



Annual Report and Accounts For the year ended 31 March 2022

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 2021/22 faced significant disruption because of Covid-19. Throughout the pandemic we continued to care for one of the most diverse collections in the world, seeking opportunities to share it via online channels when national lockdown meant our museums could not open to visitors and restrictions made visiting harder. Despite these challenges, we achieved a great deal in 2021/22;

- Since re-opening, despite some initial caution, our visitors have returned to our museums with an enthusiasm to connect with our collections and displays once again
- We welcomed over 1.4million visitors into 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 attracted over 2.7million sessions, our highest ever. Our main site received over 6.4million pages views.
- We continued to add to our collections, raising nearly £2million to purchase a silver casket believed to have been owned by Mary, Queen of Scots.
- Our touring exhibition, *The Galloway Hoard: Viking-Age Treasure*, which brought together the richest collection of rare and unique Viking-age objects ever found in Britain and Ireland opened in the National Museum of Scotland before beginning a national tour at Kirkcudbright Galleries in October 2021 and is the most popular exhibition Kirkcudbright Galleries have ever held.
- We collaborated with 53 organisations on loans in 20 different local authorities including a major loan of more than 200 objects to the new Trimontium Museum in Melrose.
- Our Schools programme reached pupils in all 32 Local Authorities in Scotland.
- We completed the setting up of our biobank. Our externally funded CryoArks project is only one of two biobanking facilities in UK museums.
- We implemented a phased return to the office for colleagues who had been working from home. Subsequently we introduced a hybrid working policy.

Once again, the Trustees would like to record their thanks to our staff, volunteers and supporters who have sustained us during this difficult period.

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 786,000 objects accessible at 31 March 2022.

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

In April 2021, as the end of the second Covid-19 national lockdown was signalled, we began a phased reopening of our museums. After four months of closure, this involved 'waking up' our collections: deep cleaning, removing dust, carrying out essential object treatments, recommissioning working objects and relocating objects to prepare the galleries for reopening. Even with our doors open, visitor numbers were restricted by physical distancing and many visitors were still wary of returning to physical visits. We continued to connect with our audiences through digital engagement, maintaining our enhanced digital offer, including web content, events, and virtual tours. We continued to support the museum sector in Scotland, as it struggled to respond to the challenges posed by Covid-19, offering support through online skill sharing and training. Our collections continued to grow and we acquired objects that reflected this unique period of time. While the phased reopening of the museums impacted our commercial income sources, we benefited from the continued support of the Scottish Government, our

Members, Patrons and other funding partners, diversifying our approach to encourage continued giving and support during this most difficult of times.

Performance and Exhibitions

The National Museum of Scotland, the National Museum of Flight and the National Museum of Rural Life reopened from 26 April 2021 with the requirement to book tickets for entry in advance to allow capacities to be managed and physical distancing to be maintained. This was removed for the National Museum of Scotland with the easing of restrictions from 23 August 2021. Pre-booking was still encouraged at the other sites to help staff manage the flow of visitors. The National War Museum reopened from 1 May 2021.

In total, we welcomed 1,488,125 visitors (prior year: 175,600) across our sites. We are pleased that as of March 2022 physical distancing measures have been removed and site capacities have returned to pre-pandemic levels.

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

- *Scotland's Precious Seas* (19 August 2020 – 15 August 2021) displayed objects from the collection to demonstrate how we monitor the changing life in our waters and the impacts of human activity.
- *The Galloway Hoard: Viking-Age Treasure* (29 May – 12 September 2021) brought together the richest collection of rare and unique Viking-age objects ever found in Britain and Ireland. This exhibition began a national tour at Kirkcudbright Galleries in October 2021.
- *The Typewriter Revolution* (24 July 2021 – 11 September 2022) explored the typewriter's social and technological influence.
- *Audubon's Birds of America* (12 February – 8 May 2022) provided a once in a generation opportunity to learn about one of the world's rarest and most coveted books.

At the National War Museum, *Legacies of Empire* continued and will be on display until 29 January 2023. This exhibition examines the histories of objects brought back from colonial conflict by the military forces of the British Empire.

Although our exhibition touring programme was interrupted by the Covid-19 pandemic, visitors to the Horniman Museum and Gardens, London and Museum Centre Vapriikki, Tampere, Finland were able to enjoy *Monkeys! A Primate Story*. *Body Beautiful: Diversity on the Catwalk* continued its tour, moving from Sweden to Barnsley and then on to Bournemouth.

Digital Performance

The key objective with our online engagement during this period was to keep people in touch and connected with the museums when visiting in person was difficult, and to provide clear and up to date information to support the return of visitors upon re-opening. This was achieved through a variety of channels:

- Our websites attracted 2,709,847 sessions, our highest ever level and 13% ahead of our KPI target of 2,400,000. Our main site, nms.ac.uk, received over 6.4 million page-views across the year.
- Use of our online collections database increased by 3% to over 600,000 page-views, and use of our collection-related online stories increased by 32%.
- Our Blog received regular visits through the year from over 100,000 people.
- Social media continued to be an important communication tool for the organisation promoting key offers and 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 230,000.

- Visits to the Maths Week Scotland website increased by 45% through this year reflecting the continued growth and reach of the overall project.

Nationally

We continued to share our collections, expertise and programmes with museums and local communities across Scotland through our National Strategy. In 2021/22 our work across Scotland included:

- A major loan of more than 200 objects for new displays at Trimontium Museum in Melrose, which opened its doors in August 2021 following an extensive refurbishment. Our collaboration with the Trimontium Trust also inspired new Romans in Scotland online resources, as well as learning resources for schools.
- Six tapestries by Archie Brennan were loaned to Dovecot Studios in Edinburgh for the first major retrospective of his work. *Archie Brennan: Tapestry Goes Pop!* ran from 26 April to 30 August 2021.
- Our national touring exhibition, *Discovering Ancient Egypt*, opened at its fifth and final venue, the John Gray Centre, Haddington, on 2 December 2020, where it ran until 24 July 2021. The exhibition was supported by the National Lottery Heritage Fund and the Hugh Fraser Foundation and welcomed 19,634 visitors across its five venues.
- Our new national touring exhibition, *The Galloway Hoard: Viking-age Treasure*, opened at Kirkcudbright Galleries, receiving 18,791 visits in the period to the end of March 2022.
- 2,696 objects loaned to 54 organisations in 20 local authority areas across Scotland.
- 9 online training sessions delivering 135 learning experiences to staff and volunteers in 56 museums.
- 75,448 pupils from 289 schools representing every local authority across Scotland involved in *Maths Week Scotland* 2021 and 88 individuals and organisations supported with grants.
- 36 grants worth £181,784 from the National Fund for Acquisitions supported acquisitions worth £604,114 helping to develop and enhance the collections of 24 organisations in 14 local authorities across Scotland.
- 1,050 people engaged with our community outreach programme and 1,759 with our online events programme.

Significant Acquisitions

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

- A parcel-gilt silver casket believed to have been owned by Mary, Queen of Scots. Made in Paris, probably between 1493 and 1510, the casket is a superb and extremely rare example of early French silver, very little of which survives, even in France.
- Four 16th-century carved armorial oak roundels, one of which features the marital arms for Mary, Queen of Scots' parents, James V and Marie de Guise. They were originally in a house in Blythe's Close, off the High Street in Edinburgh, that is associated with Marie de Guise, and from which National Museums Scotland already has several ornately carved wood panels and two doors on display.
- A late 17th-century lidded burr wood tankard, probably Dutch, with silver fittings, the hinged cover centrally set with an engraved armorial plaque. Its combination of northern European production and style, with Scottish embellishments, suggests the historical cultural and trading connections between Scotland, particularly on the east coast, with the Netherlands, Scandinavia and the Baltic states in the sixteenth to eighteenth centuries.

- A unique collection of 258 ceramics from northeast Japan, ranging from prehistoric to the contemporary, which was built up by Anne and David Hale in the 1960s and 70s. This acquisition makes National Museums Scotland a world-leader in its collection of Tohoku and Mingei ceramics, which are known for their warmth, charm, and practicality, as well as the use of local materials and craft skills.
- Several volumes of Japanese woodblock-printed illustrated books including works by Kunisada, Yoshitora and Sadahide. These 18th to 21st -century books cover a wide range of subjects from how to carve ivory netsuke (small sculptural toggles) and tales of heroic samurai warriors to lavishly decorated erotic works and a selection of illustrated poems as a memorial to a Kabuki actor.

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

- A bequest of 37 18th-century West Indies silver from Jamaica and Saint Domingo. Approximately half of the collection is comprised of silver produced in the workshops of Scottish silversmiths living in Jamaica and who migrated there during the early to mid-18th century.
- An internationally important collection of 26 large courtly paintings, lacquer work items and weapons from 17th to mid-18th century Mughal India. These objects were part of a collection formed by Captain Archibald Swinton of Kimmerghame (1731-1804) while in Bengal between 1752 and 1766. His life in India and his role in the East India Company are an invaluable source for our understanding of Scotland's colonial past and its legacies.

During the year, we introduced a procedure which sets out how, within our legislative framework, we would consider requests for the permanent transfer of objects to their country or location of origin on a case-by-case basis. This procedure outlines what these criteria are and, when they are met, how requests will be considered and managed.

Learning and Programmes

When our museums re-opened after the second lockdown, physical distancing measures placed restrictions on in-person programming and large events were not possible. Despite this, we continued to enhance visitors' experiences through:

- New self-guided trails around our museums
- Hosting the Edinburgh Science Festival at the National Museum of Scotland, reaching over 125,000 visitors during the festival's run
- The Brick Wonders LEGO® display at the National Museum of Flight
- A programme aligned to the COP26 conference taking place in Glasgow, with activity across our museums including an interactive installation *If Not Now When?*

The success of our schools' programming continued as we worked with schools from all 32 local authority areas. We continued to grow Maths Week Scotland, reaching over 75,000 children and distributing grants for additional maths-related programming nationally. Working with Education Scotland, we created a national schools' resource supporting curriculum learning about the Atlantic Slave Trade.

A range of activity offered diverse audiences ways to engage with our collections, including:

- Regular *Relaxed Opening Hours*, for people who would appreciate a calmer visit, and popular programmes such as *Friday Friends*, and *Museum Socials* for people with dementia and their families
- An LGBTQIA+ Hidden Histories trail which reached a local and international audiences online via Smartify
- Delivering Summer of Play activities focusing on biodiversity, working in communities with vulnerable families
- Engaging new audiences in communities local to the National Museums Collection Centre
- Supporting art therapy sessions at the Royal Edinburgh Hospital for vulnerable adults

- Working with an arts organisation to make a film with families from diverse backgrounds, encouraging accessible early years engagement
- Continuing to work with young people aged 16-24 as part of *Scotland 365*, a National Lottery Heritage Fund project to increase young people's engagement with heritage.

Fundraising and income generation

During the year to 31 March 2022, we sustained and developed our funding partnerships and strengthened our relationships with those individuals who support our work through our Membership and Patron programmes. Significant fundraising activity in the year included:

- A campaign to raise £1,800,000 to acquire a French parcel-gilt silver casket believed to have been owned by Mary, Queen of Scots. Funds were received from Scottish Government, National Heritage Memorial Fund, Art Fund and private donors.
- Successful grant applications from Arts and Humanities Research Council, National Lottery Heritage Fund and smaller charitable Trusts and grant giving bodies to support research work across a number of projects.
- A grant of £350,000 from Players of the People's Postcode Lottery which helped our museums to reopen safely after the second lockdown, offering visitors much needed opportunities to have fun, learn, and re-connect with each other and our collections, and supported two temporary free exhibitions – the *Extinction Bell* and *Scotland's Climate Challenge* – raising awareness of important themes of the climate crisis, biodiversity loss, and the impact of human interventions on the natural world.

Our Team

Over the final year of our Inspiring People Strategy Action Plan, we continued to focus on the themes of Leadership & Learning, Performance & Recognition, Partnership & Working Together and Health & Wellbeing which aid us in working towards enhancing our culture and developing our people. We are pleased to note some of our people successes as follows:

- We supported colleague wellbeing through mindfulness sessions run in April & May 2021 and made the meditation and mindfulness app Headspace free for all colleagues to access in May 2021. The App is utilised frequently by around 160 colleagues who have reported positive feedback on the benefits it is bringing.
- Our third intake of three Modern Apprentices joined in July 2021. They are employed as Visitor Experience Assistants and over the course of their qualification they will have completed the full range of duties associated with the role. At the end of their engagement period, provided they have successfully completed it, they are offered a guaranteed interview for the next vacancy for a permanent Visitor Experience Assistant role should they wish to be considered.
- To support the delivery of online events, we developed and delivered a training programme, including Zoom hosting, facilitating in a virtual world, and on-camera presenting skills.
- Rolling out our new Inspire - Colleague Recognition framework in September 2021. There are three different strands to our framework: the Gratitude Wall, the Inspire Awards and Celebrating Success.
- Two trainees commenced 6-month placements in October 2021 as part of *Scotland 365* which aims to involve a wider range of young people in heritage. The placements were in our Natural Sciences, and Art & Design and Science & Technology Departments.
- A phased return to the workplace for colleagues who had been working from home during the global pandemic, once Scottish Government guidance allowed it. Phase 1 commenced in October 2021 comprising colleagues who were experiencing challenges working from home. Phase 2 commenced in March 2022 for all other colleagues who remained working from home.

- Setting up a short life working group in October 2021 to develop a Hybrid Working framework to support colleagues whose role supports hybrid working, to strike a flexible, appropriate balance of working between the office and home. Hybrid working provides opportunities for an improved work/life balance, enhanced productivity and performance, and aims to best use our physical time together in the workplace.
- Finalising and launching our Equality Outcomes Action Plan 2021-25 in January 2022 to colleagues and stakeholders following the development of our new Equality Outcomes in 2021.

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. To this end a Vision for Sustainable Development and a supporting Action Plan was developed and delivered during 2021/22. Taking action on climate change and environmental impact is a priority in our Strategic Plan 2020-2022. We are committed at an organisation level to reduce our own impact on the environment and to inspire others to do the same.

This reporting period has been an experimental year where we tested and tried approaches across a wide range of business areas. This was evidenced in our Action Plan through the categorisation of two types of activity:

- 'Getting ready' updating current processes and procedures (eg travel expenses claims), and creating a carbon counting mechanism
- Implementing and mainstreaming our Carbon Management Framework.

Our pace of learning has been steep and many teams across National Museums Scotland have been proactive and engaged, helping to maintain this dynamic as well as bringing new and useful approaches to a shared practice.

A carbon counting mechanism has been created that identifies all business areas and activities that are responsible for emitting carbon.

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 tCO₂e.

Our energy consumption produced a total of 1,648 tonnes of carbon dioxide (tCO₂e) in 2021/22, which is our lowest emissions footprint to date. This compares to 3,251 tCO₂e in 2020/21 and 4,068 tCO₂e in 2019/20 (the last 'normal' year pre-Covid-19). This reduction is a result of a number of measures undertaken to reduce our consumption including:

- Electricity consumption: converting to the Scottish Government Green Tariff for all sites other than the National War Museum.
- Gas consumption: at the National Museum of Scotland, space temperatures were further reduced creating better atmospheric conditions for the collections with a resultant reduction in the consumption of gas.
- Gas consumption: the circulating supply of hot water used to operate the heating systems was further reduced by a few degrees to 80 degrees centigrade there-by reducing the operational run times of the boilers. This reduction significantly reduced the gas consumption by the boiler plant and carbon dioxide emitted.
- Gas Consumption: boiler management system controls across the whole estate have been upgraded resulting in a further reduction in plant run times.

Glasgow hosted COP26 in November 2021 providing a rich context for our public engagement programme. Despite the disruptions of the global pandemic and our sites being only partially open to the public we delivered a creative programme of artists' interventions, exhibitions, online discussions

and on-site learning programmes to engage our visitors with environmental and biodiversity issues and challenges.

During 2021-22 we completed the 'CryoArks' externally-funded programme that has allowed us to set up our Biobank on a professional, fit-for-purpose footing. We are now one of only two such facilities in UK museums, and we are able to process a significant demand for specimens. With its successful completion we have broadened its scope to encompass the invertebrates.

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 recommenced at the National Museum of Rural Life and National Museum of Flight following our phased reopening and we benefited from the support of 56 volunteers on a continuing basis (zero in 2020-21 and 168 in 2019-20) and 6 volunteers on a short-term basis (zero in 2020-21 and 351 in 2019-20) at these sites. In total we gained support from 62 volunteers in the last year, representing 957 volunteer hours per annum (nil in 2020-21 and 31,740 in 2019-20), which is equivalent to approximately 0.5 full-time staff (nil in 2020-21 and 16 in 2019-20).

KPIs

Our Key Performance Indicators are reported at each Trustee meeting and to the Scottish Government on a quarterly basis. The KPI plan for 2021/22 was suspended due to the Covid-19 pandemic.

	2020/21	2021/22
	Results	Results
Key Performance Indicators		
Total number of on-site visitors	0.2m	1.5m
Online Audiences	2.0m	2.9m
Total learning participation	50k	140k
Total visits to NMoS Exhibitions	0	170k
Total value of commercial income	£1.6m	£3.2m
Total value of philanthropic income	£1.3m	£1.8m
Visitor satisfaction	N/A	87%
% Collections storage meeting appropriate standards	N/A	N/A
Energy Consumption on tCO ₂	3,251	1,648
Non-government income as % of total income	11%	17%

The number of physical visits, which was severely curtailed in the prior year due to the museums being closed for long periods, recovered to 49% of pre-pandemic levels. Even when open, the number of visits to our museums continued to be restricted due to physical distancing rules in place for much of 2021/22.

Website sessions totalled 2,709,847, representing a 49% increase on the previous year. Our combined social media audience across the three main platforms increased to 230,792, representing a 5.2% year-on-year growth rate.

Total learning participation saw a 180% increase on the previous year when our venues closed for significant periods, and a 38% decrease on pre-Covid figures due, in part, to ongoing restrictions. Across the year the learning participation programme reacted to the changing restrictions by the creation of trails which achieved much public appreciation. The Digital School Sessions continue to reach all 32 local authorities and ensured audiences were maintained and developed as we phased from remote to in person programming.

The Typewriter Revolution, which opened on 24 July 2021 and will run until 11 September 2022, attracted 95,478 visits to 31 March.

Audubon's Birds of America on display between 12 February and 8 May 2022 attracted 9,647 visits to 31 March.

Visitor satisfaction levels were high, reflecting our audiences' pleasure at being able to return to our museums and satisfaction with the measures put in place to ensure the safety of our visitors and colleagues. During this period, physical distancing and the requirement for pre-booked tickets meant that the research methodology for our visitor survey differed from that used pre-pandemic. In 2022/23 we will return to face to face surveys, enabling more direct comparison with pre-pandemic data.

Due to Covid-19, we have been unable to carry out the survey work to report on the Collections storage standards in 2021/22. This will be carried out when it is safe to do so.

This year produced a total of 1,648 tonnes of carbon dioxide (tCO₂e) from our utility use, which is our lowest emissions footprint to date. The key area of progress made was regarding our electrical supplies being converted to the Scottish Government Green Tariff for all sites, other than our leased site - the National War Museum. In addition to changing our electricity to a fully zero-rated supply, the reduction in carbon emissions in 2021/22 has also been due to a reduction in gas consumption.

3. Financial review

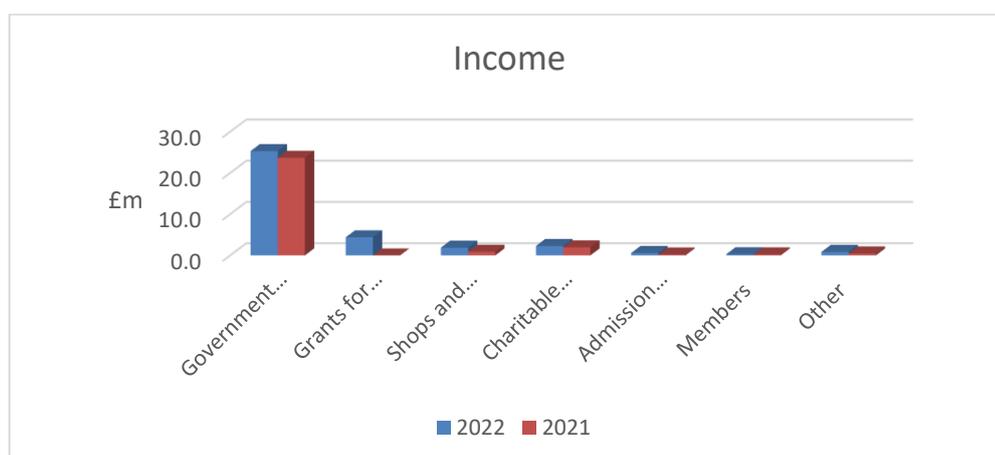
National Museums Scotland is required to operate within the financial limits prescribed in the Framework Document laid down by the Scottish Government and to follow the Scottish Public Finance Manual unless it conflicts with the Charity SORP. We are not permitted to borrow funds and our ability to retain 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.

Covid-19 continued to impact our non-government income throughout much of 2021-22, with admissions charges (£595k in 2021-22, £213k in 2020-21 and £1,205k in 2019-20), memberships income (£282k in 2021-22, £243k in 2020-21 and £376k in 2019-20) and income from trading activities (£2,117k in 2021-22, £952k in 2020-21 and £4,009k in 2019-20) all significantly below pre-pandemic levels. We are grateful for the continued government support in the form additional Covid Consequential funding in our Grant in Aid and Business Rates Relief.

We face further challenges with the ongoing impact of Covid-19, the war in Ukraine, and rising inflation all expected to curtail our commercial income and increase our cost base.

Income

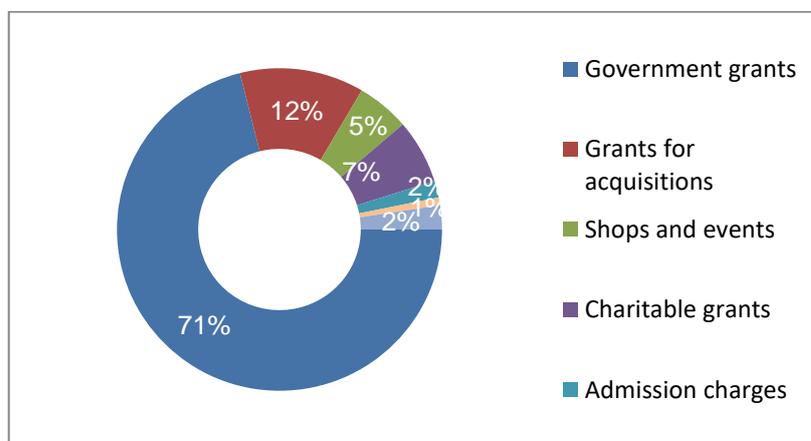
We receive most of our revenue funding from the Scottish Government in the form of a Grant-in-Aid (GiA). Our total income for the year was £35.6m (£27.4m in 2020/21) of which £25.3m was in GiA (£23.7m in 2020/21), £2.7m was the value of heritage assets donated under HMRC's Cultural Gifts Scheme, £1.7m was grants specifically to fund acquisitions, and £2.2m related to restricted grants to support specific projects.



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 the first charged exhibition since the first lockdown opened in February 2022. Our admissions income increased by £382k to £595k as visitors returned to our sites. While this increase was positive, the total admissions income remained significantly below the level of 2019-20 (£1,205k).

Our donations increased by £225k compared to the previous year due mainly to sites re-opening post Covid-19, significantly there was a further reduction in the donation from our trading subsidiary NMS Enterprises Limited to £nil from £100k in 2020-21 and £897k in 2019-20.

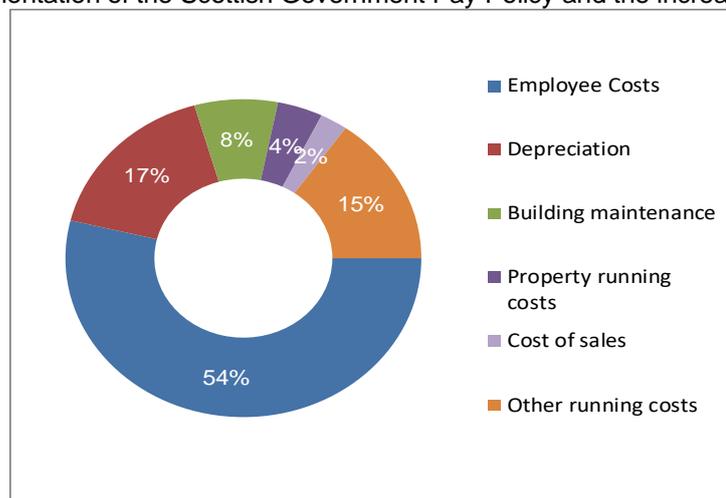
Our Shop and Event income comes from NMS Enterprises which manages retail and venue hires. In the year to 31 March 2022 NMS Enterprises income was £1.9m compared to £0.9m in the previous year and £3.8m in 2019-20. Retail locations and cafes were open at restricted capacity while the museums were open but hospitality and other events were significantly curtailed because of Covid-19.



We received £3.8m in unrestricted income, excluding government grants, during the year compared to £3.2m in 2020-21 and £6.9m in 2019-20. We 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. Therefore, 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 54% of our total costs (56% in 2020-21) but increased by £263k (1.5%) compared to the prior year. Headcount increased slightly (1.2%), having fallen by 0.5% in the previous year. The fall in the previous year had been due to vacancies which were not filled during the Covid-19 closures. The basic payroll costs went up due to the implementation of the Scottish Government Pay Policy and the increased headcount.

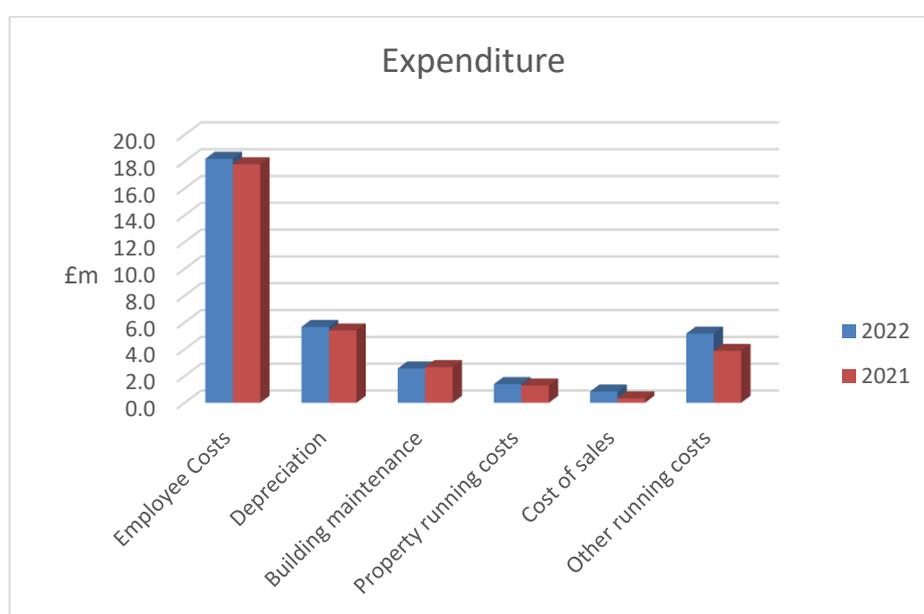


Depreciation is the cost of using our capital assets gradually over many years. We continually invest to build up our capital base of buildings, facilities and displays. These costs were slightly higher (£5.7m in 2021-22 and £5.4m in 2020-21) than the previous year due to the effect of revaluations and accounted for 17% of total expenditure compared to 15% 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, particularly in the final quarter of the year. Our Building Maintenance costs reduced from 9% to 8% 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 were reduced compared with the previous year and accounted for 15% of total expenditure compared with 16% in 2020-21.



Major Investment Projects

In the period, the Group acquired tangible assets at a cost of £2.1m (2020/21 £2.4m), including £1.2m (2020-21: £1.6m) on buildings, £0.3m on leasehold improvements, £0.3m on galleries (2020-21: £nil) and £0.4m (2020-21: £0.2m) on equipment purchases.

During this financial year our capital spend focused on replacing operational assets which are essential to our activities. This included £203k on fire safety works, £93k upgrading the lifts across our sites, and £88k on building management systems which will reduce fuel consumption in the future. We were able to progress the replacement of much of our lighting with energy efficient LED lights due to specific carbon reduction funding from the Scottish Government. 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 purchase curatorial equipment (£185k). This funding carries into 2022-23. 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.

We spent £274k refurbishing and upgrading the *Adventure Planet* gallery at National Museum of Scotland with funding from Murdoch Forest Charitable Trust, the Negaunee Foundation and individual

donors to a public campaign, and also improved a number of gallery displays and equipment in advance of re-opening fully to visitors.

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 £0.6m to £1.4m. Most of this reserve is the Board Capital Reserve (£0.8m) which will be spent in depreciation. The remaining unrestricted Board Reserve (£0.6m) 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 2022-23 on 23 March 2022. When approving the budget, the impact of the pandemic on future visitor numbers, exhibition ticket sales and commercial income remained unclear, however we have used recent experience and taken a cautious approach when preparing the 2022-23 Budget. An anticipated increase in commercial income, compared to 2021-22, along with some potential savings, including staff vacancy savings, should allow us to partly off-set the rising cost of utilities and building materials. Subsequent to the budget being approved, a revised pay award was agreed with Scottish Government along with an increase in Grant-in-Aid to partly cover the cost with the remainder of the pay award to be funded by increased commercial income and cost savings. Taking all of these movements into account, we believe we will return a breakeven position in the current financial year.

The cash budget for the charity is shown in the table below.

	2021/22 Actual £000	2022/23 Budget £000
Income		
Grant-in-Aid	25,300	28,169
Other income	8,429	3,408
Total Income	33,729	31,577
Operational Expenditure		
Salaries	17,164	18,077
Operational Costs	8,941	9,650
Total	26,105	27,727
Major Projects Expenditure	2,154	4,150
Heritage Asset Acquisitions	4,245	-
Surplus/(Deficit)	1,225	(300)

The greater challenge we face is in future years. Our Trading company which had successfully been generating unrestricted funding for us for several years made a loss in 2020-21 and again in 2021-22. It will need to offset these losses before it can make future contributions to National Museums Scotland. It is envisaged that this may take several years. We implemented the Scottish Government Pay Policy for 2021-22 as the Scottish Government provided assurance that as part of future year budget allocations, they will consider the pressures bearing on our financial position in light of the Scottish Government's priorities.

Our GiA benefited from “Covid Consequential” support from the Scottish Government of £750k in 2021/22. In 2022/23 this support was removed however the GiA increased due to additional funding in relation to the costs of implementing the Scottish Government Pay Policy and for the capital projects at NMoF (£1.5m) and NMoRL (£1.5m). GiA has been static in recent years, apart from increases to contribute towards the costs of implementing the Scottish Government Pay Policy. This means there has been a significant reduction in our funding in real terms due to inflation. Forecasts for future years make no allowances for any future Pay Policy increase as it is assumed any increase in costs will be offset by additional Grant in Aid.

Our operational budgets are already under strain from standstill funding – especially our maintenance, utilities and exhibition design costs. We have continued to address maintenance work during 2021-22 but the current position regarding estate maintenance and renewal means that our level of backlog maintenance is increasing and this looks set to continue with a growing proportion of estates budget being spent on utilities costs.

There are continuing significant challenges due to the very large proportion of our budget which is taken up by staff costs and unavoidable operational costs which are being heavily impacted by rising inflation. Without adequate future funding we would have to make visible changes to our operations and the impact we make.

We have given careful consideration to the financial uncertainties present and have obtained confirmation from the Scottish Government that it has no plans to change our statutory functions, scope or responsibilities and will work with us to explore all means of enabling NMS to achieve a balanced budget.

Risk and uncertainty

As with many organisations the Covid-19 pandemic has had an enormous impact on our operations and our short-term aspirations. Our re-opening plans proved successful, with visitors initially returning to a physically distanced environment with a reduced offering, before removal of restrictions towards the end of the financial year.

Our biggest risk is the uncertainty around our funding, the return of visitors, and the medium to long-term effects of Covid-19 throughout the organisation. While our museums are now fully open our office-based team members have moved to a form of hybrid working with some time spent working at our sites and some working from home. This approach is intended to allow a reasonable level of flexible working while maintaining a level of face-to-face contact important in fostering positive working relationships. We will continue to monitor this approach over the coming year as what the ‘new normal’ is remains unclear.

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. 2022/23 is of significant concern given the additional pressure on Government resulting from the effects of the pandemic, war in Ukraine, and rising inflation. 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

Risk	Risk Detail
Recruitment/Retain into 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 macro-economic factors resulting in a scarcity of particular skills in the marketplace and high competition for them that renders us unable to compete on salary.
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 relationship with the Scottish Government and the constrained financial position. The risks which are deemed high are in relation to our funding, particularly with regards to the impact of Covid-19, 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 while, before the pandemic, our visitor numbers had trebled, 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 (2020-21 £750k) which enabled us to address some of the estates issues.

The Scottish Government Pay Policy 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

We hope that closure of our sites due to the pandemic is behind us and that we will be able to continue with a wide-ranging programme of exhibitions and events in the coming years. The first paid exhibition since the closures, *Audubon's Birds of America*, opened in February 2022 and continued beyond the year end.

A full exhibition programme running until 2023 is now planned. Highlights will include: *Anatomy: A Matter of Death and Life* exploring the history of anatomical study, from artistic explorations by Leonardo da Vinci to the Burke and Hare murders at the National Museum of Scotland; *Bernat Klein: Design in Colour* looking at the life and career of one of the 20th century's leading forces in Modernist design at the National Museum of Scotland; *Doctor Who Worlds of Wonder* exploring the science behind the hit series at the National Museum of Scotland; and *Awesome Bricks* an interactive LEGO display at the National Museum of Flight.

We continue to develop our digital presence, including activity targeted to the needs of teachers and families, and online events to engage our supporters and broader audiences. Digital 'catch up' versions of exhibitions and events are available on our website.

Due to changes in leadership within our Trustee and Executive Teams which took place in the prior year, the Board took the view to extend the Strategic Plan which ran from 2016-2020 by a further 2 years to March 2022. The Board approved a new Strategic Plan 2022-27 in March which sets out our values, aims and priorities for the next five year period.

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 (appointed 1 April 21)
- Adam Bruce
- Graeme Gibson (appointed 1 April 21)
- Dr Brian Lang CBE
- Lynda Logan (retired 31 August 22)
- Dr Catriona Macdonald
- Ian Russell CBE (Chairman)
- Janet Stevenson
- Professor Ian Wall (appointed 1 April 21)
- Eilidh Wiseman (retired 31 August 22)
- Dr Laura Young MBE
- Mr Stephen Gordon-Dando (appointed 1 September 2022)
- Ms Elizabeth McKillop (appointed 1 September 2022)

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) 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.

Remuneration Policy

The remuneration of the Director is set by the Board of Trustees but requires the agreement of the Scottish Government. This remuneration is reviewed annually by the Board of Trustees. The Chairman of the Personnel and Remuneration Committee and the Chairman of the Audit & Risk Committee provide advice to the Chairman of the Board of Trustees on the salary and reward structure for the Director.

The remuneration of the remainder of senior management is reviewed annually and agreed by the Personnel 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 staff, including senior management.

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 2016-17 is Audit Scotland, 4th Floor, South Suite, The Athenaeum Building, 8 Nelson Mandela Place, Glasgow G2 1BT. The appointment was extended by one year by the Auditor General for Scotland due to the Covid-19 pandemic. The appointment for the five year period from 2022/23 is also Audit Scotland.

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.

CHAIRMAN
Ian Russell CBE

DATE
30 November 2022



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 2021/22 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 income and expenditure, Statement of Financial Position 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.

DIRECTOR
Dr Christopher Breward

Christopher Breward

Date
30 November 2022

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 2022 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 2021-22 the Internal Auditors examined: Cyber / Information Security; Procurement, Contract Monitoring, and Creditors / Purchasing; Fire Safety; and Staff Recruitment and Retention. 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.

CHAIRMAN
IAN RUSSELL CBE



Date 30 November 2022

DIRECTOR
DR CHRISTOPHER BREWARD



Date 30 November 2022

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 2022 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 Statement of Cash Flows 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 in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers of the state of the affairs of the body and its group as at 31 March 2022 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 18 July 2016. The period of total uninterrupted appointment is 6 years. I am independent of the body and its group 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 ability of the body and its group 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 current or future financial sustainability of the body and its group. 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 ability of the body and its group 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:

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing 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. 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

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 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.

Asif A Haseeb OBE
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN



Date 30 November 2022

Asif A Haseeb OBE 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 2022

Group	Notes	2022	2022	2022	2021
		Unrestricted Funds	Restricted Funds	Total	Total
		£000	£000	£000	£000
Income from:					
Donations and legacies	3	25,841	6,625	32,466	25,874
Charitable activities	3	1,151	-	1,151	615
Other trading activities	3	1,975	-	1,975	952
Investments	3	-	-	-	5
Other	3	-	-	-	-
Total		28,967	6,625	35,592	27,446
Expenditure on:					
Charitable activities	5	24,240	6,899	31,139	28,500
Raising funds (including Cost of Sales)	5	2,656	-	2,656	2,179
Other	5	-	17	17	598
Total		26,896	6,916	33,812	31,277
Net income/(expenditure)		2,071	(291)	1,780	(3,831)
Tax reclaimable	19	41	-	41	314
Net Income (Expenditure) After Tax		2,112	(291)	1,821	(3,517)
Transfers between funds	16	(1,530)	1,530	-	-
Gains/(losses) on revaluation of fixed assets	16	-	9,741	9,741	(969)
Net movement in funds		582	10,980	11,562	(4,486)
Reconciliation of funds:					
Total funds brought forward	16	819	176,694	177,513	181,999
Total funds carried forward	16	1,401	187,674	189,075	177,513

The notes on Pages 28 to 46 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

ACCOUNTING STATEMENTS

NMS Charity Statement of Financial Activities for the Year Ended 31 March 2022

National Museums Scotland	Notes	2022	2022	2022	2021
		Unrestricted Funds	Restricted Funds	Total	Total
		£000	£000	£000	£000
Income from:					
Donations and legacies	3	25,841	6,625	32,466	25,974
Charitable activities	3	1,151	-	1,151	615
Other trading activities	3	103	-	103	61
Investments	3	9	-	9	5
Other	3	-	-	-	-
Total		27,104	6,625	33,729	26,655
Expenditure on:					
Charitable activities	5	24,240	6,899	31,139	28,500
Raising funds	5	620	-	620	661
Other	5	-	17	17	598
Total		24,860	6,916	31,776	29,759
Net income/(expenditure)		2,244	(291)	1,953	(3,104)
Tax reclaimable	19	41	-	41	209
Net Income (Expenditure) After Tax		2,285	(291)	1,994	(2,895)
Transfers between funds	16	(1,530)	1,530	-	-
Gains/(losses) on revaluation of fixed assets	16	-	9,741	9,741	(969)
Net movement in funds		755	10,980	11,735	(3,864)
Reconciliation of funds:					
Total funds brought forward	16	805	176,694	177,499	181,363
Total funds carried forward	16	1,560	187,674	189,234	177,499

The notes on Pages 28 to 46 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

ACCOUNTING STATEMENTS

Consolidated & Charity Balance Sheets as at 31 March 2022

	Notes	Group		Charity	
		2022 £000	2021 £000	2022 £000	2021 £000
Fixed Assets					
Tangible assets	6	171,016	164,806	170,982	164,755
Heritage assets	8	15,589	11,198	15,589	11,198
Investments	11	1	1	200	200
Total Fixed Assets		186,606	176,005	186,771	176,153
Current Assets					
Stocks	12	739	797	-	-
Debtors	13	1,583	1,021	2,210	1,681
Cash at bank and in hand		3,455	3,233	3,317	3,158
Total Current Assets		5,777	5,051	5,527	4,839
Current Liabilities					
Creditors: amounts falling due within one year	14	(3,247)	(3,430)	(3,003)	(3,380)
Net current assets		2,530	1,621	2,524	1,459
Total assets less current liabilities		189,136	177,626	189,295	177,612
Provisions					
	15	(61)	(113)	(61)	(113)
Net assets		189,075	177,513	189,234	177,499
Financed by:					
Restricted funds:	16	187,674	176,694	187,674	176,694
Unrestricted Funds:	16	1,401	819	1,560	805
Total Funds		189,075	177,513	189,234	177,499

The Board approved the Annual Report and Accounts on 30 November 2022 and the Accountable Officer authorised them for issue on the same date.

CHAIRMAN
IAN RUSSELL CBE



Date 30 November 2022

DIRECTOR
DR CHRISTOPHER BREWARD



Date 30 November 2022

The notes on Pages 28 to 46 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

ACCOUNTING STATEMENTS

Consolidated & Charity Cash Flow Statements for the Year Ended 31 March 2022

	Group		Charity	
	2022	2021	2022	2021
	£000	£000	£000	£000
	<i>Notes</i>			
Cash flows from operating activities				
Net cash generated by operating activities	6,775	3,395	6,695	3,538
Cash flows from investing activities				
Purchase of property, plant & equipment	6 (2,164)	(2,392)	(2,156)	(2,392)
Proceeds from the sale of property, plant & equipment	2	(1)	2	(1)
Purchase of heritage assets	8 (4,391)	(127)	(4,391)	(127)
Interest Received	-	5	9	5
Net cash used in investing activities	(6,553)	(2,515)	(6,536)	(2,515)
Change in cash in the year	222	880	159	1,023
Cash at the beginning of the year	3,233	2,353	3,158	2,135
Cash at the end of the year	3,455	3,233	3,317	3,158

Reconciliation of net income/(expenditure) to net cash flow from operating activities

	2022	2021	2022	2021
	£000	£000	£000	£000
Net income/(expenditure) for the reporting period (as per the Statements of Financial Activities)	1,821	(3,517)	1,994	(2,895)
Adjustments for:				
Depreciation charges	6 5,676	5,396	5,651	5,368
Interest received	-	(5)	(9)	(5)
Loss/(profit) on the sale of property, plant & equipment	17	598	17	598
Increase in stocks	12 58	48	-	-
(Increase)/decrease in debtors	13 (562)	243	(529)	(420)
Decrease in creditors	14 (183)	665	(377)	925
Decrease in provisions	15 (52)	(33)	(52)	(33)
Net cash provided by (used in) operating activities	6,775	3,395	6,695	3,538

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 28 to 46 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 current replacement 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.

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.

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.

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 2022**

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.

Group and Charity	2022	2021
	£000	£000
Grant-in-aid received:		
Revenue	24,250	21,827
Capital	950	1,650
	25,200	23,477
Purchase Grant	100	200
Total received during year	25,300	23,677

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

Current year	Outturn	Offer Letter
	£000	£000
Cash Items		
Running Costs	24,250	24,500
Purchase Grant	100	100
Capital Grant	950	1,150
	25,300	25,750
National Fund for Acquisitions (Note 23)	150	150
	25,450	25,900
Non-cash Items (Notional)		
Depreciation incl. permanent diminution in value	3,592	4,018
	29,042	29,918

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 2022**

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, although this was severely curtailed due to the Covid-19 closures and associated restrictions on hospitality and events.

Group	2022				2021	
	Unrestricted £000	Restricted £000	Group Total £000	NMS Total £000	Total Group £000	NMS Total £000
Donations and legacies						
Government grants	25,300	-	25,300	25,300	23,677	23,677
Charitable grants	63	6,625	6,688	6,688	1,944	1,944
Donations	478	-	478	478	253	353
Total	25,841	6,625	32,466	32,466	25,874	25,974
Charitable activities						
Admission charges	595	-	595	595	213	213
Memberships	282	-	282	282	243	243
Provision of services	79	-	79	79	29	29
Other	195	-	195	195	130	130
Total	1,151	-	1,151	1,151	615	615
Other trading activities						
Shops and events	1,872	-	1,872	-	891	-
Sponsorship	103	-	103	103	61	61
Total	1,975	-	1,975	103	952	61
Investments	-	-	-	9	5	5
Other	-	-	-	-	-	-
Total Income	28,967	6,625	35,592	33,729	27,446	26,655

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022**

4. Trustee and Staff Remuneration (See Note 1.f)

Trustee remuneration

No remuneration or benefit in kind was paid to members of the Board of Trustees during 2021-22 (2020-21: nil).

During 2021-22 National Museums Scotland paid a total of £540 reimbursement of travel expenses to 3 Trustees, while in 2020-21 a total of £107 was reimbursed to 1 Trustee.

Staff costs and employee benefits

Staff Costs during the Year

	Group		Charity	
	2022	2021	2022	2021
	£000	£000	£000	£000
Salaries				
- Permanent staff	12,767	12,687	11,945	11,842
- Other staff	720	496	720	496
	<u>13,487</u>	<u>13,183</u>	<u>12,665</u>	<u>12,338</u>
National Insurance Costs	1,240	1,217	1,164	1,141
Pension Costs	3,462	3,395	3,352	3,292
Early Retirement	(17)	2	(17)	2
Total	18,172	17,797	17,164	16,773

Termination Payments

During the year there were no staff redundancies (2020-21: nil) or other departures which resulted in no termination payments (2020/21: nil).

Numbers of employees

In the year the average staff head count was 469 staff (2020-21: 459), which includes many part-time staff. The full-time equivalent staff numbers are shown below analysed by the activity categories shown in Note 5, gender and type of employment contract.

	Permanent		Other Contract		Total FTE
	Female	Male	Female	Male	
Charity 2022					
Curatorial	44	27	3	5	79
Conservation & Collections Management	28	11	7	-	46
Public displays & events	85	61	8	2	156
Security and Support Services	38	66	1	-	105
Marketing	7	2	1	-	10
Estates and Buildings	3	4	-	-	7
Governance	3	2	-	-	5
Development	4	2	-	1	7
	<u>212</u>	<u>175</u>	<u>20</u>	<u>8</u>	<u>415</u>
Group 2022					
NMSE	24	8	-	-	32
Total	236	183	20	8	447

Number of FTE Staff at 31st March

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022**

4. Trustee and Staff Remuneration *continued* (See Note 1.f)

FTE staff numbers by grade and gender are included below.

Group 2022	Key Management	Heads of Departments	Other Employees	Total
Female	3	10	243	256
Male	4	9	178	191
Total	7	19	421	447
Group 2021				
Female	3	9	219	231
Male	4	8	182	194
Total	7	17	401	425

Staff turnover in the year was 16.36% of headcount (2020-21: 8.3% and 2019-20: 16.6%). Turnover in the prior year was low due to the impact of the Covid-19 pandemic.

In the year 11 employees were paid more than £60,000 (2020-21: 12), as shown in the table below:

Group	Number of staff	
	2022	2021
£60,000 to £69,999	2	5 *
£70,000 to £79,999	4	2
£80,000 to £89,999	4	4
£90,000 to £99,999		
£100,000 to £109,999		
£110,000 to £119,999	1	1
£120,000 to £129,999		
Total	11	12

* Prior year disclosed 4 employees in this pay range, disclosure corrected to include one employee who had erroneously been omitted due to a change of job title mid-year.

Equality, Diversity and Inclusion

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. As a result of the Covid-19 pandemic we have fostered 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. We adhere to Scottish Government's Pay Policy by providing all employees with an annual pay award, whilst also maintaining our Living Wage accredited employer status during 2021-22.

Expenditure on consultancy and off-payroll engagements

National Museums Scotland did not enter into any off-payroll engagements or consultancy contracts in the years to 31 March 2021 or 31 March 2022.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022**

4. Trustee and Staff Remuneration *continued* (See Note 1.f)

Key management personnel

The key management personnel are The Director (Chief Executive Officer) and the senior managers who are line managed by The Director. Total remuneration paid to the key management personnel was as follows:

Group		Pension			Total 2021 £000
		Salary	Benefits	Total	
		2022 £000	2022 £000	2022 £000	
Director	C Breward	110 - 115	45	155 - 160	155 - 160
Director of Collections*	S Alberti	70 - 75	31	101 - 106	-
Whole-year equivalent	S Alberti	75 - 80	31	106 - 111	-
Director of Collections*	X Mazda	0 - 5	1	0 - 5	120 - 125
Whole-year equivalent	X Mazda	85 - 90	35	120 - 125	120 - 125
Director of External Relations	H Ireland	85 - 90	35	120 - 125	120 - 125
Director of Visitor Experience / NMSE**	P Williamson	85 - 90	25	110 - 115	110 - 115
Director of Finance & Planning	K Pentland	80 - 85	33	113 - 118	105 - 110
Director of Public Programmes	R Gill	85 - 90	35	120 - 125	120 - 125
Director of People	L Smith	75 - 80	30	105 - 110	100 - 105

* X Mazda resigned as Director of Collections and S Alberti was appointed to this post with effect from 17-05-2021.

** Included within the salary figure for P Williamson is private medical insurance costs paid by NMS totalling £1,787 (2020-21: £1,728).

The total cost of remuneration (excluding pensions) to key management personnel in the year was £605k (2020-21: £675k), which is included in the table above. Public sector reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the remuneration of the workforce. The midpoint for the banded remuneration of the highest paid director was £117k (2020-21: £116k) a 0.9% increase year on year due to the 2021-22 pay award.

Pension benefits for the key management personnel, with the exception of Peter Williamson, were provided through Civil Service pension arrangements. Peter Williamson is a member of the NMSE defined contribution scheme.

Pension Benefits earned by Directors

The Government Financial Reporting Manual requires disclosure of information about directors' remuneration, where 'directors' is interpreted to mean those who influence the decisions of the organisation as a whole. In National Museums Scotland's opinion this means the Trustees and the Director, Christopher Breward. The pension entitlements earned by the directors for 2021-22 were:

Group	Real increase in	Accrued pension at	CETV at 31		Real increase in CETV £000
	pension and related	pension age at 31	March 2022	March 2021	
	lump sum at pension age £000	March 2022 and related lump sum £000	March 2022 £000	March 2021 £000	
Christopher Breward	2.5 - 5	10 - 15	145	104	28

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022**

4. Trustee and Staff Remuneration *continued* (See Note 1.f)

The ratio of the banded remuneration of the highest paid director to the whole workforce was as follows:

	25th Percentile	Median	75th Percentile
Remuneration 2021-22	£20,000	£25,000	£34,000
Pay Ratio 2021-22	5.85	4.68	3.41
Remuneration 2020-21	£20,000	£24,000	£34,000
Pay Ratio 2020-21	5.80	4.83	3.45

The average remuneration of the workforce, excluding the highest paid director, was £26.1k (2020-21: £25.7k) a 1.5% increase year on year due to the 2021-22 pay award. The ratios of the banded remuneration of the highest paid director to the whole workforce have remained consistent with the prior year.

Range of Staff Remuneration

The range of staff remuneration was £18,348 to £113,776 (2020-21: £18,733 to £111,500).

Pension Costs

We operate a range of pension provision for our staff, including both defined benefit and defined contribution schemes.

Defined Benefit

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 469 staff in the year (2020-21: 456 staff). For 2021-22, employers' contributions of £3,363k were payable to the PCSPS (2020-21: £3,250k) 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 2020-21 were between 26.6% and 30.3%). The contribution rates are set to meet the cost of the benefits accruing during 2021-22 to be paid when the member retires, and not the benefits paid during this period to existing pensioners. 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

Charity employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £23k (2020-21: £22k) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 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 2021-22 (2020-21: 7 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 (2020-21: £103k).

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022**

4. Trustee and Staff Remuneration *continued* (See Note 1.f)

Trade Unions

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 22 employees (FTE 20.93) 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% *	14
1-50%	8
51%-99%	-
100%	-

* includes those who have spent less than 1% on Facility Time.

The total cost of Facility Time was £8,067 from a total pay bill of £17.2m = 0.05%.

Out of the total paid Facility Time, 35% was spent by employees who were relevant union officials on paid trade union activities. The remaining 65% was spent on trade union duties.

Sickness Absence

The absence rate for 2021-22 is 2.30% (2020-21: 1.62 %). 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. Any lost working time due to COVID-19 sickness absence is not recorded within this measurement.

Health, Safety and Wellbeing

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.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022**

5. Expenditure

Group - Unrestricted	2022				2021	
	Direct Cost	Support Cost	Group Total	NMS Total	Total Group	NMS Total
	£000	£000	£000	£000	£000	£000
Charitable activities						
Curatorial	481	4,196	4,677	4,677	4,629	4,629
Conservation & Collections Management	238	2,081	2,319	2,319	2,005	2,005
Public displays & events	759	6,629	7,388	7,388	6,558	6,558
Security and Support Services	290	2,530	2,820	2,820	2,783	2,783
Marketing	116	1,009	1,125	1,125	872	872
Estates and Buildings	478	4,175	4,653	4,653	5,055	5,055
Governance costs	129	1,129	1,258	1,258	791	791
Total	2,491	21,749	24,240	24,240	22,693	22,693
Raising funds (including Cost of Sales)						
Development	64	556	620	620	661	661
Trading: cost of goods sold and other costs	2,036	-	2,036	-	1,518	-
Total	2,100	556	2,656	620	2,179	661
Total Expenditure	4,591	22,305	26,896	24,860	24,872	23,354

Group - Restricted	2022				2021	
	Direct Cost	Support Cost	Group Total	NMS Total	Total Group	NMS Total
	£000	£000	£000	£000	£000	£000
Charitable activities						
Curatorial	560	-	560	560	276	276
Conservation & Collections Management	41	-	41	41	14	14
Public displays & events	2,361	-	2,361	2,361	1,861	1,861
Estates and Buildings	3,937	-	3,937	3,937	3,656	3,656
Total	6,899	-	6,899	6,899	5,807	5,807
Other	17	-	17	17	598	598
Total Expenditure	6,916	-	6,916	6,916	6,405	6,405

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.

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022

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

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.

Group						
Cost or valuation	Land &	Under	Leasehold	Permanent	Plant &	Total
£000	Buildings	Construction	Improvemnts	Galleries	Equipment	
1 April 2021	224,049	19	3,919	42,182	4,855	275,024
Additions	1,169	-	279	324	392	2,164
Transfers	-	-	-	-	-	-
Disposals	-	(19)	-	-	(289)	(308)
Revaluations	14,364	-	251	-	-	14,615
31 March 2022	239,582	-	4,449	42,506	4,958	291,495
Accumulated Depreciation						
1 April 2021	74,599	-	1,442	29,949	4,228	110,218
Charge for year	3,854	-	83	1,547	192	5,676
Disposals	-	-	-	-	(289)	(289)
Revaluations	4,782	-	92	-	-	4,874
31 March 2022	83,235	-	1,617	31,496	4,131	120,479
Net Book Value						
31 March 2022	156,347	-	2,832	11,010	827	171,016
1 April 2021	149,450	19	2,477	12,233	627	164,806

Charity						
Cost or valuation	Land &	Under	Leasehold	Permanent	Plant &	Total
£000	Buildings	Construction	Improvemnts	Galleries	Equipment	-
1 April 2021	224,049	19	3,919	42,182	4,381	274,550
Additions	1,169	-	279	324	384	2,156
Transfers	-	-	-	-	-	-
Disposals	-	(19)	-	-	(289)	(308)
Revaluations	14,364	-	251	-	-	14,615
31 March 2022	239,582	-	4,449	42,506	4,476	291,013
Accumulated Depreciation						
1 April 2021	74,599	-	1,442	29,949	3,805	109,795
Charge for year	3,854	-	83	1,547	167	5,651
Disposals	-	-	-	-	(289)	(289)
Revaluations	4,782	-	92	-	-	4,874
31 March 2022	83,235	-	1,617	31,496	3,683	120,031
Net Book Value						
31 March 2022	156,347	-	2,832	11,010	793	170,982
1 April 2021	149,450	19	2,477	12,233	576	164,755

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022**

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

The charge for depreciation and diminution in value comprises:

	2022	2021
	£000	£000
Tangible assets depreciation	5,651	5,368
NMS Enterprises tangible assets depreciation	25	28
Total	5,676	5,396

7. Commitments

Committed but not provided for in the Accounts	GROUP	
	2022	2021
	£000	£000
Capital expenditure:		
Museum renewal (National Museum of Scotland)	-	-
Museum renewal (National Museum of Flight)	-	-
Other capital projects	97	423
	97	423
Operational expenditure	794	512
Total Commitments	891	935

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 £2.35m donated under HMRC's Cultural Gifts Scheme.

Group and Charity	2022	2021	2020	2019	2018
	£000	£000	£000	£000	£000
Opening balance	11,198	11,071	10,951	10,707	8,311
Government Grant	247	87	85	113	457
NMS Charitable Trust	345	24	14	48	382
Art Fund	324	16	18	48	457
National Heritage Memorial Fund	810	-	3	35	1,050
Others	2,665	-	-	-	50
Closing balance	15,589	11,198	11,071	10,951	10,707

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022**

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 (2020-21: £26k). Future rental commitments at 31 March were as follows:

Land & Buildings	GROUP AND NMS	
	2022	2021
	£000	£000
Not later than one year	26	26
Later than one year and not later than five years	105	105
Later than five years	1,922	1,948

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

	Group		Charity	
	2022	2021	2022	2021
	£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	
	2022	2021	2022	2021
	£000	£000	£000	£000
Stocks Held for Resale	739	797	-	-

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

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022

13. Debtors (See Note 1.o)

Receivable Within 1Year:	Group		Charity	
	2022	2021	2022	2021
	£000	£000	£000	£000
Trade Debtors	246	115	79	54
Less: Provision for Amounts not recoverable	(4)	(4)	-	-
Charitable grant debtors	583	369	583	369
Subsidiary Company	-	-	751	620
VAT Recoverable	420	310	490	425
Prepayments	338	231	307	213
	1,583	1,021	2,210	1,681

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 2022, the balance on the loan due to National Museums Scotland from NMS Enterprises Ltd was £750,000 (2021: £555,000).

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

	Group		Charity	
	2022	2021	2022	2021
	£000	£000	£000	£000
Trade creditors	(43)	(37)	-	(2)
Accrued expenditure	(2,223)	(2,783)	(2,199)	(2,760)
Taxation and social security	(321)	(201)	(293)	(274)
Income received in advance	(660)	(409)	(511)	(344)
	(3,247)	(3,430)	(3,003)	(3,380)

	Membership income received in advance		Other income received in advance	
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Balance at 1 April 2021	(141)	(141)	(267)	(203)
Income received and deferred in year	(187)	(187)	(473)	(324)
Released in year	141	141	267	203
	(187)	(187)	(473)	(324)

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. Early retirement costs are due and paid monthly under the Civil Service Classic pension scheme until the relevant members reach retirement age. Injury benefit costs are due to three individuals for life. Costs associated with voluntary exits have been provided based on the estimated actual cost of exit. Provisions have been made based on the current rates payable.

Group and Charity	Early	Injury	Voluntary	2022	2021
	Retiremen	Benefit	Exit		
	£000	£000	£000		
Opening balance 1 April	-	(100)	(13)	(113)	(146)
Add: Provisions During Year	-	-	-	-	(2)
Less: Released During Year	-	4	13	17	-
Less: Paid During Year	-	35	-	35	35
Closing Balance 31 March	-	(61)	-	(61)	(113)

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022**

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

	As at 31 March 2021 £000		Income £000	Expenditure £000	Transfers between funds £000	Gains and losses £000	As at 31 March 2022 £000
Restricted							
Board Capital Reserve	37,652	277	(2,192)	821	-		36,558
Government Capital Reserve	70,361	-	(3,592)	950	-		67,719
Revaluation Capital Reserve	56,759	-	-	-	9,741		66,500
Heritage Assets Fund	11,551	4,145	-	100	-		15,796
Other Restricted Funds	371	2,203	(1,132)	(341)	-		1,101
Total	176,694	6,625	(6,916)	1,530	9,741		187,674
Unrestricted							
<i>Designated</i>							
Board Capital Reserve	576	-	(167)	384	-		793
Board Reserve - NMS	229	26,086	(24,684)	(864)	-		767
General Fund	-	1,050	-	(1,050)	-		-
Total - Charity	805	27,136	(24,851)	(1,530)	-		1,560
Board Reserve - NMSE	14	1,872	(2,045)	-	-		(159)
Total - Group	819	29,008	(26,896)	(1,530)	-		1,401
Total Reserves	177,513	35,633	(33,812)	-	9,741		189,075

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 2022**

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

GROUP AND NMS	Restricted Funds	Designated Capital Reserves	Board Reserve	Total	NMS Enterprises Limited	Group Total
	£000	£000	£000	£000	£000	£000
Tangible assets	170,189	793	-	170,982	34	171,016
Heritage assets	15,589	-	-	15,589	-	15,589
Investments	-	-	200	200	(199)	1
Current Assets	1,896	-	3,631	5,527	250	5,777
Current Liabilities	-	-	(3,003)	(3,003)	(244)	(3,247)
Long-term liabilities	-	-	(61)	(61)	-	(61)
Balance at 31 March	187,674	793	767	189,234	(159)	189,075

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. Profits from NMS Enterprises are gifted to NMS one year in arrears resulting in a positive reserve in NMS Enterprises and a negative Board Reserve in NMS.

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 £345k in grants from NMSCT during the year (2020-21: £131k). An amount of £845k (2020-21: £350k) 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 2021-22 and remain on the NMS Enterprises Board: Adam Bruce, Janet Stevenson and Motaram Mimi Brophy. Motaram Mimi Brophy joined the NMS Enterprises Limited Board of Directors on 01 April 2021.

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 2022**

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 £41k (2020-21 £209k).

National Museums Scotland receives a distribution of profits from NMS Enterprises one year in arrears. For 2021-22 NMS Enterprises Limited distributed profits of £nil (2020-21: £100k) 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 carry forward and off-set against future profits.

20. Subsidiary Company (Note 1.1)

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 2022 are summarised in the following table:

	2022	2021
	£000	£000
Turnover	1,872	891
Cost of goods sold	(841)	(349)
Administrative costs	(1,195)	(1,167)
Trading profits from continuing operations	(164)	(625)
Interest Income/(Cost)	(9)	(2)
Corporation Tax on Profits	-	105
Profit reported in Consolidated I&E Account	(173)	(522)
Reserves at 1 April	14	636
Profit for the year	(173)	(522)
Profit distributed in year	-	(100)
Reserves at 31 March	(159)	14

NMS Enterprises Limited has retained losses of £159k and total shareholders' funds of £41k as at 31 March 2022. The Directors of NMS Enterprises Limited recognise that the deficit on retained earnings has resulted from the exceptional circumstances surrounding Covid-19 and its impact on the company and believe that a breakeven position will be reached in the year to 31 March 2023. It is anticipated that the accumulated losses will be offset by future profits and that the company will return to a position of contributing to National Museums Scotland again in the future.

21. Contingent Liabilities

There are no contingent liabilities as at the 31 March 2022.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022**

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

	2022	2021
	£000	£000
Balance at 1 April	240	141
Grant Received	150	185
Disbursements	(182)	(86)
Balance at 31 March	208	240

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 2021-22 was £150k (2020-21: £185k). During the year 36 (2020-21: 27) payments totalling £182k (2020-21: £86k) were made to 24 (2020-21: 17) organisations, supporting acquisitions worth £604k (2020-21: £215k).

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 2021-22 of £25k (2020-21: £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 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