



Annual Report and Accounts For the year ended 31 March 2020

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. Millions of local and international visitors enjoy our four museums each year, and we care for one of the most diverse collections in the world. The largest of our museums, the National Museum of Scotland has been the most visited tourist attraction in the UK outside London for 3 years running.

Our Vision is *Inspiring People, Connecting Scotland to the World and the World to Scotland.*

Public Benefit

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 702,000 objects accessible at the end of 2019/20.

We reach out across Scotland, the UK and internationally in many ways. Loans and touring exhibitions help ensure our collections reach as many people as possible. We work closely with other Scottish museums on partnership projects that can raise their profile and enable wider public access to the collections. 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 nation's 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.

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.

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, as set out in Section 2(1) of the National Heritage (Scotland) Act 1985, 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

We welcomed over 3 Million visitors in 2019/20 before we closed our museums on 17 March in response to the Covid-19 crisis which was a decline of 5.8% on the previous year. Most of this decrease came in March (4.4%) due to closure. The National Museum of Scotland welcomed nearly 2.1million visitors, three and a half times the number of annual visits before the onset of the 15 year redevelopment programme costing £80m which was completed in 2018/19. We had over 2.1m visits to our website, down from 2.3m in 2018-19. Following the closure of our museums there was a drop in web traffic, particularly to Museum and Event pages which normally account for up to half of website visits.

The National Museum of Scotland is once again the most visited museum or attraction in the UK outside London.

Exhibitions

We put on a variety of temporary exhibitions during the year in our Special Exhibition Galleries and other museums including:

- *Body Beautiful: Diversity on the Catwalk* has generated high profile media attention, as the first exhibition of its kind to explore how today's fashion industry is challenging perceptions and championing alternative ideals of beauty. *Body Beautiful* opened in National Museum Scotland before touring in Borås, Sweden
- *Parasites: Battle for Survival*: Was developed in partnership with the Universities of Dundee, Edinburgh and Glasgow exploring the fight to eradicate five neglected tropical diseases: Malaria; Guinea Worm; Sleeping Sickness; Schistosomiasis; and Leishmaniasis
- *Tyrannosaurs*: Was the only European outing for the exhibition created by the Australian Museum and toured internationally by Flying Fish. It opened in January and was on track to become our most successful exhibition until the museum closed - averaging more than 900 visits per day.
- *Discovering Ancient Egypt*: Funding from the National Heritage Lottery Fund enabled us to extend the impact of our new galleries beyond our walls through a national tour of our Ancient Egypt exhibition which opened in Hawick in March, travelled on to Montrose, Cumnock and Perth. Once restrictions are lifted it will finish in Haddington.

Significant Acquisitions

We continually look for items which will enhance our collections. The following are examples of some key acquisitions in 2019-20.

- The Storrar Coverlet, red and yellow wool woven in 'double weave' technique, in a repeating pattern of birds and flowers, formerly owned by Storrar family of Orphat, Nether Urquhart, Fife, probably Swedish, dated 1729. With an established Scottish provenance but woven in Sweden, it is the only textile of its kind in a UK museum and has significant potential for research into its history and relevance to the Scottish carpet weaving industry

- An Articulated Necklace, by Dorothy Hogg, 1969-1970 with the support of the Art Fund. A donation of technical drawings, press, exhibition ephemera, and photography relating to the piece has subsequently been made by the Incorporation of Goldsmiths archive.
- Permanent acquisitions made as a result of the special exhibition *Rip It Up!* continue, with donations secured from various bands: Capercaillie (including a harmonica that previously belonged to poet and humourist Ivor Cutler); Belle and Sebastian; Idlewild (including typewritten song lyrics written by poet Edwin Morgan with an accompanying handwritten note); Young Fathers; Franz Ferdinand; Karine Polwart; and The Skids.
- A collection of objects relating to Rev GD Jones, Chaplain at RAF East Fortune in 1919. This includes a letter written by him and carried aboard the R.34 airship which began its transatlantic crossing from the East Fortune airfield in July 1919 on the historic first ever east to west flight over the Atlantic.

Nationally

We continue to share our collections, expertise and programmes with museums and local communities across Scotland through our National Strategy. In 2019/2020 our work across Scotland included:

- Our National Programme activities reached each of Scotland's 32 local authorities
- 114 museums were supported through training, loans, acquisitions, touring and community engagement projects
- 2,836 objects were loaned to 54 organisations in 21 local authorities across Scotland, including loans to 3 new venues
- 4,768 people engaged through community outreach programmes beyond our sites
- 3,145 pupils in 24 schools across 5 local authority areas participated in 35 renewable energy workshops and 43 science shows in our ScottishPower funded Powering Up programme.
- 277 learning experiences delivered to 217 staff and volunteers from 66 museums in 28 local authority areas.
- 8,435 visits to the first 3 venues on our touring exhibition Discovering Ancient Egypt with uplifts of over 40% in visitor figures at two venues.
- Completion of our Ancient Egypt and East Asia National Programme funded by the National Lottery Heritage Fund which reached 74,604 participants through exhibitions, learning and events across Scotland 2018-2020.
- 55 grants worth £158,554 from the National Fund for Acquisitions supported acquisitions worth £870,875, helping to develop and enhance the collections of 23 organisations in 14 local authorities across Scotland

Learning and Programmes

We continue to encourage access to our museums from a variety of groups who would otherwise be less likely to visit. Examples include;

- National Museums Scotland delivered Maths Week Scotland (MWS) 2019 on behalf of the Scottish Government, aimed at encouraging engagement with maths for school pupils, families and adult learning. In 2019 MWS extended its geographical and audience reach, as well as introduced a new dedicated website and social media presence. A greatly altered MWS is planned for September/October 2020 with an enhanced digital programme.
- We completed the second year of *Discover the Museum* a project, supported by the Edinburgh Decorative and Fine Arts Society, to encourage schools and families from areas of deprivation who have not recently visited the National Museum of Scotland. Nine Primary schools

participated in a series of outreach activities and facilitated visits. Evaluation indicated high levels of engagement and very positive responses from pupils, teachers and parents/carers. More information and an accompanying film can be seen at <https://www.nms.ac.uk/discoverthemuseum>

- Supported by the players of the Peoples' Postcode Lottery, from May to December 2019 we worked with Aberdeen Art Gallery and Museums, Glasgow Museums and West Lothian Council Museum Service to deliver local programmes for individuals with dementia, their carers and families. We ran a series of new outreach initiatives including autism friendly sessions for targeted families in Edinburgh and Glasgow to explore our collections through art, music and science.
- We ran a series of outreach sessions in Edinburgh care homes for people living with dementia using collections inspired storytelling and dance workshops.

Our Team

Following on from our all-staff survey in 2018/19 and consultation with staff via listening groups, 4 new actions were added to the existing Inspiring People Strategy Action Plan in 2019/20, working towards changing culture and developing our people. Progress against the Action Plan is managed by a steering group that is chaired by the Director and includes representatives from each directorate. The Inspiring People Strategy themes are Leadership & Learning, Performance & Recognition, Partnership & Working Together, and Health & Wellbeing.

Some of the actions we progressed over the course of the year include:

- Maintaining our Healthy Working Lives Silver Award via Public Health Scotland. We have also developed and are working towards the Gold Level Healthy Working Lives Award. Covid-19 has delayed our submission for the Gold Award being externally assessed and this is now scheduled to take place in 2021.
- Publishing our fourth Equalities Mainstreaming Report which outlines our approach to embedding and advancing equality, diversity and inclusion in our day-to-day work. Some specific projects feed into this in relation to community engagement, digital access and capital project work regarding access and engagement with our collections, and participation with our programmes. This report covered the first two years of our new Equalities Outcomes 2017-2021 reporting period, showing how far we have come in terms of mainstreaming our equalities work within our processes and culture.
- Developing a Management & Leadership Framework to develop our leadership potential across the organisation, with many of our current and future leaders completing the Institute of Leadership & Management Level 3 and Level 5 qualification.
- Piloting a Curatorial Development Programme designed to support our people to develop and maintain their specialist skills required to care for, research and make our world class collection accessible as our workforce evolves. Due to the impact of Covid-19, the pilot programme will be reviewed in early 2021.

Sustainability

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. In the last year hundreds of external researchers and citizen scientists accessed specimens and samples from our collections to support their research, including for the purposes of understanding biodiversity and environmental changes.

Our permanent galleries, *Animal World*, *Animal Senses*, *Survival and Beginnings* present a wide range of the world's and Scotland's biodiversity to more than two million visitors each year. We explain the threats that our biodiversity faces as well as the conservation actions that will help it to recover and sustain it.

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 attaining

Gold awards this year. We continue to work to reduce our carbon footprint, for example through introducing LED lighting and controls, monitoring of energy meters and replacing equipment with new highly efficient plant, leading to a reduction of nearly 500 tonnes of CO₂ over the previous year.

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 like the annual Airshow and undertaking research activities. Last year we benefited from the support of 168 volunteers on a continuing basis (195 in 2018/19) and 351 volunteers on a short-term basis (250 in 2018/19). In total we gained support from over 519 volunteers in the last year (445 in 2018/19), representing 31,740 volunteer hours per annum (26,700 in 2018/19), which is equivalent to approximately 16 full-time staff (14 in 2018/19).

KPIs

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

	2018/19	2019/20	2019/20
	Results	Plan	Results
Key Performance Indicators			
Total number of on-site physical visits	3.2m	3.3m	3.0m
Total number of digital visits	2.3m	2.4m	2.1m
Total on-site learning participation	273k	250k	228k
Total visits to NMoS Exhibitions	202k	172k	167k
Total value of commercial income	£6.8m	£6.3m	£5.9m
Total value of philanthropic income	£3.8m	£1.3m	£2.1m
Visitor satisfaction	85%	85%	84%
% Collections storage meeting appropriate standards	71%	71%	65%
Total number of object records online	683k	702k	702k
Non-government income as % of total income	32%	25%	25%

Physical visits were behind both forecast and last financial year. Performance was undoubtedly impacted by Covid-19 and the closure of all four museums on 17 March 2020. In the 11 months of the financial year prior to closure overall attendance had been running at -1.5% year on year. This is primarily due to visits to the National Museum of Scotland where, from August 2019, we began to see a pattern of year on year decline which we associate with a significant year on year decline in visits to Scotland from the EU.

Digital visits were behind both forecast and last financial year. This pattern became established in Quarter 1 and is attributed to a combination of year on year variations in programming and increased use of social media for previously web-based functionality. Following the closure of our museums, there was a further inevitable drop in web traffic, particularly to Museum and Event pages which normally account for up to half of website visits.

The on-site learning Quarter 3 outturn indicated lower numbers by about 10,000 participants - due to reduced gallery activities and lower attendance at Lates events. This gap was compounded in Quarter 4 because of the large number of cancelled school and group visits due to the Covid-19 pandemic. Prior to lockdown, we had recorded 133 cancelled group visits, totalling c4,200 visitors. All Learning & Programmes events and activities after 13 March were withdrawn.

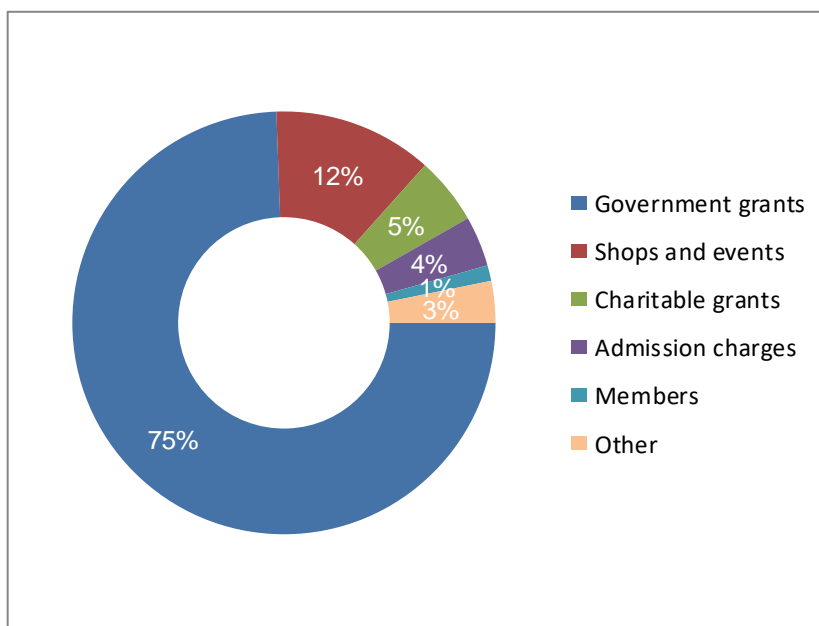
In May 2019, we completed the relocation of all collections in temporary commercial storage to the National Museums Collection Centre. While it is a huge benefit to have these collections at NMCC now, many of them are in deep storage with poor environment and very limited access resulting in a decline in meeting the appropriate standards.

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 is in conflict 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.

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 £31.3m (£32.4m in 2018/19) of which £23.3m was in GiA (£22.4m in 2018/19).

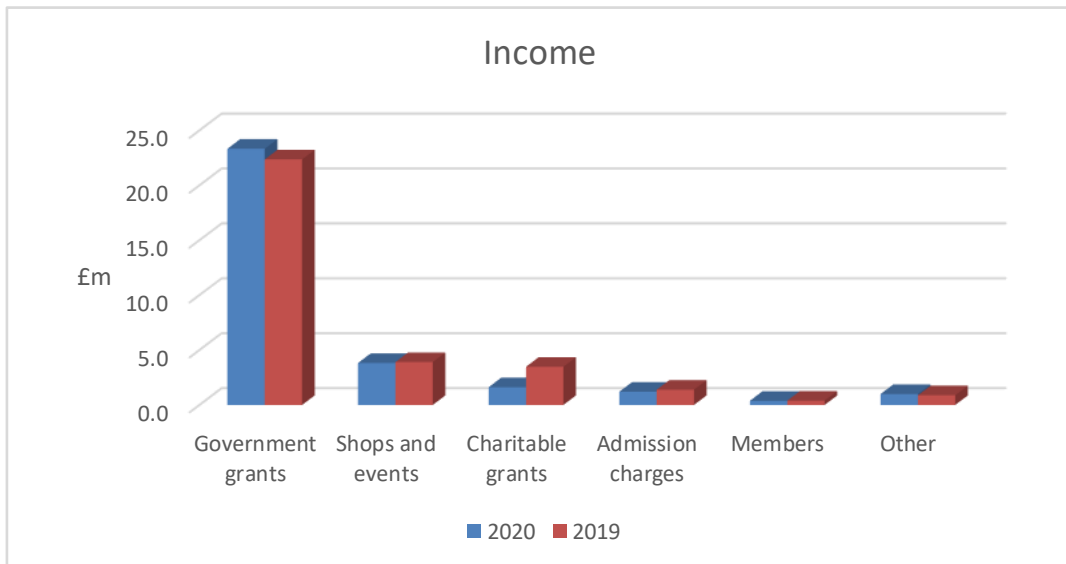


We charge for admission at the National Museums of Flight and Rural Life. We do not charge for admission at the National War Museum, although visitors cannot access the Museum unless they pay Historic Environment Scotland for admission to Edinburgh Castle. Admission to the National Museum of Scotland is free apart from the main Special Exhibition Gallery.

Our Charitable Grant income fell by nearly £2m as there was no major capital appeal in the year whereas 2018/19 we were fundraising for the new Ancient Egypt, East Asia and Ceramics galleries.

Our visitor income decreased by £0.2m due to the closure of our museums in the middle of March. The continued popularity of the Annual Pass at NMRL increased visits helping to grow visitor income by 11% at this site, however Special Exhibition income fell due to lower attendance at both the Airshow at National Museum of Flight and our Lates events at National Museum of Scotland.

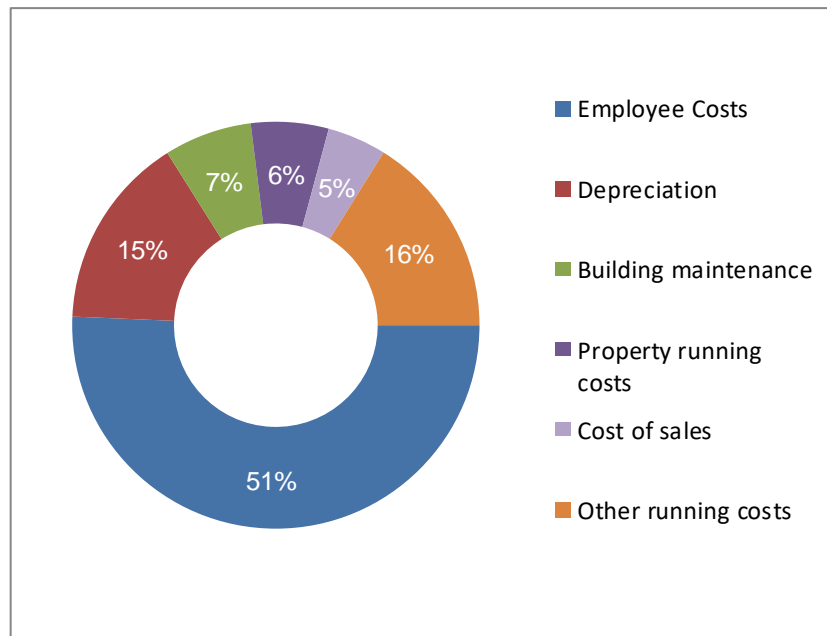
Our Shop and Event income comes from NMS Enterprises which manages retail and venue hires, offering spectacular events in our unique and versatile sites across National Museums Scotland. NMSE was about to achieve its most successful trading year before the lockdown. Instead of a record year it recorded a 2% decline in revenue year on year.



We received nearly £7m in unrestricted income during the year and would have exceeded the £7.1m we received in 2018/19 if we had not closed all our sites in March. 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.

Costs

The most significant category of spend is employee costs which now account for 51% of our total costs – up 2% year on year. Headcount fell by 2% due to the ending of fixed term contracts for additional support required to open the new galleries. Contribution rates to the Civil Service Pensions Scheme added 5% to the overall pay bill. Payroll costs also went up due to the implementation of the Scottish Government Pay Policy.



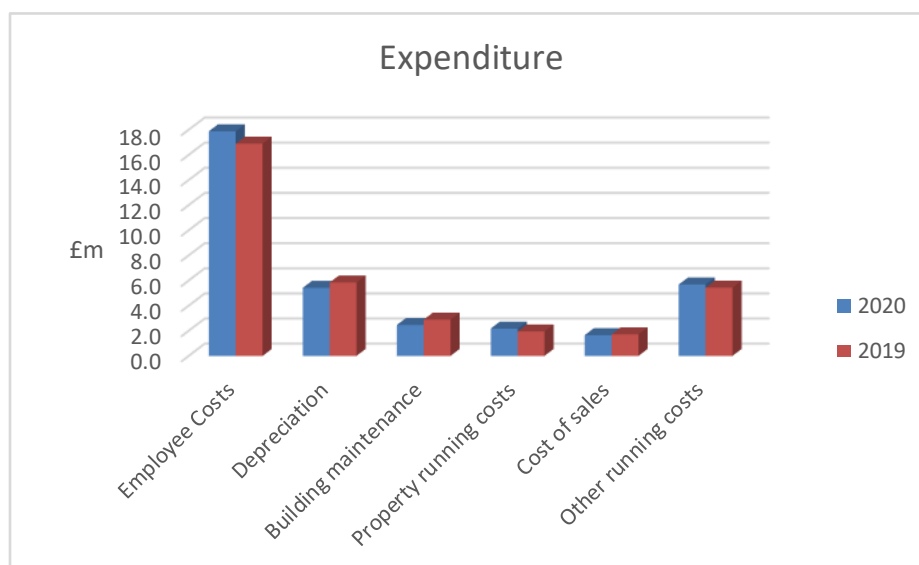
Depreciation is the cost of using our capital assets gradually over many years. We continually invest to build up our capital base of buildings, facilities and displays. These costs fell by £0.4m year on year due to the revaluation of our buildings in 2018/19.

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 decreased from 8% to 7% of our total costs due to the one-off costs of fitting out the galleries in 2018/19.

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. These went up due to an increase in the number of grant-funded curatorial projects.



Major Investment Projects

In the period, the Group acquired tangible assets at a cost of £1.3m (2018/19 £4.2m), including £0.9m (2018/19 £4m) on buildings and £0.4m (2018/19 £0.2m) on equipment purchases.

2018/19 had several significant items including the final three galleries in the 15 year redevelopment of the National Museum of Scotland which cost £2.1m. We also refurbished offices and back of house areas to facilitate the sale of the old Dental Hospital at a cost of £0.6m.

During this financial year our capital spend focused on replacing operational assets which are essential to our activities. Both Scenic Lifts in our public areas and the Goods Lift required overhauls costing £0.6m. Work continues to address the backlog of property maintenance works however spend on essentials, like lifts, take up a substantial amount of our capital funding. 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 is insufficient given the size and complexity of the Estate.

We invested £0.1m in a new XRF machine which allows us to analyse and map the chemical make-up of objects across our collections from complex artefacts with pigments. The previous machine was over 20 years old and no longer supported. Curatorial equipment of this nature needs to be replaced otherwise it would have a detrimental impact on our ability to research items such as the Galloway Hoard.

Reserves

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

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

The Board Reserve held in both the charity and its subsidiary (NMS Enterprises) is available for use and is held at not less than £250,000. During the year our unrestricted reserves grew by £0.4m to £1m. Of this increase £375k has been designated by the board to be spent on building works at the National Museum of Flight. The bulk of the unrestricted reserve (£0.6m) relate to the retained profits from NMS Enterprises. These will be required to fund the losses currently being incurred as it is unable to operate while our museums are closed and restrictions placed on hospitality and events.

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 2020/21 on the 23 March 2020 when the future effects of the lockdown were unclear. While this uncertainty continues, with government support from the Coronavirus Job Retention Scheme and the Business Rates Relief we believe we will break even in the current financial year.

The challenge we face is in future years. Our Trading company which had successfully been generating unrestricted funding for us for several years will make a loss in 2020/21. It will need to offset these losses before it can start to make a contribution to NMS. It is envisaged that this will take several years. While some of our revenue will recover we will have lost £1.5m of one off funding going into 2021/22. This means we are forecasting a loss of £1.4m before any allowance is made for the effects of Scottish Government Pay Policy. 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.

	2019/20	2020/21	2020/21	2021/22	2022/23
	Actual	Budget	Forecast	Plan	Plan
	£000	£000	£000	£000	£000
Income					
Grant-in-Aid	23,329	24,707	24,747	23,662	23,662
Other income	8,009	7,820	3,797	5,015	5,751
Total Income	31,338	32,527	28,544	28,677	29,413
Operational Expenditure					
Salaries	17,931	18,464	18,418	18,143	17,981
Operational Costs	11,722	12,227	8,291	11,155	11,865
Total	29,653	30,691	26,709	29,298	29,846
Major Projects Expenditure	1,258	1,835	1,835	750	750
Surplus/(Deficit)	427	1	-	(1,371)	(1,183)

Apart from salary increases, our budgets have remained static for a number of years and have therefore been significantly reduced in real terms due to inflation. 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. Recovering this income will take several years.

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. Our operational budgets are already under strain from standstill funding – especially our maintenance costs; the current position regarding estate maintenance and renewal means that our level of backlog maintenance is increasing. The increased popularity of our free admission museums has 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

In support of delivering our operations and plans for the future we carried out a bottom up review of our Strategic Risk Register of major risks. The new 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 a significant concern give 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: H&S; 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.

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 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 our visitor numbers have 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 spent £600k of our £750k capital budget on replacing three of the lifts in the National Museum of Scotland. These are essential items of infrastructure, leaving us very little to spend on any of our other museums or other plant.

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.

As with many organisations the Covid 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. 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. Maintaining the connection with our supporters puts us on a good position for the future.

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

During August 2020 we started reopening our museums with a much-reduced capacity introducing timed ticketing as a method of controlling visitor numbers. During the closure of our museums, our main opportunity to continue to engage audiences with the collections has been through online content. In April we launched a new section of the website called Museum at Home. It brought together a range of existing online content (games, films, stories, virtual tours and at-home activities), re-packaged and targeted to the needs of teachers and families during this period of confinement and home-schooling.

We started the new year with changes in leadership within our Trustee and Executive Teams. Dr Gordon Rintoul stepped down as the Director of the Museum in April 2020 after 18 years. Dr Rintoul was the driving force behind the redevelopment of National Museum of Scotland and was key in securing Concorde for the National Museum of Flight. Dr Christopher Breward took up the post of Director in April 2020. Bruce Minto stepped down as Chairman in August. Bruce began his relationship with NMS in 2007 when he became Chair of the Royal Museum Project before joining as a Trustee in 2011 and becoming Chairman in 2012. We welcome a new Chairman, Ian Russell who was formerly a Trustee, into his role in August 2020. 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. As with our budget this was agreed by the Board of Trustees in March before the effect of the lockdown were fully understood. The Executive Team regularly review the actions 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 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 2020-21 strategically important activities include:

- Secure planning for *Ready for Take Off* at the National Museum of Flight - the building of a new hangar which is a critically important element of a broader transformation of the site. This project will 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 are planning to conclude the acquisitions of land adjacent to the entrance to NMCC now that funding has been secured. We will continue to work with partners to progress the strategy for Granton Waterfront.
- Developing an interim brief to produce a Masterplan for the long-term renewal of the Scotland galleries at the National Museum of Scotland.
- Reviewing the content and purpose of our Exhibition Programme and its associated visitor targets in light of the changed external environment post Covid-19 and to ensure we are making the best of our national and international partnerships.
- Ensuring we are making the best of our national and international partnerships.
- Work towards our new Strategic Priority 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) | • Dr Catriona Macdonald |
| • Ann Allen MBE | • Professor Walter Nimmo CBE (retired 18 Sept 19) |
| • Professor Mary Bownes OBE | • Ian Russell CBE |
| • Adam Bruce | • Janet Stevenson |
| • Gordon Drummond | • Eilidh Wiseman |
| • Chris Fletcher | • Laura Young MBE |
| • Dr Brian Lang CBE | |
| • Lynda Logan | |

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

Audit & Risk – ensure there is an effective framework of audit, risk management and internal control.

Acquisition – 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 Human Resources 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 determining the vision and overall strategic direction of the organisation and for monitoring progress towards these. 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, St Andrew Square, Edinburgh EH2 1AF.

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.

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

Ian Russell

CHAIRMAN
Ian Russell CBE

DATE 11 November 2020

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 1.4.1 of the 2019/20 FReM requires that as a charity we "*should comply with regulations issued under charities legislation and, where applicable, the Statement of Recommended Practice (SORP) Accounting by Charities issued by the Charity Commission*".

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 that 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 11 November 2020

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 2020 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. During 2019/20 a comprehensive bottom up review of the Risk Register was undertaken.

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.

For 2019-20 the Internal Auditors have concluded that significant (with minor improvement opportunities) assurance can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In the year 2019-20 the Internal Auditors examined Cash Handling Procedures, Strategic Planning and the Exhibition Lifecycle. There were no reportable Personal Data-related incidents during the year.

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

- A real-terms or cash reduction in Grant-in-Aid income from the Scottish Government
- Buildings not meeting appropriate legislative standards; not fit to be occupied by the public, staff or collections; or uneconomic to refurbish and requiring replacement
- Difficulties in recruiting and retaining staff in vital posts
- The effect of the Pandemic on our visitor numbers and finances due to both the loss of income and the additional costs to operate physical distancing. This will have a significant impact on our trading activities within NMSE, which is a vital source of unrestricted income.

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

Ian Russell

**CHAIRMAN
IAN RUSSELL CBE**

Date 11 November 2020

Christopher Breward

**DIRECTOR
DR CHRISTOPHER BREWARD**

Date 11 November 2020

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

Report 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 Museum Scotland for the year ended 31 March 2020 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 2020 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 four 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 nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

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

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Accountable Officer 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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.

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report 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. 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.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Asif Haseeb

Asif A Haseeb OBE
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

11 November 2020

Asif A Haseeb OBE is eligible to act as an auditor in terms of section 21 of the Public Finance and Accountability (Scotland) Act 2000.

NATIONAL MUSEUMS SCOTLAND

ACCOUNTING STATEMENTS

Consolidated Statement of Financial Activities for the Year Ended 31 March 2020

Group	Notes	2020	2020	2020	2019
		Unrestricted Funds £000	Restricted Funds £000	Total £000	Total £000
Income from:					
Donations and legacies	3	24,228	1,058	25,286	26,250
Charitable activities	3	2,032	-	2,032	2,076
Other trading activities	3	4,009	-	4,009	4,063
Investments	3	11	-	11	6
Other	3	-	-	-	-
Total		30,280	1,058	31,338	32,395
Expenditure on:					
Charitable activities	5	25,113	6,297	31,410	30,816
Raising funds (including Cost of Sales)	5	3,885	-	3,885	3,793
Other	5	-	(15)	(15)	95
Total		28,998	6,282	35,280	34,704
Net income/(expenditure)		1,282	(5,224)	(3,942)	(2,309)
Tax reclaimable	19	215	-	215	245
Net Income (Expenditure) After Tax		1,497	(5,224)	(3,727)	(2,064)
Transfers between funds	16	(1,070)	1,070	-	-
Gains/(losses) on revaluation of fixed assets	16	-	1,903	1,903	(10,544)
Net movement in funds		427	(2,251)	(1,824)	(12,608)
Reconciliation of funds:					
Total funds brought forward	16	506	183,317	183,823	196,431
Total funds carried forward	16	933	181,066	181,999	183,823

The notes on Pages 26 to 40 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

ACCOUNTING STATEMENTS

NMS Charity Statement of Financial Activities for the Year Ended 31 March 2020

National Museums Scotland	Notes	2020	2020	2020	2019
		Unrestricted Funds £000	Restricted Funds £000	Total £000	Total £000
Income from:					
Donations and legacies	3	25,125	1,058	26,183	27,084
Charitable activities	3	2,032	-	2,032	2,076
Other trading activities	3	194	-	194	159
Investments	3	10	-	10	5
Other	3	-	-	-	-
Total		27,361	1,058	28,419	29,324
Expenditure on:					
Charitable activities	5	25,113	6,297	31,410	30,816
Raising funds	5	733	-	733	765
Other	5	-	(15)	(15)	95
Total		25,846	6,282	32,128	31,676
Net income/(expenditure)		1,515	(5,224)	(3,709)	(2,352)
Tax reclaimable	19	320	-	320	245
Net Income (Expenditure) After Tax		1,835	(5,224)	(3,389)	(2,107)
Transfers between funds	16	(1,070)	1,070	-	-
Gains/(losses) on revaluation of fixed assets	16	-	1,903	1,903	(10,544)
Net movement in funds		764	(2,251)	(1,486)	(12,651)
Reconciliation of funds:					
Total funds brought forward	16	(468)	183,317	182,849	196,431
Total funds carried forward	16	296	181,066	181,363	183,780

The notes on Pages 26 to 40 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

ACCOUNTING STATEMENTS

Consolidated & Charity Balance Sheets for the Year Ended 31 March 2020

	Notes	Group		Charity	
		2020 £000	2019 £000	2020 £000	2019 £000
Fixed Assets					
Tangible assets	6	169,376	171,606	169,297	171,538
Heritage assets	8	11,071	10,951	11,071	10,951
Investments	11	1	1	200	200
Total Fixed Assets		180,448	182,558	180,568	182,689
Current Assets					
Stocks	12	845	742	-	-
Debtors	13	1,264	2,774	1,261	2,534
Cash at bank and in hand		2,353	1,290	2,135	965
Total Current Assets		4,462	4,806	3,396	3,499
Current Liabilities					
Creditors: amounts falling due within one year	14	(2,765)	(3,342)	(2,455)	(3,140)
Net current assets		1,697	1,464	941	359
Total assets less current liabilities		182,145	184,022	181,509	183,048
Provisions	15	(146)	(199)	(146)	(199)
Net assets		181,999	183,823	181,363	182,849
Financed by:					
Restricted funds:	16	181,066	183,317	181,066	183,317
Unrestricted Funds:	16	933	506	297	(468)
Total Funds		181,999	183,823	181,363	182,849

The Board approved these financial statements on 11 November 2020 and the Accountable Officer authorised them for issue on the same date.

Ian Russell

Christopher Breward

CHAIRMAN

DIRECTOR

Date: 11 November 2020

Date 11 November 2020

The notes on Pages 26 to 40 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

ACCOUNTING STATEMENTS

Consolidated and Charity Statement of Cash Flow for the Year Ended 31 March 2020

	Group		Charity	
	2020 £000	2019 £000	2020 £000	2019 £000
Cash flows from operating activities				
Net cash generated by operating activities	2,449	2,477	2,518	2,458
Cash flows from investing activities				
Purchase of property, plant & equipment	(1,296)	(4,232)	(1,257)	(4,226)
Proceeds from the sale of property, plant & equipment	19	852	19	852
Purchase of heritage assets	(120)	(244)	(120)	(244)
Interest Received	11	6	10	5
Net cash used in investing activities	(1,386)	(3,618)	(1,348)	(3,613)
Change in cash in the year	1,063	(1,141)	1,170	(1,155)
Cash at the beginning of the year	1,290	2,431	965	2,120
Cash at the end of the year	2,353	1,290	2,135	965

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

Group	2020 £000	2019 £000	2020 £000	2019 £000
Net income/(expenditure) for the reporting period (as per the Consolidated Statement of Financial Activities)	(3,727)	(2,064)	(3,389)	(2,107)
Adjustments for:				
Depreciation charges	5,425	5,842	5,397	5,813
Interest received	(11)	(6)	(10)	(5)
Loss/(profit) on the sale of property, plant & equipment	(15)	95	(15)	95
Increase in stocks	(103)	(21)	-	-
(Increase)/decrease in debtors	1,510	(1,143)	1,273	(1,091)
Decrease in creditors	(577)	(191)	(685)	(212)
Decrease in provisions	(53)	(35)	(53)	(35)
Net cash provided by (used in) operating activities	2,449	2,477	2,518	2,458

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 26 to 40 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 of RICS to estimate their value. The last formal valuation took 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 2020

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	2020	2019
	£000	£000
Grant-in-aid received:		
Revenue	22,379	21,035
Capital	750	1,125
	23,129	22,160
Purchase Grant	200	200
Total received during year	23,329	22,360

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	22,379	22,342
Purchase Grant	200	200
Capital Grant	750	750
	23,329	23,292
National Fund for Acquisitions (Note 23)	150	150
	23,479	23,442
Non-cash Items (Notional)		
Depreciation incl. permanent diminution in value	3,384	3,650
	26,863	27,092

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.

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2020

Group	2020				2019	
	Unrestricted £000	Restricted £000	Group Total £000	NMS Total £000	Total Group £000	NMS Total £000
Donations and legacies						
Government grants	23,329	-	23,329	23,329	22,360	22,360
Charitable grants	556	1,058	1,614	1,614	3,479	3,479
Donations	343	-	343	1,240	411	1,245
Total	24,228	1,058	25,286	26,183	26,250	27,084
Charitable activities						
Admission charges	1,205	-	1,205	1,205	1,385	1,385
Memberships	376	-	376	376	388	388
Provision of services	123	-	123	123	152	152
Other	328	-	328	328	151	151
Total	2,032	-	2,032	2,032	2,076	2,076
Other trading activities						
Shops and events	3,815	-	3,815	-	3,904	-
Sponsorship	194	-	194	194	159	159
Total	4,009	-	4,009	194	4,063	159
Investments	11	-	11	10	6	5
Other	-	-	-	-	-	-
Total Income	30,280	1,058	31,338	28,419	32,395	29,324

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 2019-20 (2018-19 - nil).

During 2019-20 National Museums Scotland paid a total of £160 reimbursement of travel expenses to 2 Trustees, while in 2018-19 a total of £4,781 was reimbursed to 5 Trustees.

Staff costs and employee benefits

Staff Costs during the Year

	Group		Charity	
	2020 £000	2019 £000	2020 £000	2019 £000
Salaries	13,336	13,194	12,372	12,247
National Insurance Costs	1,220	1,185	1,142	1,108
Pension Costs	3,367	2,559	3,273	2,472
Early Retirement	8	6	8	6
Total	17,931	16,944	16,795	15,833

Range of Staff Remuneration

The range of staff remuneration was £17,983 to £118,354 (2018/19 £17,459 to £116,754)

Termination Payments

During the year there were no staff redundancies (2018/19: nil) or other departures which resulted in no Termination payments (2018/19: nil).

Numbers of employees

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2020

In the year the average staff head count was 475 staff (2018-19 526), 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	
	2020	2019	2020	2019
Curatorial	78	85	78	85
Conservation & Collections Management	46	51	46	51
Public displays & events	157	157	157	157
Security and Support Services	99	95	99	95
Marketing	10	10	10	10
Estates and Buildings	8	10	8	10
Governance	5	5	5	5
Development	9	7	9	7
NMSE	15	15	-	-
Total	427	435	412	420

Number of FTE Staff at 31st March 2020

In the year 12 employees were paid more than £60,000 (2018-19 11), as shown in the table below:

Group	Number of staff	
	2020	2019
£60,000 to £69,999	5	5
£70,000 to £79,999	3	2
£80,000 to £89,999	3	3
£90,000 to £99,999		
£100,000 to £109,999		
£110,000 to £119,999		1
£120,000 to £129,999	1	-
Total	12	11

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 2019-20 this staff group comprised:

- Dr Gordon Rintoul, Director – Left 3/4/20
- Ruth Gill, Director of Public Programmes
- Helen Ireland, Director of External Relations
- Xerxes Mazda, Director of Collections
- Keith Pentland, Director of Finance and Planning
- Fiona Stewart, Director of Estates and Facilities – Left 31/1/20
- Clive Richardson, Interim Director of Estates and Facilities – Started 17/2/20
- Sheilagh Stewart, Head of Human Resources – Left 23/2/20
- Lynn Smith, Interim Head of Human Resources – Started 17/2/20
- 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 £669k (2018-19 £652k), 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 (2018-19 £115k). This was 4.83 times the median remuneration of the workforce (2018-19: 5.0 times) at the reporting period end date, which was £24k (2018-19 £23k).

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 2020**

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 455 staff in the year (2018-19 466 staff). For 2019-20, employers' contributions of £3,226k were payable to the PCSPS (2018-19 £2,439k) 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 2018-19 were between 20.0% and 24.5%).

The contribution rates are set to meet the cost of the benefits accruing during 2019-20 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 £28k (2018-19 £22k) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay.

Defined contribution scheme pension contributions were not paid in respect of staff earning more than £50,000. Benefits accrued under defined contribution schemes to 9 staff during 2019-20 (2018-19 = 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 £94k (2018-19 £87k).

Trade Unions

National Museums Scotland (NMS) 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 19 employees (FTE 17.23) 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% *	9
1-50%	10
51%-99%	-
100%	-

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

The total cost of Facility Time was £8,074 from a total pay bill of £16.5m = 0.05%

Out of the total paid Facility Time, 27% was spent by employees who were relevant union officials on paid trade union activities. The remaining 73% was spent on trade union duties.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2020**

5. Expenditure

Group - Unrestricted	2020				2019	
	Direct Cost £000	Support Cost £000	Group Total £000	NMS Total £000	Total Group £000	NMS Total £000
Charitable activities						
Curatorial	4,319	488	4,807	4,807	4,590	4,590
Conservation & Collections Management	1,931	218	2,149	2,149	2,112	2,112
Public displays & events	7,765	877	8,642	8,642	8,598	8,598
Security and Support Services	2,431	275	2,706	2,706	2,505	2,505
Marketing	1,104	125	1,229	1,229	1,161	1,161
Estates and Buildings	4,722	533	5,255	5,255	4,973	4,973
Governance costs	291	33	324	324	321	321
Total	22,564	2,549	25,113	25,113	24,260	24,260
Raising funds (including Cost of Sales)						
Development	659	74	733	733	765	765
Trading: cost of goods sold and other costs	3,152	-	3,152	-	3,028	-
Total	3,811	74	3,885	733	3,793	765
Total Expenditure	26,375	2,623	28,998	25,846	28,053	25,025

Group - Restricted	2020				2019	
	Direct Cost £000	Support Cost £000	Group Total £000	NMS Total £000	Total Group £000	NMS Total £000
Charitable activities						
Curatorial	487	-	487	487	282	282
Conservation & Collections Management	12	-	12	12	4	4
Public displays & events	2,137	-	2,137	2,137	2,221	2,221
Estates and Buildings	3,661	-	3,661	3,661	4,049	4,049
Total	6,297	-	6,297	6,297	6,556	6,556
Other	(15)	-	(15)	(15)	95	95
Total Expenditure	6,282	-	6,282	6,282	6,651	6,651

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 College 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 2020

Group						
Cost or valuation	Land &	Under	Leasehold	Permanent	Plant &	Total
£000	Buildings	Constrctn	Imprvmnts	Galleries	Equipment	
1 April 2019	219,864	535	3,708	42,182	4,662	270,951
Additions	881	65	-	-	350	1,296
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	(306)	(306)
Revaluations	2,696	-	45	-	-	2,741
31 March 2020	223,441	600	3,753	42,182	4,706	274,682
Accumulated Depreciation						
1 April 2019	67,059	-	1,285	26,824	4,177	99,345
Charge for year	3,586	-	75	1,575	189	5,425
Disposals	-	-	-	-	(302)	(302)
Revaluations	822	-	16	-	-	838
31 March 2020	71,467	-	1,376	28,399	4,064	105,306
Net Book Value						
31 March 2020	151,974	600	2,377	13,783	642	169,376
1 April 2019	152,805	535	2,423	15,358	485	171,606

Charity						
Cost or valuation	Land &	Under	Leasehold	Permanent	Plant &	Total
£000	Buildings	Constrctn	Imprvmnts	Galleries	Equipment	-
1 April 2019	219,864	535	3,708	42,182	4,227	270,516
Additions	881	65	-	-	311	1,257
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	(306)	(306)
Revaluations	2,696	-	45	-	-	2,741
31 March 2020	223,441	600	3,753	42,182	4,232	274,208
Accumulated Depreciation						
1 April 2019	67,059	-	1,285	26,824	3,810	98,978
Charge for year	3,586	-	75	1,575	161	5,397
Disposals	-	-	-	-	(302)	(302)
Revaluations	822	-	16	-	-	838
31 March 2020	71,467	-	1,376	28,399	3,669	104,911
Net Book Value						
31 March 2020	151,974	600	2,377	13,783	563	169,297
1 April 2019	152,805	535	2,423	15,358	417	171,538

The charge for depreciation and diminution in value comprises:

	2020	2019
	£000	£000
Tangible assets depreciation	5,397	5,813
NMS Enterprises tangible assets depreciation	28	29
Total	5,425	5,842

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2020

7. Commitments

Committed but not provided for in the Accounts	GROUP	
	2020	2019
	£000	£000
Capital expenditure:		
Museum renewal (National Museum of Scotland)	-	14
Museum renewal (National Museum of Flight)	8	-
Other capital projects	32	-
	40	14
Operational expenditure	333	640
Total Commitments	373	654

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	2020	2019	2018	2017	2016
	£000	£000	£000	£000	£000
Opening balance	10,951	10,707	8,311	7,929	7,529
Government Grant	85	113	457	149	247
NMS Charitable Trust	14	48	382	54	135
Art Fund	18	48	457	34	-
National Heritage Memorial Fund	3	35	1,050	145	-
Others	0	0	50	-	18
Closing balance	11,071	10,951	10,707	8,311	7,929

9. Intangible Assets

No intangible assets are held by National Museums Scotland.

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 (£23k 2018/19). Future rental commitments at 31 March were as follows:

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2020

Land & Buildings	GROUP AND NMS	
	2020	2019
	£000	£000
Not later than one year	26	23
Later than one year and not later than five years	105	90
Later than five years	1,974	1,713

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

	Group		Charity	
	2020	2019	2020	2019
	£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	
	2020	2019	2020	2019
	£000	£000	£000	£000
Stocks Held for Resale	845	742	-	-

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	
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade Debtors	244	394	59	143
Less: Provision for Amounts not recoverable	(4)	(4)	-	-
Charitable grant debtors	698	1,517	698	1,517
Subsidiary Company	-	-	137	7
VAT Recoverable	125	579	221	638
Prepayments	201	288	146	229
	1,264	2,774	1,261	2,534

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

	Group		Charity	
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade creditors	(285)	(915)	(193)	(859)
Accrued expenditure	(1,589)	(1,614)	(1,560)	(1,566)
Taxation and social security	(406)	(304)	(279)	(274)
Income received in advance	(485)	(509)	(423)	(441)
	(2,765)	(3,342)	(2,455)	(3,140)

15. Provisions (See Note 1.q)

These costs have been incurred before the balance sheet dates 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

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2020

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 Retiremen £000	Injury Benefit £000	Voluntary Exit £000	2020 Total £000	2019 Total £000
Opening balance 1 April	-	(163)	(36)	(199)	(234)
Add: Provisions During Year	-	(4)	(4)	(8)	(6)
Less: Released During Year	-	-	-	-	-
Less: Paid During Year	-	34	27	61	41
Closing Balance 31 March	-	(133)	(13)	(146)	(199)

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

	As at 31 March 2019 £000	Income £000	Expenditure £000	Transfers between funds £000	Gains and losses £000	As at 31 March 2020 £000
Restricted						
Board Capital Reserve	40,688	35	(1,963)	162	-	38,922
Government Capital Reserve	75,333	-	(3,384)	750	-	72,699
Revaluation Capital Reserve	55,825	-	-	-	1,903	57,728
Heritage Assets Fund	11,075	35	-	200	-	11,310
Other Restricted Funds	396	987	(934)	(42)	-	407
Total	183,317	1,057	(6,281)	1,070	1,903	181,066
Unrestricted						
<i>Designated</i>						
Board Capital Reserve	417	-	(165)	311	-	563
Board Reserve - NMS	(885)	25,834	(25,681)	466	-	(266)
General Fund	-	950	-	(950)	-	-
Total - Charity	(468)	26,784	(25,846)	(173)	-	297
Board Reserve - NMSE	974	3,816	(3,257)	(897)	-	636
Total - Group	506	30,600	(29,103)	(1,070)	-	933
Total Reserves	183,823	31,657	(35,384)	-	1,903	181,999

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.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2020**

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	168,734	563	-	169,297	79	169,376
Heritage assets	11,071	-	-	11,071	-	11,071
Investments	-	-	200	200	(199)	1
Current Assets	1,261	-	2,135	3,396	1,066	4,462
Current Liabilities	-	-	(2,455)	(2,455)	(310)	(2,765)
Long-term liabilities	-	-	(146)	(146)	-	(146)
Balance at 31 March	181,066	563	(266)	181,363	636	181,999

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. National Museums Scotland received £168k in grants from NMSCT during the year (2018/19 £813k).

The following Trustees are also members of the NMS Enterprises Limited Board of Directors: Adam Bruce, Gordon Drummond and Janet Stevenson.

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

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2020

19. Taxation

National Museums Scotland has been granted charitable status by HMRC, 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 £320k (2018/19 £245k).

National Museums Scotland receives a distribution of profits from NMS Enterprises one year in arrears. For 2019/20 NMS Enterprises Limited distributed profits of £897k (2018/19 £834k) via Gift Aided. Payment of gift aid eliminates any liability of the subsidiary to Corporation Tax in that year. NMS Enterprises will incur a tax liability of £105k in 2019/20 as it will not have sufficient reserves to donate profits to National Museums Scotland in 2020/21 due to the downturn in business as a result of the lockdown measures in place.

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 are summarised in the following table:

	2020	2019
	£000	£000
Turnover	3,815	3,904
Cost of goods sold	(1,662)	(1,709)
Administrative costs	(1,490)	(1,319)
Trading profits from continuing operations	663	876
Interest Income	1	1
Corporation Tax on Profits	(105)	-
Profit reported in Consolidated I&E Account	559	877
Reserves at 1 April	974	931
Profit for the year	559	877
Profit distributed in year	(897)	(834)
Reserves at 31 March	636	974

21. Contingent Liabilities

There are no contingent liabilities as at the 31 March 2020.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2020**

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

	2020	2019
	£000	£000
Balance at 1 April	149	141
Grant Received	150	150
Disbursements	(158)	(142)
Balance at 31 March	141	149

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 2019-20 was £150k (2018-19 £150k). During the year 55 (2018-19 58) payments totalling £158k (2018-19 £142k) were made to 23 (2018-19 26) organisations, supporting acquisitions worth £871k (2018-19 £520k).

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 2019/20 of £24k (2018/19 £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

In August 2020 the Board of NMS agreed a £1m facility loan on commercial terms to NMS Enterprises Ltd. £180k of this has been advanced to them.

We have considered the impact of Covid on the value of our Land and Buildings and arrived at the conclusion the impact is minimal. There are no other material post balance sheet events prior to the date of issue of the financial statements.

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

FINANCIAL MEMORANDUM: APPENDIX 2



NATIONAL MUSEUMS OF SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

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

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

Signed by the authority of the Scottish Ministers

Dated 31 March 2006