

Annual Report and Accounts
For the year ended 31 March 2021

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, Connecting Scotland to the World and the World to Scotland*.

Our activities in 2020/21 faced significant disruption from our original plans because of Covid-19. The Trustees would like to record their thanks to our staff, volunteers and supporters who have sustained us during this difficult period.

Prior to the Covid-19 pandemic, millions of local and international visitors enjoyed our four museums each year. The National Museum of Scotland is, in more normal times, the most visited tourist attraction in the UK outside London. During 2020/21 our museums were forced to close completely for over 7 months. When we reopened, physical distancing measures had a big impact on our visitor capacities and visitor numbers. Throughout the pandemic we continued to care for one of the most diverse collections in the world and to share it via online channels.

Public Benefit

Our Mission is to preserve, interpret and make accessible for all, the past and present of Scotland, other nations and cultures and the natural world.

National Museums Scotland successfully delivers cultural, social, educational and economic impact across Scotland, and has a growing reputation internationally. Our diverse collection is an important resource historically, culturally and intellectually which we seek to share as widely as possible. 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 around us – past, present and future.

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 758 thousand objects accessible at 31 March 2021.

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. Although our international exhibition touring programme was interrupted by the Covid-19 pandemic, visitors in Barcelona, Spain were still able to enjoy *Monkeys!* and *Body Beautiful: Diversity on the Catwalk* remained open in Sweden. We work closely with other Scottish museums on partnership projects that can raise their profile and enable wider public access to the collections. We also 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 an internationally significant centre for collections research, access and storage. It provides a focal point for cutting-edge collection-based research, interdisciplinary study, specialist training and advanced teaching, and underpins our national and international activities.

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

Due to the Covid-19 pandemic, we were only able to open our museums for just over four months in total during the financial year 2020-21. With our doors closed, we shifted our focus to continue to connect with our audiences through digital engagement. Through an enhanced digital offer, including support for home schooling families, web content, events, and virtual tours, engagement online with our many audience groups grew and broadened. We continued to support the sector in Scotland, listening to the particular challenges posed by Covid-19 and 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 closure of the museums cut off 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

Our four museums were closed from the beginning of the financial year until a phased reopening in August/September 2020. All then closed again in December and remained closed to the end of the financial year.

- National Museum of Flight: Open 5 August – 20 December 2020 (weekends only from 1 November – 20 December), 102 days
- National Museum of Rural Life: Open 12 August – 21 November, 12 December – 24 December 2020 (additional closure due to the local area going in to Level 4 for several weeks), 114 days
- National Museum of Scotland: Open 19 August – 24 December 2020, 127 days
- National War Museum: Open 2 September – 23 December 2020, 113 days

In total, for those opening periods we welcomed 175,600 visitors across our sites. All visitors are now required to book online in advance and there are strict capacity guidelines at each museum to allow physical distancing to be maintained.

Only one of our programmed exhibitions was able to open in this period – *Legacies of Empire* at the National War Museum. This exhibition examines the histories of objects brought back from colonial conflict by the military forces of the British Empire and opened on 27 November 2020 and is on display until 30 January 2022.

Digital Performance

The key objective with our online engagement was to keep people in touch and connected with the museums even though they were unable to visit in person. This was achieved through a variety of channels:

- Social media posts focused on the collections and were specifically designed to be empathetic to the ongoing situation and audiences' emotional as well as intellectual needs. This shift resulted in an uplift of 11% in followers reaching a combined follower count of 225,000.
- New formats opened up the museum spaces virtually with *Ask Me Anything* sessions with Curators and virtual tours of Scotland and Ancient Egypt galleries (led by curators moving through Google StreetView).
- Although there was a downward trend of web traffic linked to pages supporting physical visits, traffic to collections-based content on the main website saw a substantial increase across the year. The online collections search received 56% more visits, and unique page views within the *Explore* section were up by 43%.
- Led by the launch of the *Museums at Home* section of the website and bolstered by general increase in website usage through the first lockdown, traffic to *Resources* in *Explore* rose by almost 400% and putting the spotlight on our range of video content led to an upswing in access to film content of over 500%.
- Traffic to the Blog also increased by over 13% compared to the previous year with over 107,000 individual sessions compared to 94,968 in 2019/20.

Nationally

We continued to share our collections, expertise and programmes with museums and local communities across Scotland through our National Strategy. In 2020/21 our work across Scotland included:

- 3,559 objects loaned to 63 organisations in 23 local authority areas.
- 2,674 visits to 2 venues on our touring exhibition *Discovering Ancient Egypt*.
- 354 learning experiences were delivered to staff and volunteers in museums across Scotland via 19 online events.
- *Covid-19 Advice for Museums* webpage was used by 1,500 people between April 2020 and March 2021 with support for collections, marketing, working with schools and fundraising
- Over 8,500 pupils and 450 adults from more than 200 schools across Scotland took part in our digital schools' programme between November 2020 and January 2021.
- 27 grants worth £86,354 from the National Fund for Acquisitions supported acquisitions worth £215,354 helping to develop and enhance the collections of 17 organisations in 13 local authorities across Scotland.
- Completion of 3 collection reviews on distributed national collections of Ancient Egypt, East Asia and Fossils across Scottish museums.

Significant Acquisitions

Despite our museums being closed for the majority of this period, acquisitions have continued to enhance our collections and, in some cases, reflect changes in contemporary society. Highlights include:

- An original artwork for an iconic poster for LNER's 'Take me by the Flying Scotsman' campaign in 1932. The painting by AR Thomson is the oldest rail poster artwork in our

collection and was acquired with support from Art Fund and the National Museums Scotland Charitable Trust.

- A face mask from Alaska by Tlingit Athabascan artist Crystal Worl. The beaded mask was produced using fish skin from sockeye salmon that the artist harvested with her family and tanned herself.
- A giant sunfish that was washed up on a beach in the north of Scotland. This rare tropical fish measured 6ft from fin to fin, weighed 300lbs and appeared on the sand in Rosemarkie, Ross-shire.

Learning and Programmes

Our activity this year has been focused on reaching out to communities across Scotland, providing inspiring learning tools and engagement and giving groups access to our collections while our museums were closed. From November 2020 to March 2021, we reached 971 schools and 23,825 participants (22,462 pupils, 1,363 teachers/adults):

- The Learning and Engagement team reached schools from the Highlands to Dumfries and Galloway via live online learning programmes from November to March, with themes spanning from Dinosaurs, ancient Egypt and the Romans from the National Museum of Scotland to WWII from the National Museum of Flight.
- Our National Lottery-funded project, *Scotland 365*, continued with the recruitment of a Youth Engagement Forum and the development of a new Activity Plan based in consultation with over 500 young people across Scotland on their current motivations to engage with museums and heritage.
- The first online Adult Learning event *An Egyptian Luxury in Roman Scotland* took place on 20 January, followed by a Burns Night celebration as part of the *Burns & Beyond* festival. These events engaged large audiences, both existing and new, with attendees from across Scotland as well as some tuning in from the rest of the UK and internationally.
- Our *Friday Friends* online sessions for D/deaf and visually impaired children, supported by ASN music specialists Drake Music, investigated ancient Egypt in January through music, multisensory objects and craft, with activity packs sent out in advance.

Fundraising and income generation

We sustained our funding partnerships and diversified our income through innovation in fundraising. In 2020/21:

- Through a grant of £350,000, Players of the People's Postcode Lottery helped us to protect our objects, maintain our museums, and offer people new ways to engage with us online while it was not possible for people to visit. It also helped us to reopen safely, offering visitors much needed opportunities to have fun, learn, and connect with each other and our collections.
- We launched our first solo e-appeal to Members and an appeal to Patrons raising £95,000 to support our museums while our doors were closed.
- We rolled out contactless giving across all our museums and launched QR-code donations at the National Museum of Flight to capitalise on people's new familiarity with cashless and mobile technology.
- Our new programme of online events provided opportunities to donate online or by text and introduced asks in the ticket buying journey, which in combination raised around £5,000.

These innovations will continue to support our financial recovery and provide a base for generating vital unrestricted income in the years to come.

Our Team

The Inspiring People Strategy Action Plan has a continued 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 recognise the challenges that the Covid-19 pandemic provided to us in the reporting period 2020-21 but are pleased to note some of our people successes as follows:

- Maintaining our Healthy Working Lives Silver Award via Public Health Scotland. We have just developed a new action plan to continue to function at the highest level of the award programme. Our submission for the Gold Award is being externally assessed and this is now scheduled to take place in 2021.
- Publishing our fifth Equalities Mainstreaming Report which outlines our approach to embedding and advancing equality, diversity and inclusion in our day-to-day work. This report concludes the reporting period of our Equality Outcomes 2017–2021 and through extensive consultation we have developed and published our new set of Equality Outcomes for 2021-2025.
- Completion of a comprehensive review of all people policies and procedures, rationalising and compressing policies, where possible. This included extensive consultation with key stakeholders. The launch of new policies is also supported by a communication plan to raise awareness and support managers in consistent application of our people policies and to ultimately ensure our people feel supported through our HR policies and how we implement them.
- Reviewing and implementing improvements to our recruitment process to promote our attractiveness to candidates as an employer, thus enabling us to appoint the best possible talent.
- Establishment of an organisation-wide approach and culture for supporting mental health in the workplace. Along with reviewing our Wellbeing Policy, we have worked closely with our people managers to ensure they have the knowledge and skills they need to support their teams, have rolled out e-learning on a range of mental health and wellbeing topics, offered Mindfulness training virtually, raised awareness of our Employer Assistance Programme through various channels, and have trialled numerous wellbeing initiatives organisation wide such as wellbeing days, no email days and no meetings between 12 and 2pm.
- Increasing our provision of e-learning to cover a much wider range of topics, and workshops delivered virtually for the first time, focusing on resilience, mental health and digital skills and software that supported home working such as Teams/OneDrive and Zoom.
- Reaching agreement on the draft framework for our in-house Curatorial Development Programme and the setting up of a pilot in the department of World Cultures.
- Completing our pilot tailored Level 5 Institute of Leadership & Management (ILM) Certificate in Leadership programme with Edinburgh College.
- Supported through our Further Education Policy, colleagues achieved the Associateship of the Museums Association (AMA) and the Professional Accredited Conservator – Restorer status (PACR).

Sustainability

Our energy consumption produced a total of 3,251 tonnes of carbon dioxide (tCO₂e) in 2020/21, which is our lowest emissions footprint to date. This compares to 4,068 tCO₂e in 2019/20. While this 20% reduction would have been heavily influenced by lockdowns we undertook measures to reduce our consumption including:

- Electricity consumption: the reduction in plant run times eg the primary air handling units in the National Museum of Scotland have four 90 kilowatt motors that used to run 24 hours a day. This has now reduced to two 90 kilowatt motors running for 12 hours a day.
- Gas consumption: at the National Museum of Scotland, temperatures were reduced creating better atmospheric conditions for the collections with a resultant reduction in the consumption of gas. In addition, the circulating supply of hot water used to operate the heating systems was reduced by a few degrees there-by reducing the operational run times of the boiler. This reduction significantly reduced the gas consumption by the boiler plant and carbon dioxide emitted.
- Boilers at the National Museum of Scotland are compliant with upcoming Medium Temperature regulations due to come into force in 2025.

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 Action Plan 2021/22 has been developed. Taking action on climate change and environmental impact has been included as a priority in our Strategic Plan update 2020-22. We are committed at an organisation-wide level to reduce our own impact on the environment and to inspire others to do the same.

Our natural science collections of more than nine million specimens are available to researchers in Scotland and throughout the world for use in research on biodiversity, the threats that our biodiversity faces and the conservation actions that will help it to recover and to sustain it.

In response to the pandemic, we shifted survey work and monitoring of biodiversity to areas around Edinburgh. Centred at the National Museums Collection Centre some of the Natural Scientists, Learning & Engagement and Collections Services teams are collaborating with local community groups, schools, the Royal Botanic Garden Edinburgh and the National Galleries of Scotland to increase awareness of urban biodiversity. The team have begun a baseline biodiversity survey with plans to continue recording seasonal variations. We have also begun planning for a baseline survey of the different environments at the National Museum of Flight. As part of the community engagement programme, we aim to demonstrate the role of modest interventions in enhancing local biodiversity and to celebrate the urban environment.

The continued development of our Biobank over the past year is key to our future growth and use of the collection.

We have commenced a major project to redevelop our gallery for young children: *Adventure Planet*. It seeks to increase hands-on engagement with biodiversity issues and habitat protection. This gallery is due to open to the public in winter 2021/22.

We are proud to have retained Green Tourism Awards for all of our museums, with the National Museum of Rural Life, the National Museum of Flight and the National Museum of Scotland retaining Gold awards.

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. Unfortunately, due to the on-going Covid-19 pandemic the volunteer programme activity has been paused since March 2020 until we can return our volunteers safely to the workplace. We still however maintain the support of 127 volunteers who have regularly volunteered in the past and we eagerly await their return.

KPIs

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

	2019/20	2020/21	2020/21
	Results	Plan	Results
Key Performance Indicators			
Total number of on-site physical visits	3.0m	3.2m	0.2m
Online Audiences	2.1m	2.5m	2.0m
Total learning participation	228k	240k	50k
Total visits to NMoS Exhibitions	167k	190k	0
Total value of commercial income	£5.9m	£6.6m	£1.6m
Total value of philanthropic income	£2.1m	£1.2m	£1.3m
Visitor satisfaction	84%	85%	N/A
% Collections storage by area meeting appropriate standards	65%	65%	N/A
Energy Emissions on tCO ₂	4,068	3,865	3,251
Non-government income as % of total income	25%	25%	11%

The KPI plan for 2020/21 was suspended due to the Covid-19 pandemic. The number of physical visits was severely curtailed due to the museums being closed from March 2020 until August 2020, then again from 24 December 2020 until 26 April 2021. Numbers of visits while open continue to be restricted due to physical distancing rules. During the periods of being open we have seen encouraging numbers of visitors return to our sites, with National Museum of Flight in particular attracting more visitors than the equivalent period pre-Covidt.

Website visits for the year were down by 13% compared to 2019/20 due to the loss of traffic around the closure of the museums, although collections-related content on the main site and the blog have seen significant year-on-year increases. Audiences across our three main social media platforms have seen steady growth throughout the year, representing a 11% overall rise to 225,000 followers.

Over the course of 2020/21 many areas of core programming moved online, successfully maintaining audience contact and welcoming new audiences locally, nationally and internationally. As staff gained skills and experience in taking work online, this led to increased engagement as the year progressed.

During the closures from January-March 2021 all learning and engagement was undertaken online. New areas of development have included a programme of online events for adults, production of creative film content as part of the *Burns and Beyond* festival partnership project, as well as pre-recorded digital school sessions to reach primary school pupils while they engage with their school work from home. Online sessions for vulnerable audiences increased, with target sessions for families including mindful sketching and music from Drake Music and Live Music Now Scotland, and a monthly programme of *Museums Socials* for those living with dementia and their carers. The Scotland 365 project adapted plans to continue working online, recruiting a Youth Engagement Team in January, with regular interaction online between them, project partners and internal staff. Maths Week Scotland was presented online and included activities for young people to do outdoors.

The overall figure of 50,283 includes 21,363 online engagements with our learning programmes, as well as 321 physical engagements on and off site, and 28,600 printed trails and activity sheets engaged with by family groups and other visitors across our sites.

There were no paid exhibitions in the year due to the closures and continued Covid-19 restrictions. We reopened the National Museum of Scotland in August 2020 with a new display called *New Collecting, New Thinking* which featured Scottish history collections. This was located in Hawthornden Court and its visitor numbers could not be counted. We reopened on 26 April 2021 and

our first special exhibition is *The Galloway Hoard: Viking Age Treasure*, which opened on 28 May 2021 to much enthusiasm from visitors.

Due to the closure of the museums in Quarter 1 and Quarter 4, no visitor satisfaction data collection was possible. Only partial data is available for Quarter 2 so this has not been reported. In Quarter 3, data was gathered through the ALVA post-visit survey which is sent to every ticket booker, a change to our usual in-person randomised sample methodology, which enables us to benchmark our post-Covid-19 performance with other attractions. Feedback through the survey indicates clearly a drop in satisfaction compared to previous years, primarily due to the reduced visitor offer under Covid-19, e.g. interactives not available. In Quarter 3, the National Museum of Scotland, National Museum of Rural Life and National Museum of Flight all scored above the benchmarked mean for 'all attractions' and 'all museums' for safety measures, staff welcome, the process of entering, and overall enjoyment. We are not able to send the survey to National War Museum visitors.

Due to Covid-19, we have been unable to carry out the survey work to report on the Collections storage standards in 2020/21. This will be carried out as and when it is safe to do so.

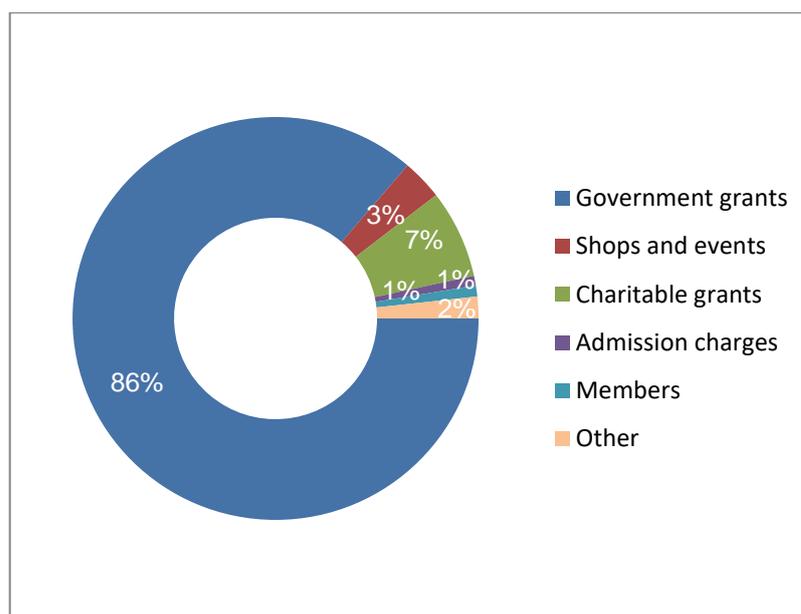
3. Financial review

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 decimated our non-government income, which fell by over £4m. We are grateful for government support from the Coronavirus Job Retention Scheme and Business Rates Relief provided in 2020/21. We face further challenges following the Covid-19 pandemic as our commercial income is expected to remain significantly below the levels achieved in recent years while our visitor numbers and events programmes recover from the closures and we address the continuing restrictions to our operations that are posed by social distancing and restrictions on hospitality.

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 £27.4m (£31.3m in 2019/20) of which £23.7m was in GiA (£23.3m in 2019/20). In the year to 31 March 2021 we also received £958k in Covid-19 support via the Coronavirus Job Retention Scheme.

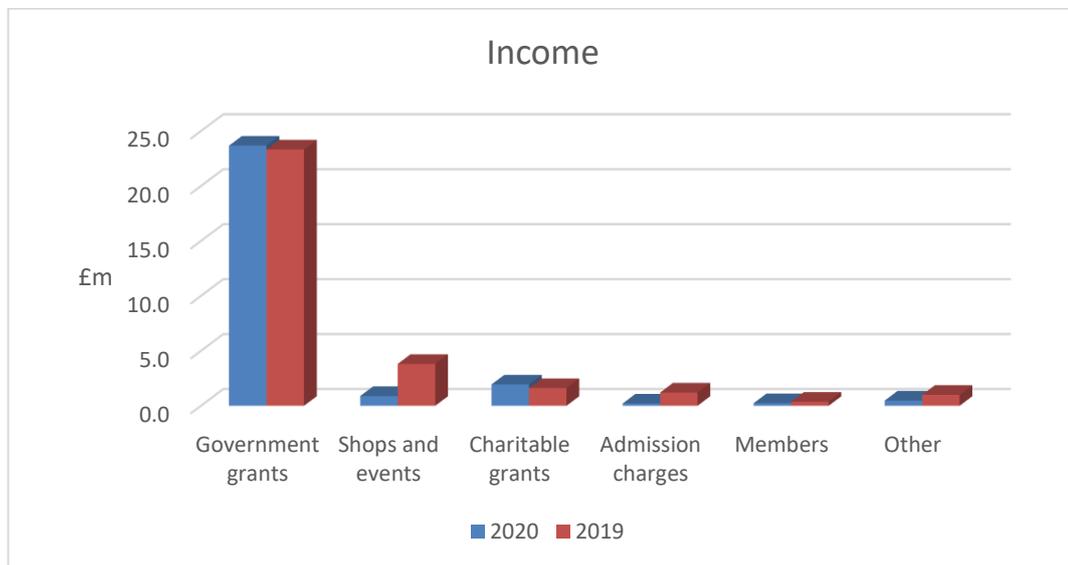


We charge for admission at the National Museums of Flight and Rural Life. We do not charge for admission at the National War Museum, although visitors cannot access the Museum unless they pay Historic Environment Scotland for admission to Edinburgh Castle. Admission to the National Museum of Scotland is free apart from the main Special Exhibition Gallery, but there have been no charged exhibitions since the first lockdown in March 2020.

Our donations fell by £1m compared to the previous year due in part to having been closed to visitors but more significantly there was a drop in the donation from our trading subsidiary NMS Enterprises Limited of £797k.

Our visitor income decreased by £1m due to the closures of our museums during 2020/21 (£0.4m) and the cancellation of paid exhibitions, Scotland’s National Airshow and special events (£0.6m).

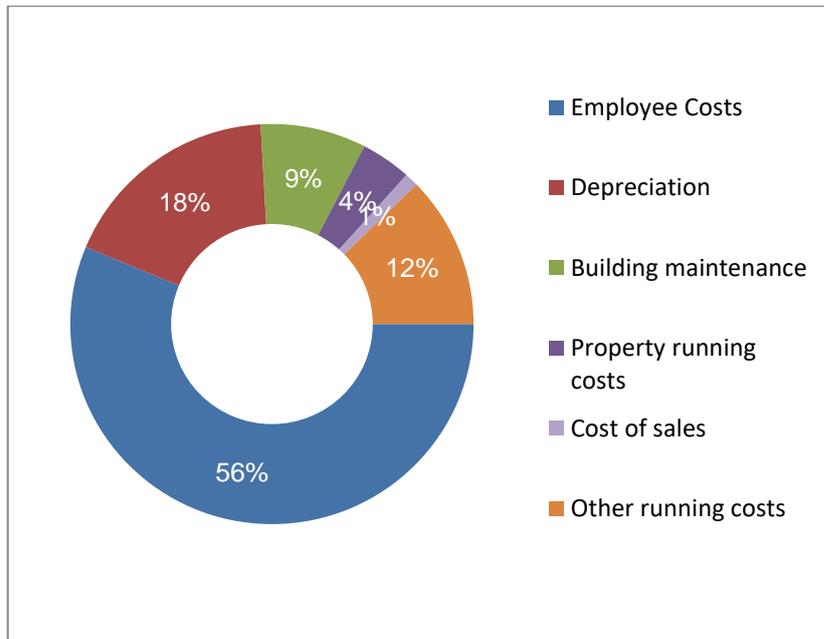
Our Shop and Event income comes from NMS Enterprises which manages retail and venue hires, offering spectacular events in our unique and versatile sites across National Museums Scotland. NMS Enterprises was about to achieve its most successful trading year in 2019/20 before the lockdown. In the year to 31 March 2021 NMS Enterprises income was £0.9m compared to £3.8m in the previous year. Retail locations and cafes were open at restricted capacity while the museums were open but there were no hospitality events.



We received nearly £3.2m in unrestricted income during the year compared to £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.

Costs

The most significant category of spend is employee costs which accounted for 56% of our total costs – up 5% year on year. Headcount fell slightly (0.5%), having fallen by 2% in the previous year. The fall in the previous year had been due to vacancies which were not filled during the closures and furlough periods. The basic payroll costs went up due to the implementation of the Scottish Government Pay Policy but overall remained static due to the drop-in headcount and lower overtime.

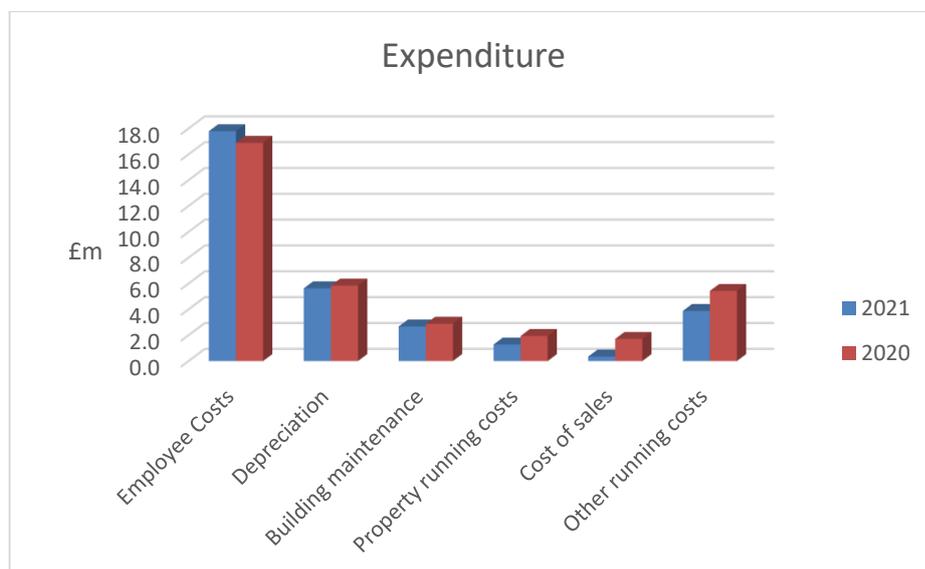


Depreciation is the cost of using our capital assets gradually over many years. We continually invest to build up our capital base of buildings, facilities and displays. These costs were in line with the previous year due to the effect of revaluations in 2020/21.

Operating our buildings (maintenance, heat and light) takes another large part of our budget. Investment to reduce energy consumption and our carbon footprint has been successful but has been offset by price increases. Our Building Maintenance costs increased from 7% to 9% of our total costs. During the periods of closure in 2020/21 we took the opportunity to utilise funding arising from savings made during the lockdowns in other areas such as exhibitions and travel costs to address some of our backlog maintenance. Building work was permissible under lockdown regulations and without team members and visitors on site made it simpler to undertake.

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. There were considerable savings in the year as there was no travel and no exhibitions. Some external grant-funded curatorial projects were able to continue where research work could be done from home.



Major Investment Projects

In the period, the Group acquired tangible assets at a cost of £2.4m (2019/20 £1.3m), including £0.4m on the land at Granton (2019/20 nil), £1.6m (2019/20 £0.9m) on buildings and £0.2m (2019/20 £0.4m) on equipment purchases. The acquisition of the land at Granton is the first stage in our masterplan to redevelop the National Museums Collection Centre further and replace some of the buildings which are no longer fit for purpose.

During this financial year our capital spend focused on replacing operational assets which are essential to our activities. This included the replacement of the CCTV equipment (£225k) and the first phase of upgrading the lifts across our sites (£153k). We were able to address some of the backlog of property improvement works due to savings elsewhere while under lockdown. We were also 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. 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 (£52k). This funding carries into 2021/22. 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 returned £0.5m of our capital element of the Grant-in-Aid to Scottish Government which had been allocated to the National Museum of Flight *Ready for Take Off* project as we were unsuccessful in our planning application. We also wrote off £0.6m in relation to costs already incurred. We are reviewing our options on how we transform the National Museum of Flight, making sense of the historic airfield and bringing our collection together, to reveal stories about the impact of aviation on the environment and people's lives.

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 reduced by £0.1m to £0.8m. The reserve relating to NMS Enterprises fell by £0.6m to nil due to losses incurred by them in the year.

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 2021/22 on 24 March 2021. The future effects of the lockdowns and continued restrictions such as physical distancing remain unclear, but we have used recent experience for the 2021/22 Budget. With the continued benefit of Business Rates Relief and other savings which could be realised if required if further lockdowns occur, such as vacancy savings, we believe we will break even in the current financial year. The Scottish Government has made available to us an additional £1.4m of "Covid-19 Consequentials" funding if required.

The 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. It will need to offset these losses before it can make future contributions to National Museums Scotland. It is envisaged that this will take several years. We implemented the Scottish Government Pay Policy for 2021/22 as the Scottish Government has stated, 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 and that there is no policy position to reduce our scale of operations.

The budget and updated forecast is shown in the table below.

	2020/21	2021/22	2022/23	2023/24
	Actual	Budget	Plan	Plan
	£000	£000	£000	£000
Income				
Grant-in-Aid	23,677	26,174	27,112	25,690
Other income	2,977	2,778	2,709	3,003
Total Income	26,654	28,952	29,821	28,693
Operational Expenditure				
Salaries	16,773	17,880	18,068	18,507
Operational Costs	7,018	9,355	9,411	9,447
Total	23,791	27,235	27,479	27,954
Major Projects Expenditure	2,393	1,700	3,000	1,150
Surplus/(Deficit)	470	17	(658)	(411)

In recent years GiA has been static, apart from increases which have funded the majority of the costs of implementing the Scottish Government Pay Policy and have therefore been significantly reduced in real terms due to inflation. The forecast in the above table makes no allowances for any future Pay Policy increase as it is assumed any increase in costs will be offset by additional Grant in Aid. The losses in future years are due to the predicted impact of Covid-19 on future years activities. Our non-government income has grown substantially over recent years which means that the impact of the lockdown has had a major impact on our finances. The recovery from this will take several years.

Our operational budgets are already under strain from standstill funding – especially our maintenance costs. We have managed to address some maintenance work during 2020/21 but the current position regarding estate maintenance and renewal means that our level of backlog maintenance is increasing. Before the lockdown restrictions the increased popularity of our free admission museums had led to additional pressure on our budgets as no additional funding had been made available for the resultant increases in operational costs. The table above assumes no additional funding or costs in relation to maintenance spend which will mean the estate will continue to deteriorate.

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. Without adequate future funding we would have to make visible changes to our operations and the impact we make.

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 Business Continuity Planning allowed us to close our premises in a matter of days and enabled many members of our team to work from home during and after Lockdown. We continue to review our operational plans and adapt our output to maintain contact with our stakeholders, with plans in place to close our museums at short notice should we need to. Our re-opening plans also proved successful, with visitors returning to a physically distanced environment with a reduced offering, but feedback showed good levels of customer satisfaction. Maintaining the connection with our supporters puts us in a good position for the future.

Our biggest risk is the uncertainty around our funding, the return of visitors, and the short-term and long-term effects of Covid-19 throughout the organisation. While our museums are open our office-based team members remain working from home as per government guidelines. We have started work on proposals for the longer-term and how we promote, fairly apply and embed flexitime, flexible working and requests to work from home. What the 'new normal' is remains unclear.

Covid-19 aside 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. 2021/22 is of significant concern given the additional pressure on Government in light of the pandemic and the effect on the economy. Potential consequences on staff numbers, sites and opening times as a result.
Buildings not fit for purpose	Buildings not meeting appropriate legislative standard, or uneconomic to repair, or not fit to be occupied by staff or collections. Risk/impact: Health & Safety; ability to achieve strategic objectives; reputational impact
Recruitment/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.
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

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 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 (2019/20 £750k) which enabled us to address some of the estates issues. We received an additional £350k in 2020/21 to improve our carbon footprint by installing LED lighting and upgrading two of our boilers.

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

Although significant uncertainties remain as to the outcome of Brexit, we have reviewed the impact on each risk and have arrived at the conclusion that Brexit-related risks are manageable.

4. Plans for the future

Following two periods of closure, we re-opened our museums on 26 April 2021 (National War Museum re-opened on 1 May 2021) with a much-reduced capacity and continuing timed ticketing as a method of controlling visitor numbers. We also opened *The Galloway Hoard: Viking Age Treasure* exhibition on 28 May 2021 in our main exhibition hall. This free exhibition has been housed in the main hall to address the limited capacity required to comply with physical distancing rules. Our opportunity to earn income from exhibitions remains limited due to Covid-19 restrictions.

The first paid exhibition since the closures is scheduled for January 2022 and will be *Audubon's Birds of America*, which will showcase a selection of our collection of prints from Audubon's remarkable masterpiece.

We continue to develop our digital offerings, including those targeted to the needs of teachers and families, and online events to ensure that we can still engage our supporters. For example we held an online Private View of *The Galloway Hoard: Viking Age Treasure* in advance of it opening.

We started the new year with changes in leadership within our Trustee and Executive Teams. Dr Christopher Breward took up the post of Director in April 2020 and Ian Russell who was formerly a Trustee took over from Bruce Minto as Chairman when the latter stepped down in August. In light of these changes, the Board took the view to extend our current Strategic Plan which ran from 2016-2020 by a further 2 years. We took the opportunity to review the actions and priorities to ensure they are realistic and achievable in the current environment. Our Strategic Plan Update for 2020-22 sets out our values, aims and priorities for the years ahead:

Our Values

Our values describe how we want to operate – with each other and externally:

- *Creative*: we are innovative and thrive on good ideas
- *Inclusive*: we are open, friendly and enabling
- *Collaborative*: we are enquiring, receptive and well connected
- *Forward-Thinking*: we look for the big picture as well as the detail

We capture all of the above in our brand, “*Real Things, Revealing Stories*”, which is at the heart of how we communicate and engage with people at our museums and beyond.

Our Aims

These four aims direct our strategic priorities and actions:

- *Put Audiences First*
Create inspiring experiences that help our audiences’ understanding of themselves and the world around them.
- *Value our Collections*
Preserve, interpret, share and make them accessible for all.
- *Increase our Reputation and Reach*
Connect more with people locally, nationally and internationally.
- *Transform our Organisation*
Develop our people, and work together to deliver our ambitions and increase our income.

Our Priorities

1. Creating inspiring visitor experiences.
2. Developing, preserving and increasing access to the National Collections.
3. Strengthening and sharing collections knowledge and research.
4. Reaching out to people across Scotland and the world.
5. Transforming our digital engagement.
6. Valuing, supporting and developing our people and empowering them to work together in new ways.
7. Growing and diversifying our income.
8. Taking action on climate change and environmental impact.

Our Aims and Priorities are translated into a set of Key Performance Indicators (KPI) and an annual Operational Plan, which together help us track how well we are doing and focus on critical actions which have to be completed to achieve the Plan.

During 2021-22 strategically important activities include:

- We will undertake detailed feasibility studies for the new *Ready for Take Off* project at the National Museum of Flight following the refusal of planning permission for the original project. The priority of this project will still be to rescue aircraft at risk, significantly enhance the visitor experience, and improve the appreciation of the historic site itself.
- At the National Museums Collection Centre, we will continue to work with partners to progress the strategy for Granton Waterfront during 2021-22. We will develop a Royal Institute of British Architects (RIBA) Stage 1 feasibility study for new buildings to support the secure storage of our collections making our collections more accessible.
- Work on developing a strategic outline case on the long-term renewal of the Scotland Galleries at the National Museum of Scotland. This will involve research on the building (both its operational priorities and its architectural significance), assessing our collections currently on display, engaging with our audiences while supporting our ongoing content and collections research.
- Reviewing the content and purpose of our Exhibition Programme and its associated visitor targets in light of the changed external environment post Covid-19.
- Ensuring we are making the best of our national and international partnerships, and continuing to support other national museums through the recovery process following the Covid-19 pandemic closures.
- Work towards our new Strategic Priority of Sustainable Development which reiterates our commitment to reduce our own impact on the environment and to inspire others to do the same.

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:

- Bruce Minto OBE (Chairman – retired 31 July 20)
- Ann Allen MBE
- Professor Mary Bownes OBE
- Motaram Mimi Brophy (appointed 1 April 21)
- Adam Bruce
- Gordon Drummond (retired 31 March 21)
- Chris Fletcher (retired 31 March 21)
- Graeme Gibson (appointed 1 April 21)
- Dr Brian Lang CBE
- Lynda Logan
- Dr Catriona Macdonald
- Ian Russell CBE (Chairman from 01 August 20)
- Janet Stevenson
- Professor Ian Wall (appointed 1 April 21)
- Eilidh Wiseman
- Dr Laura Young MBE.

The Board meets 5 times a year and the committees meet on a regular basis reporting to the Board of Trustees. Meetings have continued throughout Covid-19 restrictions using online platforms. 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. Their 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 for 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.

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 21 September 2021

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 2020/21 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 at the year-end both for 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 Activities 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:

- Select suitable accounting policies and apply them consistently
- 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
- Confirm that the Annual Report and Accounts as a whole are 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.

Christopher Breward

DIRECTOR
Dr Christopher Breward

Date 21 September 2021

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
- 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
- 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 three 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 2021 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 2020-21 the Internal Auditors examined Health and Safety and Remote Access / Use of Cloud Based Systems. The Health and Safety audit identified areas of weakness which are being addressed. With the exception of this the Internal Auditor has concluded that there are adequate and effective arrangements for risk management, control and governance and proper arrangement is in place to promote and secure Value for Money.

There was one reportable Personal Data-related incident during the year. We received notification in July, from Blackbaud, a service which hosts National Museums Scotland's donor platform, that a copy of our NetCommunity backup had been stolen in a ransomware attack. Follow up investigations revealed that names, email addresses, postal addresses and phone numbers of data subjects were contained within NetCommunity. User card details would also have been contained within the backup, however we are assured by Blackbaud that this data is encrypted and that it has not been compromised. National Museums Scotland was one of many organisations in the UK and other countries whose data was affected.

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
- 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 21 September 2021



DIRECTOR
DR CHRISTOPHER BREWARD

Date 21 September 2021

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 for the year ended 31 March 2021 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 a summary of 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 National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2021 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 5 years. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is 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 determines 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 is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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 economic 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 skillfulness 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 to detect material misstatements in the financial statements in respect of irregularities, 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

Statutory other information

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

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I

conclude that there is a material misstatement of this statutory 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 statutory 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 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 Haseeb

Asif A Haseeb OBE

Date 21 September 2021

Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

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.

ACCOUNTING STATEMENTS

Consolidated Statement of Financial Activities for the Year Ended 31 March 2021

Group	Notes	2021	2021	2021	2020
		Unrestricted Funds	Restricted Funds	Total	Total
		£000	£000	£000	£000
Income from:					
Donations and legacies	3	25,300	574	25,874	25,286
Charitable activities	3	615	-	615	2,032
Other trading activities	3	952	-	952	4,009
Investments	3	5	-	5	11
Other	3	-	-	-	-
Total		26,872	574	27,446	31,338
Expenditure on:					
Charitable activities	5	22,693	5,807	28,500	31,410
Raising funds (including Cost of Sales)	5	2,179	-	2,179	3,885
Other	5	-	598	598	(15)
Total		24,872	6,405	31,277	35,280
Net income/(expenditure)		2,000	(5,831)	(3,831)	(3,942)
Tax reclaimable	19	314	-	314	215
Net Income (Expenditure) After Tax		2,314	(5,831)	(3,517)	(3,727)
Transfers between funds	16	(2,428)	2,428	-	-
Gains/(losses) on revaluation of fixed assets	16	-	(969)	(969)	1,903
Net movement in funds		(114)	(4,372)	(4,486)	(1,824)
Reconciliation of funds:					
Total funds brought forward	16	933	181,066	181,999	183,823
Total funds carried forward	16	819	176,694	177,513	181,999

The notes on Pages 29 to 44 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

ACCOUNTING STATEMENTS

NMS Charity Statement of Financial Activities for the Year Ended 31 March 2021

National Museums Scotland	Notes	2021	2021	2021	2020
		Unrestricted Funds	Restricted Funds	Total	Total
		£000	£000	£000	£000
Income from:					
Donations and legacies	3	25,400	574	25,974	26,183
Charitable activities	3	615	-	615	2,032
Other trading activities	3	61	-	61	194
Investments	3	5	-	5	10
Other	3	-	-	-	-
Total		26,081	574	26,655	28,419
Expenditure on:					
Charitable activities	5	22,693	5,807	28,500	31,410
Raising funds	5	661	-	661	733
Other	5	-	598	598	(15)
Total		23,354	6,405	29,759	32,128
Net income/(expenditure)		2,727	(5,831)	(3,104)	(3,709)
Tax reclaimable	19	209	-	209	320
Net Income (Expenditure) After Tax		2,936	(5,831)	(2,895)	(3,389)
Transfers between funds	16	(2,428)	2,428	-	-
Gains/(losses) on revaluation of fixed assets	16	-	(969)	(969)	1,903
Net movement in funds		508	(4,372)	(3,864)	(1,486)
Reconciliation of funds:					
Total funds brought forward	16	297	181,066	181,363	182,849
Total funds carried forward	16	805	176,694	177,499	181,363

The notes on Pages 29 to 44 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

ACCOUNTING STATEMENTS

Consolidated & Charity Balance Sheets for the Year Ended 31 March 2021

	Notes	Group		Charity	
		2021 £000	2020 £000	2021 £000	2020 £000
Fixed Assets					
Tangible assets	6	164,806	169,376	164,755	169,297
Heritage assets	8	11,198	11,071	11,198	11,071
Investments	11	1	1	200	200
Total Fixed Assets		176,005	180,448	176,153	180,568
Current Assets					
Stocks	12	797	845	-	-
Debtors	13	1,021	1,264	1,681	1,261
Cash at bank and in hand		3,233	2,353	3,158	2,135
Total Current Assets		5,051	4,462	4,839	3,396
Current Liabilities					
Creditors: amounts falling due within one year	14	(3,430)	(2,765)	(3,380)	(2,455)
Net current assets		1,621	1,697	1,459	941
Total assets less current liabilities		177,626	182,145	177,612	181,509
Provisions	15	(113)	(146)	(113)	(146)
Net assets		177,513	181,999	177,499	181,363
Financed by:					
Restricted funds:	16	176,694	181,066	176,694	181,066
Unrestricted Funds:	16	819	933	805	297
Total Funds		177,513	181,999	177,499	181,363

The Board approved these financial statements on 21 September 2021 and the Accountable Officer authorised them for issue on the same date.



CHAIRMAN



DIRECTOR

Date: 21 September 2021

Date 21 September 2021

The notes on Pages 29 to 44 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

ACCOUNTING STATEMENTS

Consolidated & Charity Statement of Cash Flows for the Year Ended 31 March 2021

		Group		Charity	
		2021 £000	2020 £000	2021 £000	2020 £000
	<i>Notes</i>				
Cash flows from operating activities					
Net cash generated by operating activities		3,395	2,449	3,538	2,518
Cash flows from investing activities					
Purchase of property, plant & equipment	6	(2,392)	(1,296)	(2,392)	(1,257)
Proceeds from the sale of property, plant & equipment		(1)	19	(1)	19
Purchase of heritage assets	8	(127)	(120)	(127)	(120)
Interest Received		5	11	5	10
Net cash used in investing activities		(2,515)	(1,386)	(2,515)	(1,348)
Change in cash in the year		880	1,063	1,023	1,170
Cash at the beginning of the year		2,353	1,290	2,135	965
Cash at the end of the year		3,233	2,353	3,158	2,135

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

		2021	2020	2021	2020
		£000	£000	£000	£000
Net income/(expenditure) for the reporting period (as per the Statements of Financial Activities)		(3,517)	(3,727)	(2,895)	(3,389)
Adjustments for:					
Depreciation charges	6	5,396	5,425	5,368	5,397
Interest received		(5)	(11)	(5)	(10)
Loss/(profit) on the sale of property, plant & equipment		598	(15)	598	(15)
(Increase)/decrease in stocks	12	48	(103)	-	-
(Increase)/decrease in debtors	13	243	1,510	(420)	1,273
Increase/(decrease) in creditors	14	665	(577)	925	(685)
Increase/(decrease) in provisions	15	(33)	(53)	(33)	(53)
Net cash provided by (used in) operating activities		3,395	2,449	3,538	2,518

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 29 to 44 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 (FRM).

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 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 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.

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. We currently hold no Finance Leases which would be capitalised in the Balance Sheet along with the corresponding liability for future 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 2021**

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	2021	2020
	£000	£000
Grant-in-aid received:		
Revenue	21,827	22,379
Capital	1,650	750
	23,477	23,129
Purchase Grant	200	200
Total received during year	23,677	23,329

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

Current year	Outturn	Offer Letter
	£000	£000
Cash Items		
Running Costs	21,827	22,912
Purchase Grant	200	200
Capital Grant	1,650	1,650
	23,677	24,762
National Fund for Acquisitions (Note 23)	185	185
	23,862	24,947
Non-cash Items (Notional)		
Depreciation incl. permanent diminution in value	3,988	3,400
	27,850	28,347

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).

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 has been severely curtailed due to the Covid-19 closures and continued restrictions on hospitality and events.

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2021

Group	2021				2020	
	Unrestricted	Restricted	Group	NMS	Total	NMS
	£000	£000	Total	Total	Group	Total
			£000	£000	£000	£000
Donations and legacies						
Government grants	23,677	-	23,677	23,677	23,329	23,329
Charitable grants	1,370	574	1,944	1,944	1,614	1,614
Donations	253	-	253	353	343	1,240
Total	25,300	574	25,874	25,974	25,286	26,183
Charitable activities						
Admission charges	213	-	213	213	1,205	1,205
Memberships	243	-	243	243	376	376
Provision of services	29	-	29	29	123	123
Other	130	-	130	130	328	328
Total	615	-	615	615	2,032	2,032
Other trading activities						
Shops and events	891	-	891	-	3,815	-
Sponsorship	61	-	61	61	194	194
Total	952	-	952	61	4,009	194
Investments	5	-	5	5	11	10
Other	-	-	-	-	-	-
Total Income	26,872	574	27,446	26,655	31,338	28,419

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 2020-21 (2019-20 - nil).

During 2020-21 National Museums Scotland paid a total of £107 reimbursement of travel expenses to 1 Trustee, while in 2019-20 a total of £160 was reimbursed to 2 Trustees.

Staff costs and employee benefits

Staff Costs during the Year

	Group		Charity	
	2021	2020	2021	2020
	£000	£000	£000	£000
Salaries	13,183	13,336	12,338	12,372
National Insurance Costs	1,217	1,220	1,141	1,142
Pension Costs	3,395	3,367	3,292	3,273
Early Retirement	2	8	2	8
Total	17,797	17,931	16,773	16,795

Range of Staff Remuneration

The range of staff remuneration was £18,733 to £111,500 (2019/20 £17,983 to £118,354)

Termination Payments

During the year there were no staff redundancies (2019/20: nil) or other departures which resulted in no Termination payments (2019/20: nil)

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2021

Numbers of employees

In the year the average staff head count was 459 staff (2019-20 475), which includes many part-time staff. The full-time equivalent staff numbers are shown below analysed by the activity categories shown in Note 5.

	Group		Charity	
	2021	2020	2021	2020
Curatorial	85	78	85	78
Conservation & Collections Management	45	46	45	46
Public displays & events	152	157	152	157
Security and Support Services	97	99	97	99
Marketing	10	10	10	10
Estates and Buildings	7	8	7	8
Governance	5	5	5	5
Development	9	9	9	9
NMSE	15	15	-	-
Total	425	427	410	412

Number of FTE Staff at 31st March 2021

In the year 11 employees were paid more than £60,000 (2019-20 12), as shown in the table below:

Group	Number of staff	
	2021	2020
£60,000 to £69,999	4	5
£70,000 to £79,999	2	3
£80,000 to £89,999	4	3
£90,000 to £99,999		
£100,000 to £109,999		
£110,000 to £119,999	1	
£120,000 to £129,999		1
Total	11	12

Key management personnel

The key management personnel are considered to be The Director (Chief Executive Officer) and the senior managers who are line managed by The Director. In 2020-21 this staff group comprised:

- Dr Christopher Breward, Director – Started 6/4/20
- Ruth Gill, Director of Public Programmes
- Helen Ireland, Director of External Relations
- Xerxes Mazda, Director of Collections – Left 9/4/21
- Keith Pentland, Director of Finance, Planning and ICT
- Clive Richardson, Interim Director of Estates and Facilities – Left 9/2/21
- Lynn Smith, Director of People
- Peter Williamson, Managing Director of NMS Enterprises and Director of Visitor Operations

The total cost of remuneration (excluding pensions) to these key management personnel in the year was £656k (2019-20 £669k), 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 median remuneration of the workforce. The midpoint for the banded remuneration of the highest paid director was £116k (2019-20 £116k). This was 4.83 times the median remuneration of the workforce (2019-20: 4.83 times) at the reporting period end date, which was £24k (2019-20 £24k).

Pension Costs

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

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2021**

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 456 staff in the year (2019-20 455 staff). For 2020-21, employers' contributions of £3,250k were payable to the PCSPS (2019-20 £3,226k) 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 2019-20 were between 26.6% and 30.3%).

The contribution rates are set to meet the cost of the benefits accruing during 2020-21 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 £22k (2019-20 £28k) 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 7 staff during 2020-21 (2019-20 = 9 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 £103k (2019-20 £94k).

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 20.73) 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% *	11
1-50%	11
51%-99%	-
100%	-

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

The total cost of Facility Time was £10,070 from a total pay bill of £16.7m = 0.06%

Out of the total paid Facility Time, 37% was spent by employees who were relevant union officials on paid trade union activities. The remaining 63% was spent on trade union duties.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2021**

5. Expenditure

Group - Unrestricted	2021				2020	
	Direct Cost	Support Cost	Group Total	NMS Total	Total Group	NMS Total
	£000	£000	£000	£000	£000	£000
Charitable activities						
Curatorial	477	4,152	4,629	4,629	4,807	4,807
Conservation & Collections Management	206	1,799	2,005	2,005	2,149	2,149
Public displays & events	675	5,883	6,558	6,558	8,642	8,642
Security and Support Services	286	2,497	2,783	2,783	2,706	2,706
Marketing	90	782	872	872	1,229	1,229
Estates and Buildings	520	4,535	5,055	5,055	5,255	5,255
Governance costs	81	710	791	791	324	324
Total	2,335	20,358	22,693	22,693	25,112	25,112
Raising funds (including Cost of Sales)						
Development	68	593	661	661	733	733
Trading: cost of goods sold and other costs	1,518	-	1,518	-	3,152	-
Total	1,586	593	2,179	661	3,885	733
Total Expenditure	3,921	20,951	24,872	23,354	28,997	25,845

Group - Restricted	2021				2020	
	Direct Cost	Support Cost	Group Total	NMS Total	Total Group	NMS Total
	£000	£000	£000	£000	£000	£000
Charitable activities						
Curatorial	276	-	276	276	487	487
Conservation & Collections Management	14	-	14	14	12	12
Public displays & events	1,861	-	1,861	1,861	2,137	2,137
Estates and Buildings	3,656	-	3,656	3,656	3,661	3,661
Total	5,807	-	5,807	5,807	6,297	6,297
Other	598	-	598	598	(15)	(15)
Total Expenditure	6,405	-	6,405	6,405	6,282	6,282

No grant funding has been provided to third parties.

6. Tangible Assets (See Note 1.i)

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

To comply with the requirements of the Government Financial Reporting Manual (FRm) National Museums Scotland includes its fixed assets at their value to the business by reference to current costs, indexed to the Royal Institution of Chartered Surveyors (RICS) BICS indexation. Every 5 years properties are valued by External Valuers. All the properties were valued by District Valuer Services (DVS) of the Valuation Office Agency in the capacity of External Valuers as at 31 March 2019. The valuations have been undertaken on the undernoted bases in accordance with the RICS Valuation – Global Standards 2017.

Properties regarded by National Museums Scotland as operational are valued on the basis of Existing Use Value or, where this could not be assessed because there was no market for the asset, on the basis of the Depreciated Replacement Cost subject to the prospect and viability of the occupation and use.

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2021

Group						
Cost or valuation £000	Land & Buildings	Under Constrctn	Leasehold Imprvmnts	Permanent Galleries	Plant & Equipment	Total
1 April 2020	223,441	600	3,753	42,182	4,706	274,682
Additions	2,011	17	190	-	174	2,392
Transfers	598	(598)	-	-	-	-
Disposals	(598)	-	-	-	(25)	(623)
Revaluations	(1,403)	-	(24)	-	-	(1,427)
31 March 2021	224,049	19	3,919	42,182	4,855	275,024
Accumulated Depreciation						
1 April 2020	71,467	-	1,376	28,399	4,064	105,306
Charge for year	3,581	-	75	1,550	190	5,396
Disposals	-	-	-	-	(26)	(26)
Revaluations	(449)	-	(9)	-	-	(458)
31 March 2021	74,599	-	1,442	29,949	4,228	110,218
Net Book Value						
31 March 2021	149,450	19	2,477	12,233	627	164,806
1 April 2020	151,974	600	2,377	13,783	642	169,376

Charity						
Cost or valuation £000	Land & Buildings	Under Constrctn	Leasehold Imprvmnts	Permanent Galleries	Plant & Equipment	Total
1 April 2020	223,441	600	3,753	42,182	4,232	274,208
Additions	2,011	17	190	-	174	2,392
Transfers	598	(598)	-	-	-	-
Disposals	(598)	-	-	-	(25)	(623)
Revaluations	(1,403)	-	(24)	-	-	(1,427)
31 March 2021	224,049	19	3,919	42,182	4,381	274,550
Accumulated Depreciation						
1 April 2020	71,467	-	1,376	28,399	3,669	104,911
Charge for year	3,581	-	75	1,550	162	5,368
Disposals	-	-	-	-	(26)	(26)
Revaluations	(449)	-	(9)	-	-	(458)
31 March 2021	74,599	-	1,442	29,949	3,805	109,795
Net Book Value						
31 March 2021	149,450	19	2,477	12,233	576	164,755
1 April 2020	151,974	600	2,377	13,783	563	169,297

The charge for depreciation and diminution in value comprises:

	2021	2020
	£000	£000
Tangible assets depreciation	5,368	5,397
NMS Enterprises tangible assets depreciation	28	28
Total	5,396	5,425

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2021**

7. Commitments

Committed but not provided for in the Accounts	GROUP	
	2021	2020
	£000	£000
Capital expenditure:		
Museum renewal (National Museum of Scotland)	-	-
Museum renewal (National Museum of Flight)	-	8
Other capital projects	423	32
	423	40
Operational expenditure	512	333
Total Commitments	935	373

8. Heritage Assets (See Note 1.)

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.

Group and Charity	2021	2020	2019	2018	2017
	£000	£000	£000	£000	£000
Opening balance	11,071	10,951	10,707	8,311	7,929
Government Grant	87	85	113	457	149
NMS Charitable Trust	24	14	48	382	54
Art Fund	16	18	48	457	34
National Heritage Memorial Fund	0	3	35	1,050	145
Others	0	0	-	50	-
Closing balance	11,198	11,071	10,951	10,707	8,311

9. Intangible Assets

No intangible assets are held by National Museums Scotland.

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2021

10. Leases (See Note 1.m)

National Museums Scotland has no finance leases. The Exhibition Building at National Museum of Rural Life is leased from the National Trust for £1 per annum. The farm buildings and land are under an operating lease. Payments under this are shown as rent of £26k in the accounts (£26k 2019/20). Future rental commitments at 31 March were as follows:

Land & Buildings	GROUP AND NMS	
	2021	2020
	£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	1,948	1,974

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

	Group		Charity	
	2021	2020	2021	2020
	£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	
	2021	2020	2021	2020
	£000	£000	£000	£000
Stocks Held for Resale	797	845	-	-

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

13. Debtors (See Note 1.o)

Receivable Within 1Year:	Group		Charity	
	2021	2020	2021	2020
	£000	£000	£000	£000
Trade Debtors	115	244	54	59
Less: Provision for Amounts not recoverable	(4)	(4)	-	-
Charitable grant debtors	369	698	369	698
Subsidiary Company	-	-	620	137
VAT Recoverable	310	125	425	221
Prepayments	231	201	213	146
	1,021	1,264	1,681	1,261

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 2021, NMS Enterprises Ltd had drawn down £555,000 of this loan.

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2021

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

	Group		Charity	
	2021	2020	2021	2020
	£000	£000	£000	£000
Trade creditors	(37)	(285)	(2)	(193)
Accrued expenditure	(2,783)	(1,589)	(2,760)	(1,560)
Taxation and social security	(201)	(406)	(274)	(279)
Income received in advance	(409)	(485)	(344)	(423)
	(3,430)	(2,765)	(3,380)	(2,455)

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	2021	2020
	Retiremen	Benefit	Exit	Total	Total
	£000	£000	£000	£000	£000
Opening balance 1 April	-	(133)	(13)	(146)	(199)
Add: Provisions During Year	-	(2)	-	(2)	(8)
Less: Released During Year	-	-	-	-	-
Less: Paid During Year	-	35	-	35	61
Closing Balance 31 March	-	(100)	(13)	(113)	(146)

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

	As at 31 March 2020		Expenditure £000	Transfers between funds £000	Gains and losses £000	As at 31 March
	£000	Income £000				2021
	£000	£000	£000	£000	£000	£000
Restricted						
Board Capital Reserve	38,922	4	(1,879)	605	-	37,652
Government Capital Reserve	72,699	-	(3,988)	1,650	-	70,361
Revaluation Capital Reserve	57,728	-	-	-	(969)	56,759
Heritage Assets Fund	11,310	41	-	200	-	11,551
Other Restricted Funds	407	529	(538)	(27)	-	371
Total	181,066	574	(6,405)	2,428	(969)	176,694
Unrestricted						
<i>Designated</i>						
Board Capital Reserve	563	-	(161)	174	-	576
Board Reserve - NMS	(266)	24,445	(23,298)	(652)	-	229
General Fund	-	1,850	-	(1,850)	-	-
Total - Charity	297	26,295	(23,459)	(2,328)	-	805
Board Reserve - NMSE	636	891	(1,413)	(100)	-	14
Total - Group	933	27,186	(24,872)	(2,428)	-	819
Total Reserves	181,999	27,760	(31,277)	-	(969)	177,513

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2021**

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.

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	164,179	576	-	164,755	51	164,806
Heritage assets	11,198	-	-	11,198	-	11,198
Investments	-	-	200	200	(199)	1
Current Assets	1,317	-	3,522	4,839	212	5,051
Current Liabilities	-	-	(3,380)	(3,380)	(50)	(3,430)
Long-term liabilities	-	-	(113)	(113)	-	(113)
Balance at 31 March	176,694	576	229	177,499	14	177,513

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2021

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 Bruce Minto and Brian Lang, Trustees of National Museums Scotland, were also Trustees of NMSCT. Bruce Minto retired from NMSCT on 31 July 2020 (on his retirement from the Board of Trustees of National Museums Scotland) and Ian Russell joined NMSCT from 1 August 2020. National Museums Scotland received £131k in grants from NMSCT during the year (2019/20 £168k). An amount of £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 in the exceptional circumstances that we were forecast to make a surplus due to the savings during the Covid-19 closures in the year.

The following Trustees were also members of the NMS Enterprises Limited Board of Directors during 2020/21 and remain on the NMS Enterprises Board: Adam Bruce, Gordon Drummond and Janet Stevenson. 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.

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 £209k (2019/20 £320k).

National Museums Scotland receives a distribution of profits from NMS Enterprises one year in arrears. For 2020/21 NMS Enterprises Limited distributed profits of £100k (2019/20 £897k) via Gift Aid. Payment of gift aid eliminates any liability of the subsidiary to Corporation Tax in that year. NMS Enterprises incurred a tax liability of £105k in 2019/20 as it did not have sufficient reserves to donate profits to National Museums Scotland for 2020/21 due to the downturn in business as a result of the lockdown measures in place. This tax will be reclaimable in future years.

20. Subsidiary Company (See Note 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 2021 are summarised in the following table:

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2021

	2021	2020
	£000	£000
Turnover	891	3,815
Cost of goods sold	(349)	(1,662)
Administrative costs	(1,167)	(1,490)
Trading profit/(loss) from continuing operations	(625)	663
Interest Income/(Cost)	(2)	1
Corporation Tax on Profits	105	(105)
Profit/(Loss) reported in Consolidated I&E Account	(522)	559
Reserves at 1 April	636	974
Profit/(Loss) for the year	(522)	559
Profit distributed in year	(100)	(897)
Reserves at 31 March	14	636

21. Contingent Liabilities

There are no contingent liabilities as at the 31 March 2021.

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

	2021	2020
	£000	£000
Balance at 1 April	141	149
Grant Received	185	150
Disbursements	(86)	(158)
Balance at 31 March	240	141

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 2020-21 was £185k (2019-20 £150k). During the year 27 (2019-20 55) payments totalling £86k (2019-20 £158k) were made to 17 (2019-20 23) organisations, supporting acquisitions worth £215k (2019-20 £871k).

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 2020/21 of £25k (2019/20 £24k). 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 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 Steel', written over a horizontal line.

Signed by the authority of the Scottish Ministers

Dated 31 March 2006