charitable activities	3	2,129	-	2,129	1,151
Other trading activities	3	4,262	-	4,262	1,975
Investments	3	35	-	35	-
Other	3	-	-	-	-
<b>Total</b>		<b>34,956</b>	<b>2,070</b>	<b>37,026</b>	<b>35,592</b>
<b>Expenditure on:</b>					
Charitable activities	5	27,182	7,139	34,321	31,139
Raising funds (including Cost of Sales)	5	3,897	-	3,897	2,656
Other	5	-	2	2	17
<b>Total</b>		<b>31,079</b>	<b>7,141</b>	<b>38,220</b>	<b>33,812</b>
<b>Net income/(expenditure)</b>		<b>3,877</b>	<b>(5,071)</b>	<b>(1,194)</b>	<b>1,780</b>
Tax reclaimable	19	142	-	142	41
<b>Net Income (Expenditure) After Tax</b>		<b>4,019</b>	<b>(5,071)</b>	<b>(1,052)</b>	<b>1,821</b>
Transfers between funds	16	(3,134)	3,134	-	-
Gains/(losses) on revaluation of fixed assets	16	-	13,711	13,711	9,741
<b>Net movement in funds</b>		<b>885</b>	<b>11,774</b>	<b>12,659</b>	<b>11,562</b>
<b>Reconciliation of funds:</b>					
Total funds brought forward	16	1,401	187,674	189,075	177,513
<b>Total funds carried forward</b>	16	<b>2,286</b>	<b>199,448</b>	<b>201,734</b>	<b>189,075</b>

The notes on Pages 33 to 47 form part of these accounts.

**NATIONAL MUSEUMS SCOTLAND**

**ACCOUNTING STATEMENTS**

**NMS Charity Statement of Financial Activities for the Year Ended 31 March 2023**

National Museums Scotland	Notes	2023	2023	2023	2022
		Unrestricted Funds £000	Restricted Funds £000	Total £000	Total £000
<b>Income from:</b>					
Donations and legacies	3	28,530	2,070	30,600	32,466
Charitable activities	3	2,260	-	2,260	1,151
Other trading activities	3	80	-	80	103
Investments	3	43	-	43	9
Other	3	-	-	-	-
<b>Total</b>		<b>30,913</b>	<b>2,070</b>	<b>32,983</b>	<b>33,729</b>
<b>Expenditure on:</b>					
Charitable activities	5	27,182	7,139	34,321	31,139
Raising funds	5	641	-	641	620
Other	5	-	2	2	17
<b>Total</b>		<b>27,823</b>	<b>7,141</b>	<b>34,964</b>	<b>31,776</b>
<b>Net income/(expenditure)</b>		<b>3,090</b>	<b>(5,071)</b>	<b>(1,981)</b>	<b>1,953</b>
Tax reclaimable	19	142	-	142	41
<b>Net Income (Expenditure) After Tax</b>		<b>3,232</b>	<b>(5,071)</b>	<b>(1,839)</b>	<b>1,994</b>
Transfers between funds	16	(3,134)	3,134	-	-
Gains/(losses) on revaluation of fixed assets	16	-	13,711	13,711	9,741
<b>Net movement in funds</b>		<b>98</b>	<b>11,774</b>	<b>11,872</b>	<b>11,735</b>
<b>Reconciliation of funds:</b>					
Total funds brought forward	16	1,560	187,674	189,234	177,499
<b>Total funds carried forward</b>	16	<b>1,658</b>	<b>199,448</b>	<b>201,106</b>	<b>189,234</b>

The notes on Pages 33 to 47 form part of these accounts.

**NATIONAL MUSEUMS SCOTLAND**

**ACCOUNTING STATEMENTS**

**Consolidated & Charity Balance Sheets as at 31 March 2023**

	Notes	Group		Charity	
		2023 £000	2022 £000	2023 £000	2022 £000
<b>Fixed Assets</b>					
Tangible assets	6	182,955	171,016	182,913	170,982
Heritage assets	8	16,143	15,589	16,143	15,589
Investments	11	1	1	200	200
<b>Total Fixed Assets</b>		<b>199,099</b>	<b>186,606</b>	<b>199,256</b>	<b>186,771</b>
<b>Current Assets</b>					
Stocks	12	773	739	-	-
Debtors	13	1,574	1,583	1,577	2,210
Cash at bank and in hand		5,030	3,455	4,683	3,317
<b>Total Current Assets</b>		<b>7,377</b>	<b>5,777</b>	<b>6,260</b>	<b>5,527</b>
<b>Current Liabilities</b>					
Creditors: amounts falling due within one year	14	(4,701)	(3,247)	(4,369)	(3,003)
<b>Net current assets</b>		<b>2,676</b>	<b>2,530</b>	<b>1,891</b>	<b>2,524</b>
<b>Total assets less current liabilities</b>		<b>201,775</b>	<b>189,136</b>	<b>201,147</b>	<b>189,295</b>
<b>Provisions</b>					
	15	(41)	(61)	(41)	(61)
<b>Net assets</b>		<b>201,734</b>	<b>189,075</b>	<b>201,106</b>	<b>189,234</b>
Financed by:					
Restricted funds:	16	199,448	187,674	199,448	187,674
Unrestricted Funds:	16	2,286	1,401	1,658	1,560
<b>Total Funds</b>		<b>201,734</b>	<b>189,075</b>	<b>201,106</b>	<b>189,234</b>

The Board approved the Annual Report and Accounts on 29 November 2023 and the Accountable Officer authorised them for issue on the same date.

*Ian Russell*

**CHAIRMAN  
IAN RUSSELL CBE**

Date 29 November 2023

*Dr Christopher Breward*

**DIRECTOR  
DR CHRISTOPHER BREWARD**

Date 29 November 2023

The notes on Pages 33 to 47 form part of these accounts.

**NATIONAL MUSEUMS SCOTLAND**

**ACCOUNTING STATEMENTS**

**Consolidated & Charity Cash Flow Statements for the Year Ended 31 March 2023**

	Notes	Group		Charity	
		2023 £000	2022 £000	2023 £000	2022 £000
<b>Cash flows from operating activities</b>					
Net cash generated by operating activities		<b>6,374</b>	<b>6,775</b>	<b>6,131</b>	<b>6,695</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant & equipment	6	(4,280)	(2,164)	(4,254)	(2,156)
Proceeds from the sale of property, plant & equipment		-	2	-	2
Purchase of heritage assets	8	(554)	(4,391)	(554)	(4,391)
Interest Received		35	-	43	9
<b>Net cash used in investing activities</b>		<b>(4,799)</b>	<b>(6,553)</b>	<b>(4,765)</b>	<b>(6,536)</b>
<b>Cash flows from financing activities</b>					
		-	-	-	-
<b>Change in cash in the year</b>		<b>1,575</b>	<b>222</b>	<b>1,366</b>	<b>159</b>
<b>Cash at the beginning of the year</b>		<b>3,455</b>	<b>3,233</b>	<b>3,317</b>	<b>3,158</b>
<b>Cash at the end of the year</b>		<b>5,030</b>	<b>3,455</b>	<b>4,683</b>	<b>3,317</b>
<b>Reconciliation of net income/(expenditure) to net cash flow from operating activities</b>					
	Notes	2023 £000	2022 £000	2023 £000	2022 £000
<b>Net income/(expenditure) for the reporting period (as per the Statements of Financial Activities)</b>		<b>(1,052)</b>	<b>1,821</b>	<b>(1,839)</b>	<b>1,994</b>
Adjustments for:					
Depreciation charges	6	6,050	5,676	6,032	5,651
Interest received		(35)	-	(43)	(9)
Loss/(profit) on the sale of property, plant & equipment		2	17	2	17
(Increase)/decrease in stocks	12	(34)	58	-	-
Decrease/(increase) in debtors	13	9	(562)	633	(529)
Increase/(decrease) in creditors	14	1,454	(183)	1,366	(377)
Decrease in provisions	15	(20)	(52)	(20)	(52)
<b>Net cash provided by (used in) operating activities</b>		<b>6,374</b>	<b>6,775</b>	<b>6,131</b>	<b>6,695</b>

National Museums Scotland has no current asset investment and no net borrowing or finance lease obligations, and accordingly no cash flows from financing activities.

The notes on Pages 33 to 47 form part of these accounts.

**1. Accounting Policies**

**a) Basis of Accounting**

The accounts have been prepared under the historical cost convention modified by the revaluation of fixed assets and by the inclusion of notional costs and are in accordance with directions given by Scottish Ministers in accordance with the National Heritage (Scotland) Act 1985. The Accounts Direction is reproduced as an appendix to the accounts.

Without limiting the information given, the accounts meet the requirements of the Charities Accounts (Scotland) Regulations 2006, the Charities and Trustee Investment (Scotland) Act 2005 and accounting standards issued or adopted by the Accounting Standards Board so far as they are appropriate. They also comply with SORP 2019, the Statement of Recommended Practice on the preparation of accounts of charitable organisations based upon FRS102, and with the accounting principles and disclosure requirements of the government Financial Reporting Manual (FReM).

The accounts have been prepared in accordance with applicable accounting standards in the United Kingdom and accounting policies have been consistently applied from year to year.

**b) Basis of Consolidation**

The accounts consolidate those of National Museums Scotland and its subsidiary company, NMS Enterprises Limited. The accounts are consolidated on a line by line basis for assets and liabilities. Uniform accounting policies are used across the group, and intra-group transactions are eliminated upon consolidation.

The National Museums Scotland Charitable Trust ("The Charitable Trust") exists to assist National Museums Scotland and other bodies or persons in the furtherance of museum-related activities. National Museums Scotland cannot exercise control over the Charitable Trust, and the accounts of the Charitable Trust are not consolidated with those of National Museums Scotland.

**c) Statement of Financial Activities**

Within the Statement of Financial Activities the development activity and the work of NMS Enterprises have been separated from the other categories as they are deemed to be activities intended to raise funds. The other categories of expenditure are deemed to be activities in the furtherance of our objectives.

Support costs are allocated between activities on the basis of gross expenditure in each category.

Costs of raising funds are defined as the salaries, operating costs and overheads of the Development department and of NMS Enterprises Limited.

**d) Income**

Income is recognised on an accruals basis.

Donations are recognised in the financial statements only when received. Donations received for the general purposes of the charity are credited to Unrestricted Funds. Donations for purposes restricted by the wishes of the donor are taken to Restricted Funds where these wishes are legally binding, except that any amounts required to be retained as capital in accordance with the donor's wishes would be accounted for instead as endowments.

Income may be received associated with an activity or event in a future financial year. This will be carried forward as part of creditors.

Annual membership income is accounted for over the period of membership.

**e) Government Grants**

Government Grant-in-aid is unrestricted and accounted for in the year that it is received. Grant-in-aid relating to the acquisition of tangible fixed assets, intangible fixed assets or investments is ultimately credited to the Government Capital Reserve, which funds depreciation over the expected useful lives of the assets acquired. Grant-in-aid received for collections purchases is ultimately credited to the Heritage Assets Fund.

There is no indication that government funding is likely to be withdrawn and the Scottish Government has confirmed that it will continue to work with National Museums Scotland to explore all means of achieving a balanced budget therefore the accounts are prepared on a going concern basis.

**f) Pension Contributions**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded multi-employer defined benefit scheme. National Museums Scotland recognises the expected cost of providing pensions on a systematic and rational basis over the period during which the organisation

**1. Accounting Policies *continued***

benefits from employees' services by payment to the PCSPS of amounts calculated on an accruals basis. Liability for payment of future benefits is a charge on the PCSPS. Further information about the pension schemes is disclosed in Note 4.

**g) Grants to Outside Bodies**

National Museums Scotland may make grants available to outside bodies whose objectives coincide with ours, or if the work will result in additions to our collections. These would be recognised on payment.

**h) Non-Recoverable VAT**

Non-recoverable VAT is recorded as an expense as it is incurred and is attributed to the activity on which it was incurred.

**i) Tangible Fixed Assets and Depreciation**

Land and buildings are valued every five years by a professional valuer. Unless a formal evaluation has taken place buildings are re-valued annually using indices supplied by the Building Cost Information Service (BCIS) of Royal Institution of Chartered Surveyors (RICS) to estimate their value. The last formal valuation was in 2019. The method of valuation for specialised properties, that is land and buildings for which there is effectively no market, is depreciated replacement cost. Other properties are valued at fair value for existing use. Equipment is valued at cost less accumulated depreciation.

Cost includes the original purchase price of the asset and the costs of bringing the asset to its working condition for its intended use.

Depreciation is not provided on land or on buildings under construction, while depreciation is provided in equal annual instalments on the current cost of all other tangible fixed assets over their estimated useful lives, or the expected remaining useful lives of revalued assets. These are principally:

Land & Buildings	up to 60 years
Permanent Galleries	15 years
Leasehold improvements	up to 50 years
Plant & Equipment	3 to 7 years

Items costing less than £5,000 are written off in the year of purchase. Where assets are sold or written off they are shown as disposals in the accounts. Impairment reviews are undertaken

when necessary to ensure that the service potential of assets remains undiminished. Further information about capitalisation and valuation is included in Note 6.

**j) Heritage Assets**

A Heritage Asset is defined as a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Artefacts forming part of the National Museums Scotland collections as at 1 April 2001 are not included in the balance sheet due to valuation data not being available.

Objects purchased since 1 April 2001 are included in the balance sheet at cost. Depreciation is not charged and the objects are not revalued. Objects donated since 1 April 2001 are included at valuation where it is practicable to obtain this. Where obtaining a value is not practicable, donated heritage assets are not recognised in the accounts.

The Trustees believe that the collection of National Museums Scotland is unusual as an asset in many ways. It is inalienable, unique, irreplaceable, ancient, fragile and very valuable. It is truly "priceless" in that it cannot be valued meaningfully. This view has been reached due to the number of items, lack of comparative market values and the diverse nature of the collection, so that reliable cost or valuation information cannot be obtained.

Our policies for the acquisition, preservation, management and disposal of heritage assets are available on our website [www.nms.ac.uk](http://www.nms.ac.uk).

Our collections are on display in public museums or can be accessed by request.

Access to the stores is facilitated by the relevant member of staff, so that visitors are accompanied, to maintain security, ensure health and safety rules are met, and to provide wider context and knowledge about the collection.

**k) Investments**

Investments in subsidiary companies represent the value at cost of assets transferred to the company.

**NATIONAL MUSEUMS SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023**

**1. Accounting Policies continued**

***l) Subsidiary companies***

The Board of Trustees of the National Museums Scotland owns the share capital of one subsidiary company, NMS Enterprises Limited.

***m) Finance Leases and Operating Leases***

Operating leases are charged directly to the Income and Expenditure Account as incurred and are payable on a straight line basis over the lease term.

Where material, finance leases are capitalised in the Balance Sheet along with the corresponding liability for future lease payments.

***n) Stocks***

Stocks are stated at the lower of cost or net realisable value, based on the first-in-first-out (FIFO) method of valuation, after making due allowance for obsolete or slow moving stock.

***o) Financial Instruments***

Cash is made up by balances held with the Royal Bank of Scotland which are available on demand and petty cash and float balances at our sites. Trade debtors are made up by balances due from customers at the year end, less any specific doubtful debt provided for. Trade Creditors are disclosed in line with the Liabilities and Provisions policy.

***p) Foreign Exchange Gains and Losses***

Any funds held in foreign currency would be translated to the Sterling equivalent at the Balance Sheet date. Gains and losses on translation would be taken to the Income and Expenditure Account.

***q) Liabilities and Provisions***

Liabilities and provisions are recognised as resources expended as soon as there is a legal or constructive obligation committing the charity to the expenditure.

***r) Board Reserve Fund***

The net proceeds derived from revenue-earning activities, donations and other sources, excluding Grant-in-Aid, are taken to the Board Reserve Fund. The Board Reserve includes the accumulated profits retained by NMS Enterprises Limited. These funds are available for use at the Board's discretion.

***s) Revaluation Capital Reserve***

The revaluation reserve records changes in the value of the land and buildings occupied. A full revaluation is undertaken every five years, most recently as at 31 March 2019, with indexation applied each intervening year. These funds are not supported by cash and are not available for use.

***t) Designated Funds***

The operation of the accounting policies for tangible assets necessitates the creation of designated capital reserves, which are not supported by cash and are not available for use.

***u) Agency Arrangements***

National Museums Scotland administers on behalf of Scottish Ministers the National Fund for Acquisitions (NFA). Funds, income and expenditure associated with the NFA are excluded from the consolidated accounts.

**NATIONAL MUSEUMS SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023**

**2. Government Grant-In-Aid (See Notes 1.e & 3)**

Our largest source of funding is government Grant-In-Aid. In Charity Accounting this is accounted for as part of donations and legacies income.

<b>Group and Charity</b>	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Grant-in-aid received:</b>		
Revenue	24,087	24,250
Capital	3,175	950
	<b>27,262</b>	<b>25,200</b>
Purchase Grant	500	100
<b>Total received during year</b>	<b>27,762</b>	<b>25,300</b>

The table below shows the outturn for the year against our Grant-In-Aid offer letter.

<b>Current year</b>	<b>Outturn</b>	<b>Offer Letter</b>	<b>Sub Note</b>
	<b>£000</b>	<b>£000</b>	
<b>Cash Items</b>			
Running Costs	24,087	24,249	A
Purchase Grant	500	500	
Capital Grant	3,175	3,750	B
	<b>27,762</b>	<b>28,499</b>	
National Fund for Acquisitions (Note 22)	150	150	
	<b>27,912</b>	<b>28,649</b>	
<b>Non-cash Items (Notional)</b>			
Depreciation incl. permanent diminution in value	3,802	3,650	C
	<b>31,714</b>	<b>32,299</b>	

- A: Fiscal resource budget included on the offer letter was revised in the spring budget revision to include an additional £160k, however this was not required by NMS due to subsequent budget movements following closure of the budget revision periods.
- B: Changes to capital allocations were agreed subsequent to the issue of the offer letter following the closure of the budget revision periods. The agreed expenditure on capital was £3,825k comprising £500k for purchase grant, £150k for national fund for acquisitions and £3,175k for capital projects.
- C: For the purposes of the above comparison to the Grant-In-Aid Offer letter the Depreciation figure is shown adjusted for those assets not funded by the Scottish Government (i.e. excluding depreciation funded from the Board Capital Reserve).

**NATIONAL MUSEUMS SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023**

**3. Income** (See Note 1.d)

Our main sources of income are grants from government and other bodies which support charitable activity. Entry to the National Museum of Scotland in Chambers Street is free, which is made possible by Grant-in-Aid provided by the Scottish Government. Entry to the National War Museum is also free, although an entrance fee is charged by Historic Environment Scotland for entry to Edinburgh Castle. Entrance charges are retained at other museums.

Significant trading income is generated by our subsidiary NMS Enterprises Limited.

Group	2023				2022	
	Unrestricted £000	Restricted £000	Group Total £000	NMS Total £000	Total Group £000	NMS Total £000
<b>Donations and legacies</b>						
Government grants	27,762	-	27,762	27,762	25,300	25,300
Charitable grants	404	2,070	2,474	2,474	6,688	6,688
Donations	364	-	364	364	478	478
<b>Total</b>	<b>28,530</b>	<b>2,070</b>	<b>30,600</b>	<b>30,600</b>	<b>32,466</b>	<b>32,466</b>
<b>Charitable activities</b>						
Admission charges	1,410	-	1,410	1,410	595	595
Memberships	341	-	341	341	282	282
Provision of services	118	-	118	118	79	79
Other	260	-	260	391	195	195
<b>Total</b>	<b>2,129</b>	<b>-</b>	<b>2,129</b>	<b>2,260</b>	<b>1,151</b>	<b>1,151</b>
<b>Other trading activities</b>						
Shops and events	4,182	-	4,182	-	1,872	-
Sponsorship	80	-	80	80	103	103
<b>Total</b>	<b>4,262</b>	<b>-</b>	<b>4,262</b>	<b>80</b>	<b>1,975</b>	<b>103</b>
<b>Investments</b>	<b>35</b>	<b>-</b>	<b>35</b>	<b>43</b>	<b>-</b>	<b>9</b>
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Income</b>	<b>34,956</b>	<b>2,070</b>	<b>37,026</b>	<b>32,983</b>	<b>35,592</b>	<b>33,729</b>



**NATIONAL MUSEUMS SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023**

**6. Tangible Assets (See Note 1.i)**

National Museums Scotland holds title to the National Museum of Scotland main building on Chambers Street with the exception of the extension, which is still held in the name of the Scottish Ministers. It also holds title to the National Museums Collection Centre at Granton in north Edinburgh and the National Museum of Flight in East Lothian. Buildings at the National Museum of Rural Life are owned by the National Trust for Scotland, and the premises of the National War Museum at Edinburgh Castle are in the care of Historic Environment Scotland. National Museums Scotland owns the museum displays and other fittings and facilities at each site. We have full operational use of these assets and are responsible for their upkeep and maintenance.

To comply with the requirements of the Government Financial Reporting Manual (FRM) National Museums Scotland includes its fixed assets at their value to the business by reference to current costs, indexed to the Royal Institution of Chartered Surveyors (RICS) BICS indexation. Every 5 years properties are valued by External Valuers. All the properties were valued by District Valuer Services (DVS) of the Valuation Office Agency in the capacity of External Valuers as at 31 March 2019.

The valuations have been undertaken on the undernoted bases in accordance with the RICS Valuation – Global Standards 2017. Properties regarded by National Museums Scotland as operational are valued on the basis of Existing Use Value or, where this could not be assessed because there was no market for the asset, on the basis of the Depreciated Replacement Cost subject to the prospect and viability of the occupation and use.

	<b>Group</b>				
<b>Cost or valuation £000</b>	<b>Land &amp; Buildings</b>	<b>Leasehold Imprvmnts</b>	<b>Permanent Galleries</b>	<b>Plant &amp; Equipment</b>	<b>Total</b>
1 April	239,582	4,449	42,506	4,958	291,495
Additions	2,262	1,137	40	841	4,280
Transfers	-	-	-	-	-
Disposals	-	-	-	(64)	(64)
Revaluations	20,635	383	-	-	21,018
<b>31 March</b>	<b>262,479</b>	<b>5,969</b>	<b>42,546</b>	<b>5,735</b>	<b>316,729</b>
<b>Accumulated Depreciation</b>					
1 April	83,235	1,617	31,496	4,131	120,479
Charge for year	4,211	97	1,545	197	6,050
Disposals	-	-	-	(62)	(62)
Revaluations	7,168	139	-	-	7,307
<b>31 March</b>	<b>94,614</b>	<b>1,853</b>	<b>33,041</b>	<b>4,266</b>	<b>133,774</b>
<b>Net Book Value</b>					
<b>31 March</b>	<b>167,865</b>	<b>4,116</b>	<b>9,505</b>	<b>1,469</b>	<b>182,955</b>
1 April	156,347	2,832	11,010	827	171,016

**NATIONAL MUSEUMS SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023**

**6. Tangible Assets *continued*** (See Note 1.i)

<b>Charity</b>					
<b>Cost or valuation £000</b>	<b>Land &amp; Buildings</b>	<b>Leasehold Imprvmts</b>	<b>Permanent Galleries</b>	<b>Plant &amp; Equipment</b>	<b>Total -</b>
1 April	239,582	4,449	42,506	4,476	291,013
Additions	2,262	1,137	40	815	4,254
Transfers	-	-	-	-	-
Disposals	-	-	-	(64)	(64)
Revaluations	20,635	383	-	-	21,018
<b>31 March</b>	<b>262,479</b>	<b>5,969</b>	<b>42,546</b>	<b>5,227</b>	<b>316,221</b>
<b>Accumulated Depreciation</b>					
1 April	83,235	1,617	31,496	3,683	120,031
Charge for year	4,211	97	1,545	179	6,032
Disposals	-	-	-	(62)	(62)
Revaluations	7,168	139	-	-	7,307
<b>31 March</b>	<b>94,614</b>	<b>1,853</b>	<b>33,041</b>	<b>3,800</b>	<b>133,308</b>
<b>Net Book Value</b>					
<b>31 March</b>	<b>167,865</b>	<b>4,116</b>	<b>9,505</b>	<b>1,427</b>	<b>182,913</b>
1 April	156,347	2,832	11,010	793	170,982

The charge for depreciation and diminution in value comprises:

Group and Charity	<b>2023 £000</b>	<b>2022 £000</b>
Tangible assets depreciation	6,032	5,651
NMS Enterprises tangible assets depreciation	18	25
	<b>6,050</b>	<b>5,676</b>

**7. Commitments**

	<b>Group</b>	
	<b>2023 £000</b>	<b>2022 £000</b>
Committed but not provided for in the Accounts		
Capital expenditure:		
Other capital projects	427	97
<b>Total Commitments</b>	<b>427</b>	<b>97</b>

**NATIONAL MUSEUMS SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023**

**8. Heritage Assets** (See Note 1.j)

National Museums Scotland and its predecessor bodies have acquired objects for the collections over the previous two centuries. The collections cover geological, archaeological, scientific, engineering, artistic, historic and cultural subjects and are used for the purposes outlined in the Trustees' Annual Report.

National Museums Scotland has been required to capitalise the cost of artefacts acquired since 1 April 2001. Artefacts acquired in the centuries prior to 1 April 2001 are excluded because reliable cost information is not available. As the collection is held and cared for in perpetuity depreciation and impairment does not arise.

National Museums Scotland considers that valuation of the 12 million objects in the collections would be impracticable and would have no beneficial purpose commensurate with the cost of valuation.

The cost of acquisitions and the source of funding over the last five years are summarised below. No assets have been disposed of, depreciated or impaired. Included within 'Others' are assets valued at £374k donated under HMRC's Cultural Gifts Scheme.

<b>Group and Charity</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening balance	15,589	11,198	11,071	10,951	10,707
Government Grant	112	247	87	85	113
NMS Charitable Trust	45	345	24	14	48
Art Fund	23	324	16	18	48
National Heritage Memorial Fund	0	810	0	3	35
Others	374	2665	0	-	-
Closing balance	16,143	15,589	11,198	11,071	10,951

**9. Intangible Assets**

No intangible assets are held by National Museums Scotland.

**10. Leases** (See Note 1.m)

National Museums Scotland has one finance lease. The Exhibition Building at National Museum of Rural Life is leased from the National Trust for £1 per annum on a 99 year lease. The present value of future lease payments is less than £100 and has not been recognised in these accounts.

The farm buildings and land at National Museum of Rural Life are held under an operating lease. Payments under this are shown as rent of £26k in the accounts (2021-22: £26k). Future rental commitments at 31 March were as follows:

<b>Land &amp; Buildings</b>	<b>Group and NMS</b>	
	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	26	26
Later than one year and not later than five years	105	105
Later than five years	1,895	1,922

**11. Investments** (See Notes 1.k & 1.l)

**NATIONAL MUSEUMS SCOTLAND**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023**

	Group		Charity	
	2023	2022	2023	2022
	£000	£000	£000	£000
Opening & Closing Balance	1	1	200	200

NMS Enterprises Limited, a wholly-owned subsidiary of National Museums Scotland, holds 600 ordinary shares of £1 each in the Scottish Book Source Ltd. The trustees believe that the carrying value of the investments is supported by their underlying assets.

The Board of Trustees of the National Museums Scotland owns 200,000 £1 shares in NMS Enterprises Limited.

**12. Stocks** (See Note 1.n)

	Group		Charity	
	2023	2022	2023	2022
	£000	£000	£000	£000
Stocks Held for Resale	773	739	-	-

The current cost value of stocks is not materially different from historical cost and, accordingly, no adjustment has been made to reflect current cost.

**13. Debtors** (See Note 1.o)

Receivable Within 1Year:	Group		Charity	
	2023	2022	2023	2022
	£000	£000	£000	£000
Trade Debtors	450	246	139	79
Less: Provision for Amounts not recoverable	(4)	(4)	-	-
Charitable grant debtors	266	583	266	583
Subsidiary Company	-	-	248	751
VAT Recoverable	573	420	688	490
Prepayments	289	338	236	307
	<b>1,574</b>	<b>1,583</b>	<b>1,577</b>	<b>2,210</b>

In August 2020, the Board of National Museums Scotland agreed a £1 million loan facility, on commercial terms, in favour of NMS Enterprises Ltd. As at the 31 March 2023, the balance on the loan due to National Museums Scotland from NMS Enterprises Ltd was £100,000 (2022: £750,000).

**NATIONAL MUSEUMS SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023**

**14. Creditors: amounts falling due within one year (See Note 1.q)**

	<b>Group</b>		<b>Charity</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade creditors	(1,415)	(43)	(1,379)	-
Accrued expenditure	(2,103)	(2,223)	(2,003)	(2,199)
Taxation and social security	(324)	(321)	(302)	(293)
Income received in advance	(859)	(660)	(685)	(511)
	<b>(4,701)</b>	<b>(3,247)</b>	<b>(4,369)</b>	<b>(3,003)</b>

	Membership income received in advance		Other income received in advance	
	<b>Group</b>	<b>Charity</b>	<b>Group</b>	<b>Charity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April 2022		(187)	(187)	(473)
Income received and deferred in year		(218)	(218)	(641)
Released in year		187	187	473
		<b>(218)</b>	<b>(218)</b>	<b>(641)</b>

**15. Provisions (See Note 1.q)**

These costs have been incurred before the balance sheet date but the precise value and timing of payment is not known at that date. Injury benefit costs are due to three individuals for life. Provisions have been made based on the current rates payable.

<b>Group and Charity</b>			
	<b>Injury</b>	<b>2023</b>	<b>2022</b>
	<b>Benefit</b>	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening balance 1 April	(61)	(61)	(113)
Add: Provisions During Year	(12)	(12)	-
Less: Released During Year	-	-	17
Less: Paid During Year	32	32	35
<b>Closing Balance 31 March</b>	<b>(41)</b>	<b>(41)</b>	<b>(61)</b>

**NATIONAL MUSEUMS SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023**

**16. Reserves – Restricted and Unrestricted (See Notes 1.r, 1.s & 1.t)**

	Fund brought forward £000	Income £000	Expenditure £000	Transfers between funds £000	Gains and losses (Note 6) £000	Fund carried forward £000
<b>Restricted</b>						
Board Capital Reserve	<b>36,558</b>	6	(2,052)	283	-	<b>34,795</b>
Government Capital Reserve	<b>67,719</b>	-	(3,802)	3,175	-	<b>67,092</b>
Revaluation Capital Reserve	<b>66,500</b>	-	-	-	13,711	<b>80,211</b>
Heritage Assets Fund	<b>15,796</b>	461	-	500	-	<b>16,757</b>
Other Restricted Funds	<b>1,101</b>	1,603	(1,287)	(824)	-	<b>593</b>
<b>Total</b>	<b>187,674</b>	<b>2,070</b>	<b>(7,141)</b>	<b>3,134</b>	<b>13,711</b>	<b>199,448</b>
<b>Unrestricted</b>						
<i>Designated</i>						
Board Capital Reserve	<b>793</b>	-	(181)	815	-	<b>1,427</b>
Board Reserve - NMS	<b>767</b>	27,231	(27,493)	(274)	-	<b>231</b>
General Fund	-	3,675	-	(3,675)	-	-
<b>Total - Charity</b>	<b>1,560</b>	<b>30,906</b>	<b>(27,674)</b>	<b>(3,134)</b>	-	<b>1,658</b>
Board Reserve - NMSE	<b>(159)</b>	4,192	(3,405)	-	-	628
<b>Total - Group</b>	<b>1,401</b>	<b>35,098</b>	<b>(31,079)</b>	<b>(3,134)</b>	-	<b>2,286</b>
<b>Total Reserves</b>	<b>189,075</b>	<b>37,168</b>	<b>(38,220)</b>	<b>0</b>	<b>13,711</b>	<b>201,734</b>

There are three types of restricted fund:

a) *Capital Reserves*

These funds represent funding for expenditure which has been capitalised as Tangible Assets in the balance sheet where either the funds received were subject to restrictions (e.g. Heritage Lottery Fund receipts held in the Board Capital Reserve) or the funds were used to create assets the uses of which are themselves subject to restrictions (e.g. capital Grant-in-Aid held in the Government Capital Reserve). These will fund the future depreciation costs arising from those assets.

The Revaluation Capital Reserve represents the difference between the current and historic value of the Tangible Assets subject to disposal restrictions. Current valuations are subject to annual indexation with a full independent review every five years. The fund will be used to offset part of future depreciation costs or future reductions in valuation arising from reviews.

b) *Heritage Asset Fund*

The Heritage Assets Fund represents funding for capitalised expenditure on the items added to the Collection since 2001, the disposal of which is subject to legal restriction. These funds come from various sources (e.g. Heritage Lottery Fund, Art Fund) and may be subject to further restrictions tied to the funding received.

c) *Other Restricted Funds*

Other restricted funds are maintained when funding is being held for a donor specified future purpose. These funds have not yet been used and are available to meet future restricted expenditure.

There are three types of unrestricted fund:

a) *Designated Funds*

The Board Reserve is partly used to fund Tangible Assets that are not subject to restrictions and which are therefore unrestricted. The designated Board Capital Reserve represents expenditure which has been capitalised as Tangible Assets in the balance sheet where there are no funding or disposal restrictions. It will fund future depreciation costs arising from those assets.

**NATIONAL MUSEUMS SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023**

**16. Reserves – Restricted and Unrestricted *continued*** (See Notes 1.r, 1.s & 1.t)

*b) Available Funds*

The only reserves which are directly available to support the future delivery of charitable activities are the General Fund, which is now held at zero, and the Board Reserve - NMS, which holds the accumulated surplus or deficit through the non-government revenue raising activities of the charity. These are maintained at a low level as part of operating within the government financial framework.

*c) NMS Enterprises Limited*

This represents the accumulated profits of the subsidiary company which either support the ongoing operations of the company or will be distributed to NMS as the parent organisation. In effect these are part of the Board Reserve and should be considered as available funds alongside the Board Reserve – NMS.

**17. Net Assets held in Reserves**

<b>Group and NMS</b>	<b>Restricted Funds</b>	<b>Designated Capital Reserves</b>	<b>Board Reserve</b>	<b>Total</b>	<b>NMS Enterprises Limited</b>	<b>Group Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Tangible assets	181,486	1,427	-	182,913	42	182,955
Heritage assets	16,143	-	-	16,143	-	16,143
Investments	-	-	200	200	(199)	1
Current Assets	1,819	-	4,441	6,260	1,117	7,377
Current Liabilities	-	-	(4,369)	(4,369)	(332)	(4,701)
Long-term liabilities	-	-	(41)	(41)	-	(41)
<b>Balance at 31 March 23</b>	<b>199,448</b>	<b>1,427</b>	<b>231</b>	<b>201,106</b>	<b>628</b>	<b>201,734</b>

The Board Reserve held in both the charity and its subsidiary (NMS Enterprises) is available for use and is held at not less than £250,000 in totality. Profits from NMS Enterprises are gifted to NMS one year in arrears.

**18. Related Party Transactions**

National Museums Scotland is a Non-Departmental Public Body (NDPB) sponsored by the Scottish Government (Culture and Historic Environment division). During the year National Museums Scotland received material levels of income from the Scottish Government as disclosed in Note 2.

The National Museums of Scotland Charitable Trust (“NMSCT”) exists to advance education in matters agricultural, archaeological, architectural, cultural, environmental, historical, industrial, military, scientific and social. During the year Ian Russell and Brian Lang, Trustees of National Museums Scotland, were also Trustees of NMSCT. National Museums Scotland received £45k in grants from NMSCT during the year (2021-22: £345k). An amount of £470k (2021-22: £845k) was transferred to NMSCT as funding to be drawn down for future use. This transfer was made with the approval of the Scottish Government and relates to donations which were not able to be spent in the current financial year.

The following Trustees were also members of the NMS Enterprises Limited Board of Directors during 2022-23 and remain on the NMS Enterprises Board: Adam Bruce, Janet Stevenson and Mimi Brophy.

None of the Trustees, members of key management personnel or related parties has entered into any material transaction with National Museums Scotland during the year.

**NATIONAL MUSEUMS SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023**

**19. Taxation**

National Museums Scotland has been granted charitable status by the Scottish Charity Regulator (OSCR) and is entitled to tax exemptions on income and profits from investments and surpluses on any trading activities carried out in furtherance of the charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

In the year National Museums Scotland has made an Exhibition Tax Relief claim of £142k (2021-22 £41k).

National Museums Scotland receives a distribution of profits from NMS Enterprises one year in arrears. For 2022-23 NMS Enterprises Limited will distribute profits of £588k (2021-22: £nil) via Gift Aid. Payment of gift aid eliminates any liability of the subsidiary to Corporation Tax in that year. NMS Enterprises generated a loss before tax of £173k in 2021-22 which created a tax loss available to off-set against profits in 2022-23.

**20. Subsidiary Company (Note 1.I)**

NMS Enterprises Limited, a company registered in Scotland (Company number SC171820), is a wholly owned subsidiary of National Museums Scotland set up to promote and develop our commercial activities by:

- Managing commercial facility hire and catering activities,
- Operating the shops in our museums,
- Publishing books, and
- Developing our intellectual property.

The results for the year to 31 March 2023 are summarised in the following table:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Turnover	4,182	1,872
Cost of goods sold	(1,743)	(841)
Administrative costs	(1,662)	(1,195)
Trading profits/(losses) from continuing operations	777	(164)
Interest Income/(Cost)	10	(9)
Corporation Tax on Profits	-	-
Profit reported in Consolidated I&E Account	<b>787</b>	<b>(173)</b>
Reserves at 1 April	(159)	14
Profit for the year	787	(173)
Profit distributed in year	-	-
<b>Reserves at 31 March</b>	<b>628</b>	<b>(159)</b>

NMS Enterprises Limited has retained profits of £628k and total shareholders' funds of £828k as at 31 March 2023.

**21. Contingent Liabilities**

There are no contingent liabilities as at the 31 March 2023.

**NATIONAL MUSEUMS SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023**

**22. National Fund for Acquisitions (See Note 1.u)**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	208	240
Grant Received	150	150
Disbursements	(204)	(182)
<b>Balance at 31 March</b>	<b>154</b>	<b>208</b>

As agents of Scottish Ministers, National Museums Scotland administers the National Fund for Acquisitions (NFA). As an agency arrangement, the Fund and its income and expenditure are not included in the consolidated accounts.

The allocation from Ministers for the financial year 2022-23 was £150k (2021-22: £150k). During the year 50 (2021-22: 36) payments totalling £204k (2021-22 £182k) were made to 31 (2021-22: 24) organisations, supporting acquisitions worth £700k (2021-22: £604k).

Further information on the Fund is available on our website at <http://www.nms.ac.uk/about-us/services-and-expertise/national-fund-for-acquisitions/>.

**23. External Audit**

Audit Scotland was appointed by the Auditor General Scotland as our External Auditors, for which external audit fees were incurred in 2022-23 of £33k (2021-22: £25k). No other services were bought from this organisation.

**24. Date of Issue of Accounts**

The accounts are authorised for issue on the date they are signed by the Accountable Officer and Trustees and must be laid before Parliament before being released.

**25. Post Balance Sheet or Significant Events**

We have considered the impact of Brexit, Covid-19, the war in Ukraine and the resultant downturn in the economy on the value of our Land and Buildings and arrived at the conclusion the impact is minimal. There are no other material post balance sheet events prior to the date of issue of the financial statements.

There were no significant events or material uncertainties beyond the risks which have been identified in the Trustees Annual Report and Governance Statement.

**FINANCIAL MEMORANDUM: APPENDIX 2**



**NATIONAL MUSEUMS OF SCOTLAND**

**DIRECTION BY THE SCOTTISH MINISTERS**

1. The Scottish Ministers, in pursuance of paragraph 9(3) of Schedule 1 to the National Heritage (Scotland) Act 1985, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 21 November 2002 is hereby revoked.

A handwritten signature in black ink, appearing to read 'David Stewart', written over a horizontal line.

Signed by the authority of the Scottish Ministers

Dated 31 March 2006