

National Galleries of Scotland

Trustees' Annual Report and Financial Statements
for the year ended 31 March 2021

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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Chairman's Foreword

I am pleased to present the Annual Report and Financial Statements for the National Galleries of Scotland for 2020-21.

The period covered by these accounts has been overshadowed by the emergence of the global health emergency of COVID-19. This has been a period marked by huge challenges for all sectors of society and NGS is no exception. The pandemic has caused major disruption across all our activities and has had a profound impact on us as an organization. It is a tribute to the resilience and commitment of teams across NGS as well as to the continued and firm support of our many stakeholders including Scottish Government, that we have come through this period in a good position state to face the future. I am confident that we will play an important part in recovery and regeneration in Scotland over the coming years. We are determined to be even more relevant to our different audiences, national and international. And we can do that across key issues that have emerged strongly in this pandemic, including health & well-being; the climate emergency and in playing our part in addressing inclusion and inequality in society.

The trustees would also extend their thanks to the Director-General, Sir John Leighton, and all the colleagues at NGS for their work and enthusiasm over the last year. We are especially grateful for their work in steering NGS through the unprecedented challenges presented by the Coronavirus pandemic which affected business throughout 2020-21.

I would also like to thank all our trustees on the various boards and committees of the NGS for their huge contribution throughout the year. I would emphasise especially our gratitude to our many Patrons, Friends and all our supporters, both individual and corporate, who give time, money, and their energy to assisting in delivering our vision. Finally, I would like to thank the Scottish Government not just for their on-going financial support but also for a real understanding of the importance of culture in Scotland and support for what we are trying to achieve.



Benny Higgins
Chairman

14 September 2021

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Trustees' Annual Report

1 Introduction

The National Galleries of Scotland (NGS) looks after one of the finest collections of art anywhere in the world, consisting of over 120,000 works of fine art. Our principal place of business and registered address is 73 Belford Road, Edinburgh, EH4 3DS, and the collection is displayed to the public at the following locations:

- Scottish National Gallery (SNG) at the Mound (since 1859)
- Scottish National Portrait Gallery (SNPG) in Queen Street (since 1882)
- Scottish National Gallery of Modern Art (SNGMA) in Belford Road (Modern One since 1961 and Modern Two since 1999)

NGS also has a purpose-built centre for those objects not on general display or on loan, which is located at Granton. Members of the public can access the centre via an appointments system.

There are two partner galleries in the north and south of Scotland which house part of the collection, Paxton House in Berwickshire (since 1993) and Duff House in Banff (since 1995).

NGS has a wholly owned subsidiary, the NGS Trading Company Limited which operates our commercial services, including retail and venue hire.

2 Objectives and Activities

2.1 Purpose, Functions and Vision

As provided by the National Heritage (Scotland) Act 1985 the principal functions of the Board of Trustees of NGS are:

- to care for, preserve and add to the objects in their collection
- to ensure that the objects are exhibited to the public
- to ensure that the objects are available to persons seeking to inspect them in connection with study or research; and generally to promote the public's enjoyment and understanding of the Fine Arts both by means of the Board's collections and by such other means as they consider appropriate
- for those purposes to provide education; instruction and advice and to carry out research

Building on these statutory functions, our mission is to ensure that the public has the greatest possible access to the visual arts; that we educate and inspire the public; and that we promote Scotland's international reputation for art and culture, both in the quality of our collections as well as the strength and depth of our art community. Our vision is for NGS to be a powerhouse for art: inclusive, original, and ambitious, making the collection accessible to all and inspiring curiosity across the world.

2.2 Long-term Aims

To achieve our vision as set out above, we have three long-term and closely linked aims:

- **Increased Participation**
 - We want to connect with our audiences and with each other in new, collaborative and involving ways.
 - We want to reach more people and more diverse groups.
 - Where possible, we want to go further - we want to involve people inside and outside NGS in co-creating work, discussing, and debating.

Trustees' Annual Report (continued)

- **Greater impact**
 - We want to make our work both world class and relevant.
 - What we do should make a difference and be admired.
 - We want to create a legacy, having been the best at what we do.

- **Investment in our future**
 - Investment is essential to make the most of our people, knowledge and skills, our collection and buildings.
 - We will take a long-term view about investing in all of these areas, making sure everyone has a role to play.
 - We need to create more secure and varied sources of income, so that we become more self-sufficient and can determine our own future

All three aims are closely connected and support one another, describing what we need to do to deliver our vision.

2.3 2020-21 Priorities

2020-21 was an unprecedented year. The Covid pandemic led to complete closure of all gallery sites for much of the financial year with all galleries having limited physical visitors for a short time between August and December. Online activity continued throughout this time, although a significant number of staff were furloughed. Our digital offer became key to retaining a connection with our audience.

To address the challenges faced by NGS during the pandemic, the business model was reviewed, and work was focused on six priority areas. Long term aims and objectives remained in place, but we aligned those aims and objectives to business priorities to assist in managing and focusing resources and workload.

- Business continuity and change
- Our public offer
- Income generation and managing the cost base
- Equalities
- Environment
- Well-being

3 Achievements and Performance

3.1 Key Performance Indicators

The main priority for NGS during 2020-21 was to keep the collection and staff safe and to manage the financial impact of the Covid pandemic. When the galleries were open, that health and safety focus extended to our visitors. NGS's key performance indicators (KPIs) were revised to focus on what we could achieve, noting that the outcomes were difficult to assess in any meaningful way and achievement against long-term aims could not be measured. The results for 2020-21 are set out below.

Targets were not set as there was no certainty at the start of the year on when the galleries would be allowed to re-open and staff returned to site.

Visitor numbers were badly impacted as only a limited number of people were allowed on site at any one time due to social distancing restrictions. Onsite retail income was therefore limited but a move to promote the web-shop improved performance overall. Web traffic and engagement via social media continues to rise year-on-year and there was a positive effect on numbers through engagement with our digital content. Digitisation of the collection was limited as many colleagues were on furlough and only a small number were able to work on site and access the objects. Visitor satisfaction scores were high, considering the safety challenges and the

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number of necessary room closures. Losses on the trading company were less than forecast, but significant, nonetheless. Donations per visitor increased significantly (from 6p to 38p) as online bookings asked for a donation at the time of booking, although the overall number decreased significantly.

NGS has continued to work towards the target of 60% carbon emissions reduction by 2021/22 (from our baseline of 2008/2009), achieving 57% reduction in 2019/20. In 2020/21, the pandemic caused a rapid change in operations with colleagues staying at home, less visitors in the galleries and business travel not possible. The target was surpassed during this period however this is not a true reflection of 'business as usual' and we therefore expect for the emissions to increase again as we return to more normal ways of working. We have used this year to start considering our pathway to net-zero before 2045.

Due to Covid constraints in 2020-21, NGS's extensive volunteer programme was put on hold. It is anticipated that as restrictions ease, the work of the programme will resume. As such no volunteer hours are reported in the KPIs below.

Indicator	Results for 2020/21
Number of actual visits to all gallery sites	116,765 (95% reduction on 2019-20)
Increase in website user sessions	6.27% increase on 2019-20
Digitisation of the collection	1,652 works digitised (85,545 in total)
Visitor Satisfaction	88% (target 90%)
Engagement via social media	3.89%
Website return users	0.47%
Percentage of storage/gallery spaces providing minimum standard environmental conditions for our collection (m ²)	52%
Trading Company profit/loss	£0.2m loss
Donations per visit	38p (6p in 2019-20)
GIA per visitor	£132.74 (£6.24 in 2019-20)
Percentage reduction in carbon emissions	64.19%

3.2 *Developing the Collection*

The primary role of the Board of Trustees is to care for, research and develop the national collection of art. The collection is world-leading in quality, scale and breadth, numbering over 120,000 objects including paintings, works on paper, photographs, sculpture, manuscript and archival material, digital works, installation, performance, and film. Displayed across the Portrait Gallery, Scottish National Gallery and Scottish National Galleries of Modern Art and toured nationally and internationally and through the ARTIST ROOMS partnership, the collection ranges in period from the early Renaissance to the present day and includes works by many of the major figures in the history of European and North American art. We house the national collection of Scottish Art, the Bridgewater Loan and the National Photography Collection.

In 2020-21 our national and international touring programme was curtailed, but we still managed to share our collection where possible, from working with borrowers on shifting programme dates and extending loan periods, to facilitating loans via new ways of working.

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As at 31 March 2021 there are 120,490* objects catalogued (118,601 as at 31 March 2020) in NGS's permanent collection. These include long loans and ARTIST ROOMS objects and are categorized as follows.

Paintings	3,680
Works on Paper	56,217
Photographs	44,415
Sculpture	12,927
Printed Material	584
Manuscript Material	887
Decorative and Applied Art	1,300
Installation	110
Mixed Media	61
Accessory	120
Photographic Equipment	129
Other	60

*This figure does not include an estimated 50,000 Tassie paste gems and archive material.

The majority of the objects are based in Edinburgh with works also on permanent display in our partner galleries at Paxton House, Berwickshire and Duff House, Banff.

In 2020-21 NGS continued to build this extensive collection where opportunity and funding allowed. Capital funding was allocated from the Scottish Government towards the purchase works of art during the year in addition to receipt of private donations and use of NGS's Trust Funds. This along with generous gifts and bequests has enabled the collection to continue its steady growth. Some of our purchases in in 2020-21 are detailed below.

This year the modern and contemporary collection has been extended once again thanks to the Walton Fund, a trust fund left to the National Galleries of Scotland by Professor Henry and Sula Walton to be used for the purchase of modern and contemporary works. This year we were able to acquire the delightful *Portrait of a Girl in Grey* by Gwen John.

21 Naum Gabo prints and a sculpture (Untitled) by Fred Sandback were allocated to NGS through the Cultural Gifts Scheme. *The Faggot Gatherers* by Jean Francois-Millet was allocated to NGS in lieu of estate duty.

A selection of fabulous sculptures by Elizabeth Frinks was offered to NGS by the artist's estate in 2019 and came to fruition in 2021. The gift includes two bronze sculptures, *Desert Quartet III* 1989 and *Desert Quartet IV* 1989, which are ideally suited to display in the grounds. Adding sculpture to the grounds is a priority for NGS but is difficult to realise owing to costs. The gift also includes several prints and drawings.

With the assistance of the Heinz Bequest and The Art Fund, NGS was able to purchase *Histology of the Different Classes of Uterine Tumors* by Wanchengi Mutu. This interesting 12-part work is an excellent addition to the Dada and Surrealism collection.

In 2020 we were delighted to be gifted, by the artist, *Intervals 2* by Bridget Riley. The gift marked the artist's 2019 retrospective at NGS and tour to the Hayward Gallery in London and arrived alongside a group of four long-term loans.

NGS is grateful to individuals, funding bodies and Scottish Government for the generous assistance and support which has enabled us to continue to expand the collection.

A detailed list of all our acquisitions, including gifts and bequests, is available on request.

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3.3 Our Public Offer

The trustees believe that whilst ensuring the protection of the national collection is paramount, access to great art by as wide an audience as possible is part of our core mission.

In 2020-21 this mission was challenged by the world-wide Covid pandemic which drastically reduced our visitor numbers but gave us an opportunity to consider how we could reach out to our audience despite being closed to the public for much of the year. The 2.3m visitors we welcomed in 2019-20 dropped to 116,765 across our sites in the twelve months from 1 April 2020-31 March 2021.

Instead of a focus on the exhibitions and displays in-gallery, we turned our attention to our digital programme. This included the production of a new video series sharing works in the collection, a series of films about key works and exhibitions and development of content on our Smartify app. The Learning & Engagement team also developed a series of programmes to use online including family resources and an online Art Club for schools.

Our one paying exhibition of the year was *Ray Harryhausen: Titan of Cinema*. It had been due to open in May 2020 and eventually opened at Modern Two in October 2020. It had to close again in December, but the run has been extended into 2021-22 to ensure that visitors were given the chance to see this dynamic show. The remainder of the summer programme was cancelled or postponed.

The Portrait Gallery put on a display of works relating to the challenges of 2020. *You Are Here 2020: Stories, Portraits, Visions* was designed during lockdown and invited members of the public to send in a 100-word story, a portrait and/or a 50-word vision of the future in response to the events of 2020. These public submissions were selected, nine different submissions each week, to be displayed alongside five artworks from the national collection. The displays were very positively received and had many views online.

Our touring programme was curtailed in 2020-21, but we were still able to share our collection across the UK and abroad in a limited way.

Learning & Engagement

In 2020-21 our Learning & Engagement programme focused on creating self-led resources online, in-gallery and outdoor; outreach projects and art packs full of materials and activities sent out to communities who needed our help the most. We continued to offer sessions online to access groups and families. For families in March 2020, we launched *Home is where the Art is: Creative Curriculum* – a series of 14 weekly creative prompts to help families of all ages and stages to make their own discoveries about art from home. The series was shortlisted for the Kids in Museums best website activity. *Home is where the art is* continues in the form of *Art Around You* to appeal to schools, community centres as well as families and includes monthly storytelling videos and resources with a link to health and wellbeing.

For Schools, NGS completed extensive consultation with teachers as to their needs and wants as well as offering CPD sessions for teachers and online sessions with schools.

Supporting our local community is important to us, recognising that not everyone has access to the internet. With support from our community partners, we sent out art packs full of materials and activities to families receiving free lunches in North Edinburgh during the summer holidays. We continued to send out packs to more families at Christmas, February half-term and Easter and will continue so during 2021 during the school holidays.

Those were just some of the initiatives which were undertaken through our learning and engagement programme.

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3.4 Research and Scholarship

NGS's international profile remains high with several curatorial staff taking part in online events and lectures across the UK and abroad. As well as contributing to publications and articles and presenting lectures and conference papers, NGS colleagues are also called upon to contribute their expertise to several initiatives. This includes the government's Acceptance in Lieu Scheme, Museums Galleries Scotland's Recognition Scheme and the Government's Reviewing Committee on the Export of Works of Art and Objects of Interest.

Internally we have been establishing Research Hubs around key collection areas with the aim of developing research ideas and applications which both explicitly tie to our collection, our core business, and our programme. We now have six collaborative doctoral students at the galleries who are also contributing to the research cultural and development.

The galleries are partners in a number of projects which have been funded over the last year. One of the most exciting, and directly related to the pandemic, being a study of the digital footprints of users in two national collections – National Museums Scotland and NGS - over a 12-month period. This is in partnership with the University of Strathclyde and funded by the Arts & Humanities Research Council. This project investigates how people engaged with heritage collections during the lockdown/post-lockdown period and how the knowledge of online access patterns can be used to design search pathways that can lead to linking collections combining the user search terms and semantics-based representations of the collections/items accessed.

3.5 Partnership and Collaboration

Working in partnership, NGS continues to develop useful and mutually beneficial relationships with museums, galleries and other organisations both within the UK and abroad, enhancing access to artworks from the collection and enabling access to works from other regions and countries. Many partnerships are developed through education activities and others are developed with museums and galleries around the UK and abroad through the loans and exhibitions programmes.

Between 1 April 20 and 31 March 21 we had 51 artworks out on loan to 22 venues, 10 in the UK, 16 in Europe and 6 worldwide including Japan, Australia, New Zealand and the USA. We also managed to keep our 'big baby' Ron Mueck's A Girl on tour in Europe. This gave us the opportunity to trial new approaches to couriers as due to global travel restrictions physical couriers have been unable to travel with the artworks. The challenge is in managing the risks associated with complex artwork transport without the direct oversight offered by physical couriers.

Looking ahead to a post-Covid world, ongoing discussions with transport and shipping companies, combined with the impact of Brexit on processes and procedures, and the need to focus on more sustainable practises, has also led to more creative thinking and is already informing discussions and decisions around transport options and how we pack and crate artworks

ARTIST ROOMS has been an important strand in our national partnerships since 2009. The programme continues as a catalyst to encourage new collaborations with a range of partners of all types and sizes across the UK, in order to grow and diversify the audiences we reach. It enables world-class, modern, and contemporary international art to be shared with audiences throughout the UK. The collection is a catalyst for exciting programming that engages and stimulates audiences, particularly young people. The ARTIST ROOMS programme was on hold for 2020-21, due to Covid but it will be reinstated following the latest lockdown period.

In 2021-22 we will review our approach to partnership and seek more efficient ways of delivering our strategy through effective collaboration with other organisations.

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3.6 *Developing a Sustainable Business Model*

The running costs of the galleries, capital expenditures and the cost of additions to the collections are provided from grant-in-aid from the Scottish Ministers augmented by self-generated income including other grants, income from shops, publications, catering outlets, corporate hire, corporate sponsorship and admission charges for some exhibitions.

During 2020-21, the impact of the Covid pandemic with gallery closures, and reduced visitor capacity on opening significantly impacted income from exhibition ticket sales, memberships, events and donations. Additional GIA and non-government grant funding was however received, which in addition to utilisation of the Coronavirus Job Retention Scheme (CJRS) and significant cost cutting measures, enabled NGS to achieve a balanced budget in the year.

The programme to encourage philanthropic support for NGS continues, developing the network of support from individuals, companies, trusts and foundations. NGS also operates a scheme of tiered membership with different levels of giving. NGS is grateful for the support provided during the year by the Patrons and the Friends, the largest group in the membership scheme.

Friends' membership stood at 10,877 on 31 March 2021, compared with 13,005 as at 31 March 2020, which is a 16% decrease. During a difficult year for all, our Friends have shown great willingness to support the Galleries. Retention level was good at 84%. With no live events possible, a new online events programme was launched and since June 2020, 22 exclusive talks have been created and sent out on a fortnightly basis. These have been extremely well received and we have had much positive feedback, especially during times of lockdown where many were feeling isolated.

In addition, the trustees have funds comprising gifts and bequests, principally earmarked for the purchase of works of art for the collections, many specifically directed, and some of which are endowments. These funds have been used to purchase Artworks to the value of £26k during 2020-21.

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4 Financial Review

4.1 Introduction

The financial statements meet the requirements of the Companies Act 2006, the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019) ("The Charity SORP"), the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities and Trustee Investment (Scotland) Act 2005."

NGS is required to operate within the financial limits prescribed in the Financial Memorandum laid down by Scottish Government, and to follow the recommendations of Government Accounting, unless in conflict with the Charity SORP. NGS is generally not permitted to borrow funds, and its powers to invest are circumscribed.

4.2 Grant in Aid

In relation to the Scottish Government grant in aid offer letter, the actual grant utilised for NGS was:

Grant in Aid	Actual £000	Offer Letter £000
Cash Items		
Running Costs	15,945	15,945
Purchase Grant	200	200
Capital Projects	5,527	5,527
	<u>21,672</u>	<u>21,672</u>
Non-Cash Items (Notional)		
Depreciation	1,135	2,500
Total	<u>22,807</u>	<u>24,172</u>

4.3 Financial Results

The Financial results for 2020-21 are set out in the Consolidated Statement of Financial Activities on page 33.

Income

The following graph analyses the major sources of income for NGS in the financial year to 31 March 2021.

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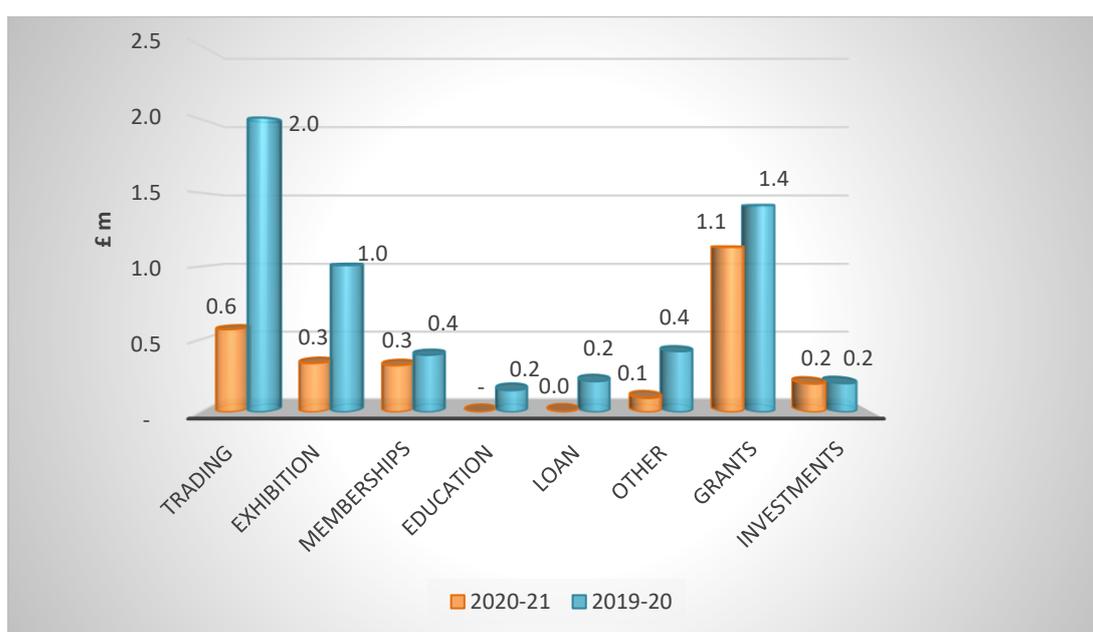


A detailed year on year comparison is set out in note 2 to the Financial Statements, page 41

The largest source of income for NGS continues to be Grant in Aid (GIA) received from the Scottish Government. In 2020-21 GIA for running costs increased to £15.95m (2019 £14.78m) in support of the implementation of pay policy (£0.7m) as directed by the Scottish Government, and support for loss of income during closure, (£0.5m).

£5.73m (2019 £5.7m) of GIA was also allocated by the Scottish Government for capital projects, including the SNG Project, the TAW and additions to the collection. Donations of and in support of artworks continues to be a material component of NGS's income. New artworks can be funded from cash donations and transfer of artworks under HM Government's Acceptance in Lieu of Inheritance Tax Scheme.

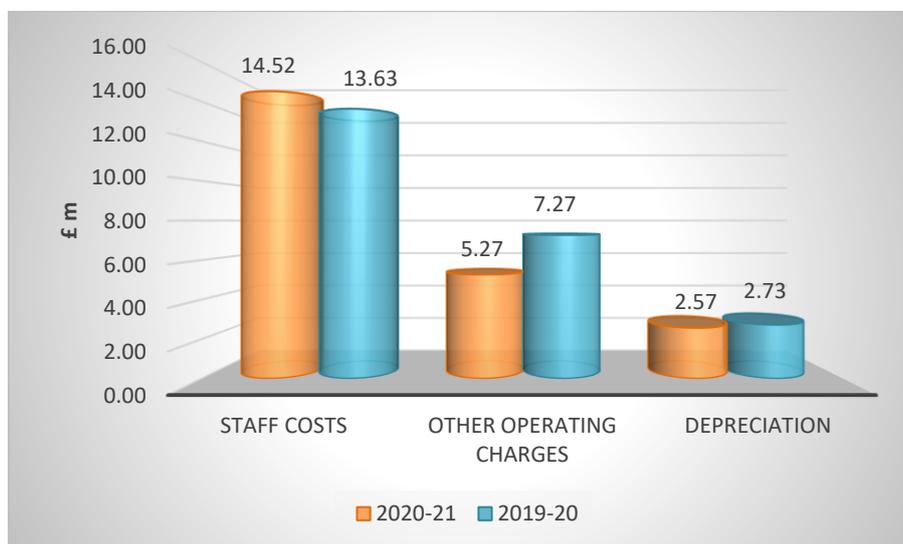
The financial impact of the Covid pandemic, and related closures is reflected in the significant reduction in Self-generated income (SGI) non-capital from 2019-20 levels. This is partially offset by increased GIA, and the £1.3m of CJRS claimed. Exhibition income includes £0.3m of Museums & Galleries Tax relief. The graph below shows the major components.



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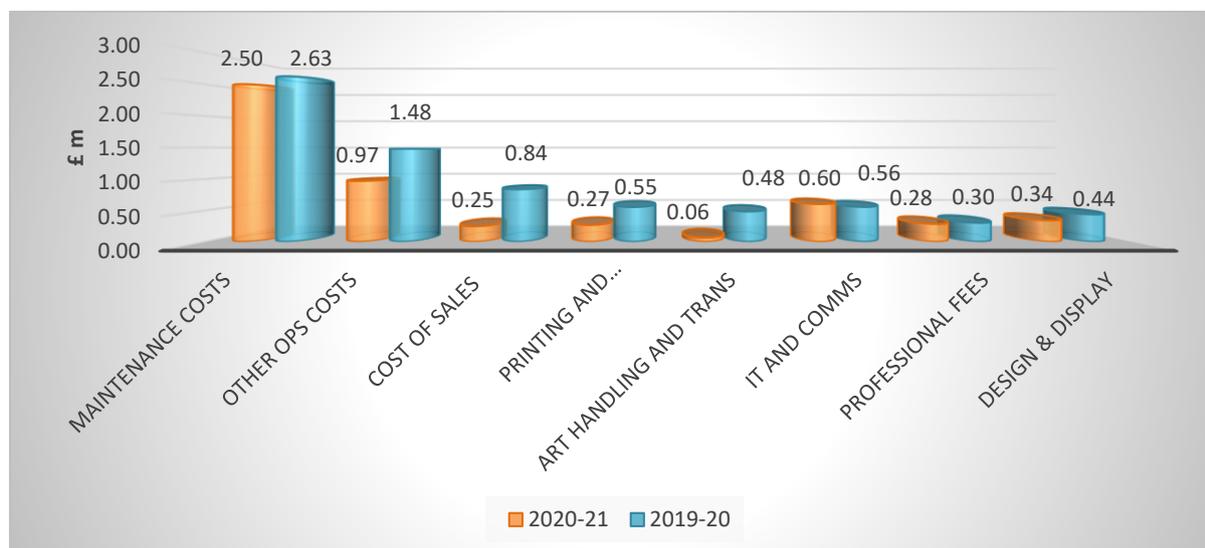
Expenditure

The following graph analyses the major categories of expenditure by NGS in the financial year to 31 March 2021.



Staff costs continue to be the most significant category of expenditure for NGS. Total staff costs increased by £0.89m to £14.52m during 2020-21 (2019-20, £13.63m). The increase is due to the implementation of Scottish Government pay policy and additional headcount to manage physical distancing. These posts are fixed term.

Other operating charges are categorised in the graph below:



Other operating charges were managed closely to match the reduction in income noted above and are £2m lower than in 2019-20. Rates relief of £0.2m was received, and with a reduced exhibition programme, other costs were significantly lower than in previous years.

A more detailed analysis of other costs is available in note 7 to the Financial statements on page 46

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4.4 Investments

The trustees' investment powers are governed by the Charities and Trustee Investment (Scotland) Act 2005. In addition, NGS is subject to regulations and any relevant guidance issued by the Office of the Scottish Charity Regulator. Due to the limited specific Scottish guidance in this area, NGS follows the better developed principles of the Charity Commission of England and Wales, particularly CC14 "Investment of Charitable Funds: Basic Principles". This policy is based primarily on the principles of CC14 and Sections 93 to 95 of the Act in regard to investment powers of trustees. The Audit and Risk Committee is responsible for overseeing the implementation of the NGS Investment Policy, which is based on those principles.

An investment management company, CCLA were appointed in the year to March 2020 to manage NGS's portfolio of investments, with the portfolio transfer being completed in the year to March 2021.

4.5 Reserves & Reserves Policy

The Audit and Risk Committee reviews the Reserves Policy and reserves held at least once a year. This review encompasses the nature of the income and expenditure streams, the need to match potentially variable income streams with largely fixed commitments and the nature of the reserves.

A detailed analysis of NGS's reserves and the movements during the year is set out in note 17 to the Financial Statements, page 55.

The Audit and Risk Committee reviewed the reserves policy during the year and agreed to maintain the level of funds not committed or invested in tangible fixed assets at a minimum holding of £100,000 (2019-20, £100,000).

4.6 Payment of Creditors

It is our policy to pay suppliers within thirty days of invoice date unless alternative payment terms have been agreed. This was achieved on 98% of payments in 2020-21 (2019-20 98%). A 10 day payment initiative was introduced by the Scottish Government in December 2008 and we achieve this with 72% of our creditors (2019-20 67%).

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4.7 Risk Management

In accordance with Scottish Government requirements and best practice, NGS uses a risk management framework to manage and monitor its key risks at both operational and strategic level. During the height of the pandemic from April 2020-May 2021 we introduced a risk register to manage risks specific to the impact of Covid. This was monitored, alongside the Strategic risk register, by Leadership Team, Audit & Risk Committee, and the full Board of Trustees.

The major strategic and Covid-related business risks at 31 March 2021 were as follows:

- Reduction in income and impact of continuing restrictions post-pandemic, challenging the recovery period.
- Implications of Brexit and wider political instability and ongoing uncertainty/ volatility regarding regulation, legislation, funding, potential Scottish independence, and the impact of Covid restrictions.
- Poor performance of Trading Company and concerns over future viability of catering companies following the Covid crisis.
- Cyber breach severely disrupts business operations in an environment of escalating cyber threats, internal resource conflict and organisational change.
- Delay in any element of the major capital programme and the knock-on effect to other projects, project costs, business as usual and income.
- Organisation is over-committed and does not have the resource to deliver the strategic plan, exacerbated by the Covid crisis and temporary reduction in staff numbers/loss of income through 2020-21.
- Negative staff morale arising from the impact of the Covid crisis.
- Failure to invest adequately in estates.
- Risk of damage or loss to the collection.
- Meeting the externally imposed challenges to employment costs (inc. pensions, living wage, NI, potential for 35-hour week)
- Failure to respond adequately to climate emergency challenges and associated risks.
- Failure to meet annual budget targets/increase income to execute business plan.

All risks are effectively managed by a series of control measures put in place by the Leadership Team. Risk is monitored by the Audit and Risk Committee on a quarterly basis.

In March 2021 NGS commenced a training programme for Trustees, Leadership Team and the Extended Leadership Team with the support of the internal auditors, Henderson Loggie. The risk management framework is being developed to create a more robust approach to managing risk, considering risk appetite, and aligning more explicitly with key performance indicators.

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5 Future Plans

5.1 *Strategic Plan 2021-23*

Our vision, Art for Scotland: Inspiration for the World, sits at the heart of the strategy along with three overarching aims.

- Increased participation
- Greater impact
- Investment in our future

In 2020-21 NGS reviewed the five-year strategy in the light of the Covid pandemic and how the organisation moves forward. The review concluded that the strategy remained valid, with a slightly changed emphasis. We reviewed the strategy through four lenses: Health & Well-being; Equalities, Diversity, and Inclusion (EDI); Climate Emergency; and Income. This review re-focused the strategy with a view to delivering through effective collaboration, reducing our work programme, and ensuring that colleagues are equipped with the right tools and skills.

We have already started to take a fresh look at our collection and programme to ensure that it is relevant to a more diverse audience, with a particular emphasis on health & well-being. EDI will also become an integral part of our planning and delivery both in terms of our programme and our internal processes and procedures. And we have already embarked on a new approach to income generation, diversifying our income streams online through Ecommerce, income-generating digital content, and donations. Finally, we are trying to better understand the impact of our activities on the environment, revising our organisational processes. This has had a positive effect on our carbon reduction target.

5.2 *Outlook*

A strong and vibrant arts sector is a key component to Scotland's tourism and creative sectors and participation in the arts is essential for a healthy society. NGS is already playing a key role in the delivery of the national strategy for Scotland's museums and galleries and will continue to investigate ways in which the collection can be opened up to the widest possible public and enhance Scotland's artistic community.

Collaboration with partners at home and abroad remains crucial to NGS's success and collaborative working opportunities are always being sought. However, NGS continues to operate in an extremely challenging environment within the wider context of government plans to reduce public sector expenditure and increasing competition for private sector support. This has been exacerbated by the Covid pandemic, which has had a significant effect on our financial sustainability.

Close to 65% of NGS's operating costs are on staff remuneration. NGS remains committed to the Scottish Living Wage as a minimum salary, therefore is limited in its ability to reduce costs further. NGS does however continually reviews its business model and in 2020-21 has reviewed the organisation structure and implemented a Voluntary Exit Scheme to manage staff costs. NGS has also reviewed systems and processes to find more efficient ways of working. This work will continue in 2021-22 as we revise our business model and create a re-skilled workforce fit for purpose.

NGS continues to seek opportunities to develop additional income streams. This has been challenging in 2020-21 due to the pandemic and the impact on footfall. The trading company has reviewed its operations, and is planning for recovery, however the level of uncertainty remains high. Whilst Ecommerce and online donations have been positive, the income generated does not compensate for the overall reduction. Fundraising efforts will continue to supplement the Grant in Aid and support the public programme activities, including outreach activities. The Capital Projects discussed below are central to this plan.

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Trustees' Annual Report (continued)

5.3 Capital Projects

NGS has two major capital projects in progress: the development of the Scottish National Gallery, which is nearing completion, and the creation of The Art Works which will house a national centre for the care and study of the permanent collection.

Celebrating Scotland's Art: The Scottish National Gallery project will transform the Scottish National Gallery, creating radically improved gallery space for the Scottish Collection, an enriched visitor experience and enhanced facilities for retail and catering. The building will also deliver greater energy efficiency and increased sustainability. The building works have been challenging, partly slowed down by the Covid crisis, but steady progress is being made towards completion and reopening in 2022.

The Art Works project has the bold vision to create a purpose-built centre to house Scotland's art collection in Granton, North Edinburgh, with the building also serving as a hub both for research and for the local community. The project is moving forward to RIBA stage two, following a review of costs in early 2021. NGS continues to work closely with the City of Edinburgh Council, feeding into the Granton Waterfront Regeneration Framework to ensure that the Art Works is an integral part of the plans for that area.

NGS is currently working through digitisation of the entire collection. The original target date for completion of this project was the end of 2020, but progress in the last two years has been slow due to resourcing challenges and the impact of Covid on staff numbers. The project is continuing however and the desire to digitise the entire collection remains. Work will continue in 2021-22 under the management of a new Head of Collection Information and Digital Asset Management.

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Trustees' Annual Report (continued)

6 Structure Governance and Management

6.1 Status & History

The Board of Trustees of NGS is a corporate body appointed by the Scottish Ministers in terms of the National Galleries of Scotland Act 1906, as amended by the National Heritage (Scotland) Act 1985, in pursuance of which this report and the attached audited consolidated financial statements are prepared and submitted. It is a registered charity (Number SC003728).

The Board of Trustees traces its origins to the Board of Manufactures established after the Act of Union of 1707. The foundation stone of the National Gallery, laid by the Prince Consort in 1850, was pursuant to a Treasury Minute.

6.2 Corporate Governance

NGS is a non-departmental public body primarily funded by the Scottish Government and managed on its behalf by a Board of Trustees, appointed by the Cabinet Secretary for Culture, Europe and External Affairs. NGS operates within a strict legislative and regulatory framework underpinned by the National Heritage (Scotland) Act 1985 and the Charities and Trustee Investment (Scotland) Act 2005.

The Board, with a maximum of 12 (minimum of 7) trustees appointed by the Cabinet Secretary, meets 5 times per year. Trustees are recruited by the Scottish Government through an open appointments system and are usually appointed for a single 4 year term with the possibility of reappointment for a second term.

Appointments are advertised in the press following a thorough appraisal of the skills required to balance the Board. The process follows the strict guidance laid down by the Office of the Commissioner for Public Appointments in Scotland. There were two new members appointed to the Board in 2020-21: Chris Sibbald and Lynn Richmond joined the Board in November 2020.

All trustees follow a thorough induction programme, covering the aims of the organisation, the Code of Conduct and an introduction to the work of individual departments. New trustees also obtain guidance from the Scottish Government "On Board" training manual and are given the opportunity to attend the "On Board" training events.

NGS has adopted the recommended Codes of Conduct for both trustees and staff. Registers of Interests and Gifts and Hospitality are maintained in accordance with best practice. A Trustee Register of Interests is maintained 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 in the interests they must register. The current register, which is updated annually, can be viewed on NGS website.

The Board delegates authority on financial matters to an Audit and Risk sub-committee. The Audit and Risk Committee, comprising three trustees with the Director-General, Chief Operating Officer and Director of Finance in attendance, has full delegated authority to take decisions on behalf of the Board. As at 31 March 2021 there were four other sub-committees: the Remuneration Committee, the Major Capital Programme Committee, the Board Review Committee and the Ethics Committee.

The NGS Trading Company Limited (registered in Scotland, SC312797) is managed on behalf of NGS by a Board, with membership drawn from the Board of Trustees, Leadership Team and with an external adviser from the retail sector. The Board is chaired by the Chairman Benny Higgins.

The financial statements of NGS are audited by Audit Scotland, who was appointed by the Auditor General for Scotland. Audit Scotland's remuneration for 2020-21 is set as £23,880.

The Director-General is satisfied that there is no relevant audit information of which NGS's auditors are unaware.

Trustees' Annual Report (continued)

6.3 Equal Opportunities and Diversity

NGS is committed to complying with the Equality Act 2010 and the specific equality duties outlined for Scottish public bodies. In line with the duties, NGS has established a set of equality outcomes to work towards. Those were first set out in 2013 and are updated every four years. We publish a report on progress against these outcomes every two years, along with a report on our efforts to mainstream equalities in the work that we do, statements on the gender pay-gap and employee equality statistics.

In 2020-21, NGS took steps to move beyond compliance by taking a broader approach to equality, diversity, and inclusion, catalysed by the Black Lives Matter movement. An Equalities Steering Group was established and tasked with developing a set of organisational commitments in consultation with stakeholders. These have now been agreed and published, and action plans are currently being developed to deliver on those commitments.

6.4 Health and Safety

The trustees acknowledge their legislative responsibility for, and their commitment to, a management policy that ensures matters relating to the health and safety of visitors, staff, volunteers, those working on a self-employed and agency contract basis, and contractors will receive due priority for action at all times. Responsibility also lies with individual members of staff, their representative unions, those working on a self-employed and agency contract basis, and contractors to give their full attention and co-operation to the implementation of this policy to enable NGS to provide a safe and healthy environment at all times. NGS employs a Health and Safety Manager to oversee the implementation, monitoring, auditing, and improvement of the management policy. NGS's employee assistance programme provides confidential counselling, practical support, advice, and information aimed at helping staff to come to terms with personal and family or work-related problems. The service is available to all employees and their immediate dependents, 24 hours a day, 365 days a year; access is via a free telephone line. During 2020-21, Health and Safety has been the highest priority for the NGS leadership team.

6.5 Sustainability policy

Throughout 2020-21 NGS has been examining priorities for addressing the Climate Emergency and how the organisation can reach net-zero carbon emissions before 2045. Plans are underway for creating a full organisational strategy to outline our journey to reaching net-zero, from our operations, our spending through procurement to our outreach and engagement with visitors and local communities.

With Sustainability as one of NGS' key drivers we give full consideration to environmental matters when managing the organisation. This commitment is reflected in the current NGS Carbon Management Plan 2018-2022 which sets the ambitious target of reducing our carbon emissions by 60% by 2022 having already reached previous reduction targets ahead of schedule. Our Environmental Policy and Plan covers all areas which NGS can improve and influence through our activities such as reducing pollution, energy, and water consumption, improving active staff travel and recycling. NGS commits funding each year to carbon reduction projects throughout the estates to support these activities.

As in-person sustainability projects were limited in this year, engagement with the topic moved online with staff knowledge sharing of sustainable practises at home and at work, webinars on reducing energy use and food waste as well as strengthening our environmental commitments through procurement practises. Physical projects were possible at certain points during the year allowed NGS to improve thermal efficiency with further secondary glazing as well as creating more opportunities for energy efficiencies through submetering and improvements to the building management system.

6.6 Sickness Absence Data

For the 12 month period from 1 April 2020 to 31 March 2021, 1.95% of working days were lost as result of sickness absence (2019-20, 3.76%).

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Trustees' Annual Report (continued)

6.7 Data Handling

In 2020/21, the focus of data protection work was on business continuity as we adapted to new ways of working. Updates and guidance were posted on the intranet as required, and data protection was included as part of the compulsory Reconnection and Readiness training before the galleries reopened to the public in summer 2020.

The record of processing activity as required by GDPR is under review and it is intended that this will form the basis of an information asset framework for the organisation. Work on information security and broader information governance is ongoing.

There were no reportable data breaches in 2020/21. Information security incidents are monitored, and guidance issued as appropriate. The internal mechanism for reporting security incidents which might compromise personal data appears to be working well and ensures escalation and action even when the Data Protection Officer is temporarily unavailable.

Data Protection Impact Assessments have been undertaken for the introduction of new systems and ways of working, including the new CRM and ticketing system, the HR information system and payroll. None have identified any high risks which would require consultation with the Information Commissioner's Office.

An internal audit on our approach to data protection in 2019/20 gave an overall assurance rating of Satisfactory with actions to address areas of weakness. Progress on these was hampered by the change of circumstances in 2020/21 but they are now scheduled for action in 2021/22.

6.8 Accountable Officer

Sir John Leighton is Director-General and Accountable Officer for the National Galleries of Scotland.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Trustees' Annual Report (continued)

7 Reference and Administration details

7.1 Trustees: 1 April 2020 – 31 March 2021

Benny Higgins (Chairman and Acting Remuneration Committee Chair – from 1 November 2020)
Tricia Bey (until 31 October 2020) (Chair, Major Capital Programme Committee until 31 October 2020)
Audrey Carlin (Chair, Major Capital Programme Committee – from 1 November 2020)
Alistair Dodds (Chair, Audit and Risk Committee and Deputy Chairman)
Edward Green
Tari Lang
Catherine Muirden (until 31 October 2020) (Chair, Remuneration Committee until 31 October 2020)
Professor Nicholas Pearce
Lynn Richmond (from 1 November 2020)
Hannah Rudman
Chris Sibbald (from 1 November 2020)
Rucelle Soutar
Willie Watt
Andrew Wilson

All trustees serving at 31 March 2021 continued to be serving trustees up to and on the date the Financial Statements were signed. The operational management of NGS is delegated by the Board of Trustees to the Director-General and his Leadership Team.

7.2 Leadership Team: 1 April 2020 – 31 March 2021

Sir John Leighton	Director-General
Jacqueline Ridge	Director of Conservation & Collection Management
Jo Coomber	Director of Public Engagement
Line Clausen Pedersen	Director of Collection & Research (from June 2020)
Bryan Robertson	Chief Operating Officer

There are three specialist sub-groups of the Leadership Team. The Collection Committee oversees acquisitions and loans and supports collections management matters. The Public Programme Committee directs and manages the public programme. The Programme Steering Board oversees the strategy and priorities for investment in capital projects and manages resource allocation across projects and general NGS business delivery.

Remuneration for the Leadership Team at NGS is set with reference to market and industry comparatives for similar roles. Contracts are approved by Remuneration Committee, and where appropriate by the Scottish Government. Annual adjustments to remuneration are made in line with Scottish Government pay policy.

For details of staff numbers employed in 2020-21, see Note 6 in the Notes to the Financial Statements.

NATIONAL GALLERIES OF SCOTLAND

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Trustees' Annual Report (continued)

7.3 Principal Advisers and Auditors

Bankers:	Royal Bank of Scotland 36 St Andrew Square Edinburgh EH2 2AD	Bank of Scotland The Mound Edinburgh EH1 1YZ	
Legal Advisers:	Turcan Connell Princes Exchange 1 Earl Grey Street Edinburgh EH3 9EE	CMS Scotland Saltire Court 20 Castle Terrace Edinburgh EH1 2EN	Brodies LLP 15 Atholl Crescent Edinburgh EH3 8HA
Internal Auditors:	MHA Henderson Loggie The Vision Building 20 Greenmarket Dundee DD1 4QB		
Independent Auditors:	Audit Scotland 4 th Floor 102 West Port Edinburgh EH3 9DN		
Taxation:	Scott Moncrieff Exchange Place 3 Semple Street Edinburgh, EH3 8BL		
Investment Managers:	CCLA Mansfield Traquair Centre 15 Mansfield Place Edinburgh EH3 6BB		

Benny Higgins

Benny Higgins
On behalf of the Board of Trustees
National Galleries of Scotland
14 September 2021

Sir John Leighton

Sir John Leighton
Accountable Officer
14 September 2021

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Statement of Trustees' and Accountable Officer's Responsibilities

The trustees are responsible for preparing the trustees' report and the financial statements in accordance with the National Galleries (Scotland) Act 1906, as amended by the National Heritage (Scotland) Act 1985, and directions made thereunder by the Scottish Ministers. The financial statements are prepared on an accruals basis and must give a true and fair view of the state of affairs of National Galleries of Scotland and of its net movement in funds, total net assets and cash flows for the financial year.

The Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 require the trustees to prepare financial statements for each financial year. Under those laws, the trustees have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under those laws, the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and apply them consistently;
- State that applicable UK Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as interpreted by the Charities' SORP, and the Government Financial Reporting Manual (FRM) have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgments and estimates on a reasonable basis;
- Observe the accounts direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business;
- Keep accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity; and
- Safeguard the assets of the charity and take reasonable steps for the prevention and detection of fraud and other irregularities.

The Principal Accountable Officer for the Scottish Government has appointed the Director-General as the Accountable Officer for National Galleries of Scotland. 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 Galleries of Scotland's assets, are set out in the Scottish Public Finance Manual and the Framework Document.

The Director-General is satisfied that there is no relevant audit information of which the entity's auditors are unaware.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Governance Statement

Introduction

The National Galleries of Scotland is committed to best practice in all aspects of corporate governance. The corporate governance framework is set out in section 6.2, page 18 of the Trustees' Annual Report. This statement describes the principal governance provisions which currently apply.

Scope of Responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives set by the Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

I ensure that arrangements for delegation are robust and promote good management supported by staff with an appropriate balance of skills. I ensure that proper management systems and procedures are in place to support service delivery.

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 of public funds. It is designed to ensure compliance with statutory and parliamentary requirements, promote value for money, high standards of propriety, and secure effective accountability and good systems of internal control.

Purpose of the System of Internal Control

The system of internal control is designed to manage 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 principal risks to the achievement of the organisation's policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The process within the organisation accords with the SPFM and has been in place for the year ended 31 March 2021 and up to the date of approval of the financial statements and accords with guidance from the Scottish Ministers.

Response to the Covid Pandemic

2020-21 was an unprecedented year, presenting NGS with the challenge of managing a national organisation through the Covid crisis. An additional layer of internal control and governance was put in place to manage the impact of the crisis and control our response to the pandemic, starting with closure of all our sites in March 2020, reopening to the public through August and September and re-closure in December 2020. The governance structure included the establishment of a Reopening Steering Group, a Core Team Relaunch Group and Site Management Group. In March 2020, all office-based staff switched to working from home.

The Reopening Steering Group, which met weekly throughout the financial year, comprised the Leadership Team and the Directors of Operations, Finance and HR. At the time of writing it is still meeting weekly, with the intention of winding up the group in summer 2021. The Core Team Relaunch Group comprised key team leaders (Security, HR, Finance, IT, Communications, Collection Management) and was charged with the responsibility of the operational management of all aspects of our response to the pandemic, including reopening and closure.

Discharge of Board Responsibilities

In order to discharge its responsibilities, the Board of Trustees met seven times in 2020-21, five of which were regular meetings. At each of its regular meetings the trustees received reports from the Director-General, management accounts and key performance measures (quarterly), strategic risk register (quarterly), Covid risk register (quarterly), minutes of sub-committee meetings and gallery reports on collection matters (including,

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Governance Statement (continued)

public programme, acquisitions, and loans), public engagement and operations. Safeguarding is a standing item on all board agendas to support trustees' responsibilities in relation to safeguarding children, young people and vulnerable adults. In addition, the Board regularly discussed matters of strategic importance and input to the development of the strategic plan.

Of the two other meetings, one was convened in May to review the on-going response to the Covid crisis and to inform trustees on the safe management of the galleries and plans for re-opening. The other meeting, also in May, was convened to review proposals and progress on an on-going project to develop a refreshed brand for NGS.

Other significant matters considered by the Board during the year:

- Covid response, reopening strategy, and planning.
- Budget strategy in relation to the Covid crises.
- The Art Works Project (including approval to move to RIBA stage two)
- The Scottish National Gallery project
- Skills and Capacity planning
- NGS approach to Equality, Diversity, and Inclusion

The Board of Trustees delegates responsibility to a number of sub-committees, which are charged with carrying out more detailed scrutiny in areas of strategic importance:

- Audit & Risk Committee
- Major Capital Programme Committee
- Remuneration Committee
- Board Review Committee
- Ethics Committee

The Board of Trustees is also represented on the Trading Company Board.

The Board has continued its support of the Leadership Team in the development of a revised organisation strategy. The strategy centres around six drivers: Audience Framework, One Collection, Our People, Sustainability, Visitor Experience and Partnerships. Those drivers support the core vision, Art for Scotland: Inspiration for the World. Development of a revised strategy continued through 2020 and 2021. Although the core model is solid, the rapid development of the digital aspect of our offer, home-working and the impact of Covid has led to a review of our priorities.

Audit & Risk Committee

The Audit & Risk Committee has full delegated authority from the Board to review and challenge all matters relating to financial management of NGS and oversee risk management and internal control. The Director-General, as Accountable Officer, the Chief Operating Officer and Director of Finance all attend the meetings to advise the trustees and respond to questions. External and internal auditors may also attend the meetings. The Committee met six times during the financial year, chaired by Alistair Dodds, Trustee. There was one additional joint meeting with the Major Capital Programme Committee to discuss The Art Works project

The six meetings included the four standing quarterly meetings, and two additional meetings in April and July to review the closure/reopening process and the impact of the Coronavirus crisis. Major items of business were as follows:

- Quarterly review of performance against strategic objectives
- Quarterly review of management accounts
- Quarterly review of risk, including continuing review of cyber security.

Governance Statement (continued)

- Quarterly review of Trading Company accounts, including an in-depth review of its business and the significant impact on income following the extended closure period due to Covid.
- Quarterly review of investment performance (including the on boarding of the new investment manager and transfer of funds to the new portfolio)
- Review of internal audit reports (see below)
- Review of annual accounts
- Quarterly review of financial and risk aspects of major capital projects
- Five-year financial projections
- Review of costs/risks/delays on the SNG and The Art Works projects.
- Continual review of risks and cost implications presented by the Coronavirus crisis throughout the financial year
- Skills and capacity planning/workforce management

Four internal audits were agreed and carried out by Henderson Loggie, our internal auditor:

- Payroll
- Workforce Management
- Collections, acquisitions & loans
- Income and NGS Trading stock process review

Reports were produced for each of those audits, management responses collated, and outputs scrutinised by the Audit & Risk Committee. An annual Follow-up audit report was also reviewed and an audit plan for 2021-22 considered.

Major Capital Programme Committee

The Major Capital Programme Committee is responsible for overseeing the programme of major capital projects and ensuring alignment with corporate strategy. Its main purpose is to ensure that the Scottish National Gallery Development project and The Art Works project are fully aligned with one another and with NGS resources and that the overall programme delivers what the organisation needs.

The Committee met six times during the financial year. This included one joint meeting with the Audit & Risk Committee to discuss The Art Works project. The first three meetings were chaired by Tricia Bey, Trustee. The last three meetings were chaired by Audrey Carlin, Trustee, who took over the Chair following the retirement of Ms Bey. Ms Bey remains on the Committee in an ex officio capacity to provide continuity.

Major items of business were as follows:

- Consideration of the construction challenges/additional costs of the Scottish National Gallery project.
- Consideration of key supplier risks
- Overview of risk and capital projects schedule (with emphasis on resource management)
- The Art Works- ongoing project monitoring, development of business case/project brief and progression to RIBA stage two.

Remuneration Committee

The Remuneration Committee is responsible for considering an overall remuneration policy which is aligned with NGS's long term strategy, its objectives, values and long-term interests. It is also responsible for advising and supporting NGS staff on all matters relating to employment and conditions. The Committee met once during the year, chaired by Benny Higgins, Chairman, and acting chair of REMCO. During 2020-21, the Chair, Catherine Muirden, stepped down as a trustee but remained on the Remuneration Committee in an ex officio capacity. The committee's focus was on the health and well-being of colleagues during the closure of the galleries. The main item of business at the one convened meeting in February 2021 was pay policy.

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Governance Statement (continued)

Board Review Committee

The Board Review Committee is responsible for reviewing the effectiveness of the Board of Trustees and ensuring an appropriate set of skills across the Board, identifying gaps and feeding into new appointment criteria. The Committee did not meet formally in 2020-21. The committee is chaired by the Chairman of the Board, Benny Higgins.

Ethics Committee

The Ethics Committee is responsible for monitoring ethical issues in relation to fundraising, donations and gifts, investments and partnerships and reviewing allegations of misconduct/breaches in relation to the ethics policy. It was formed in 2018 and meets on an ad hoc basis as need arises. The committee is chaired by the Chairman of the Board, Benny Higgins and met once in 2020-21.

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. In accordance with the above and best practice NGS has a risk management policy in place. Risk management practice is led by the Director-General under the guidance of the Chairman of the Audit and Risk Committee. In accordance with this policy NGS monitors its business risks on two levels: Project and Strategic level. Key strategic risks have been identified and are effectively managed by a series of control measures put in place by the Leadership Team. A specific Covid risk register was established in April 2020 due to the complexities of managing our business during this period.

Our approach to mapping risk overall has evolved following an internal audit by TIAA in 2018 and a consistent process is now in place at strategic level and for all major projects. Further work commenced during 2020-21 to evolve our approach, to improve the integration of risk processes with strategic planning and operational management across the organisation and develop a more robust approach towards risk appetite. Training and support for senior managers and trustees commenced in March 2021.

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. Effective measures for managing risk are in place for key operational areas such as health & safety and business continuity.

The General Data Protection Regulation (GDPR) has significant implications for NGS as a data controller. NGS has a Data Protection Officer in post who ensures that NGS is compliant with DP regulations and follows good practice. There were no data breaches reported in 2020-21.

Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by:

- the Directors within the organisation who have responsibility for the development and maintenance of the internal control framework;
- the work of the internal auditors, who submit to the organisation's Audit and Risk Committee regular reports which include the Internal Auditor's independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement. For the areas reviewed in 2020-21, the Internal Auditor issued an opinion of 'reasonable assurance' that effective risk management, control and governance processes are in place;
- the comments made by the external auditors in their management letters and other reports.

Governance Statement (continued)

I shall ensure that there is continuous review of internal systems through the internal audit process and, when required, that recommendations for improvement are considered and acted on. Following a review of internal systems and risks in 2020-21, I would like to draw attention to the following matters:

- In line with similar organisations in the culture sector, the Covid pandemic has had an unprecedented impact on all aspects of NGS's operations and will continue to impact NGS's ability to deliver the long-term strategic vision as outlined in the trustees' report in the foreseeable future. NGS must now continue to develop and adapt its strategic plan and related KPIs over the coming year to reflect the challenges in the new operating environment.
- The NGS workforce has and will continue to have to adapt to new ways of working due to Covid. The staff have had to be flexible in managing and implementing new policies and regulations whilst monitoring risk levels to ensure a safe environment for visitors. Staff have also to adapt to working remotely. These requirements add to the existing high workload due to NGS implementing significant organisational and cultural transformation to improve its long-term resilience and impact. An integrated planning exercise was conducted at the start of 2021-22 and will help manage the associated workload.
- Priorities have been revised and managed closely in 2020-21 and will continue to be so. This is being monitored and managed by the Leadership Team and will continue to be supported by investment in skills development across the organisation. A Skills and Capacity Planning strategy, as part of the People driver, will now be further evolved to take account of the new operating environment, alongside the integrated planning exercise.
- The additional costs of operating with social distancing measures and loss of income due to the significant reduction in visitor numbers will continue to impact NGS's financial position in the medium-term which will also impact the delivery of NGS's offer. NGS's commercial subsidiary will continue to be impacted during 2021-22. Financial forecasts to 2025 were prepared as part of the annual budget process and will require ongoing review as the external factors impacting visitor numbers change in line with removal of capacity and travel restrictions. This situation has demonstrated the financial risks to NGS of becoming increasingly dependent on variable discretionary income sources with a substantial fixed cost base.
- NGS's ability to fundraise through public and private sector channels may also be constrained due to competing demands, and this could have an impact on the delivery of capital projects in the pipeline, in particular funding raising for The Art Works.
- The launch of the National Partnership for Culture and associated expectations for further sharing of collections and expertise nationally may result in additional demands upon NGS resources, and this could prove challenging in the post Covid environment, when financial and staff resources are constrained.
- Management and care of the collection are paramount to NGS. The current storage facilities have insufficient space to store our existing collection resulting in artworks being stored in inappropriate conditions which may put the items at risk. Only 52% of our gallery/storage spaces meet minimum standards for environmental conditions for the collection. Finding a solution is a top priority. The proposed creation of a new facility at Granton (The Art Works) will concentrate our facilities for preservation, research storage and distribution onto one site. It will also provide state of the art spaces for those wishing to research and explore the collections and be a dedicated platform for outreach in the local community. In the meantime, NGS has taken the opportunity to adapt spaces elsewhere on the estate to make some improvements in collection care conditions and enter into a lease agreement for a purpose-built storage facility at Loanhead as an interim solution over the next 2-3 years. Investment in the associated collections systems is also a key priority.

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Governance Statement (continued)

- NGS's large, ageing estate of listed buildings with increasing visitor footfall necessitates increased capital investment at a time of funding constraints. NGS is striving to deliver an ambitious programme of capital projects, as described in section 5.3 of the Trustees' Annual Report, and a quinquennial maintenance schedule to address this. These initiatives carry inherent risk. In order to effectively review the challenges of managing the NGS estate, an external consultant was engaged in 2019-20 to review the buildings and capacity, and a further review is planned to be completed by the end of 2022 to assess the extent of investment required to support climate change requirements and funding constraints, the resultant risks and how these can be mitigated.
- The Scottish National Gallery project is well underway. There have been several construction challenges linked to working with a Heritage Site. The project is now due to complete in 2022. This, alongside the additional Covid challenges, have had a knock-on effect on delivery of The Art Works project due to resourcing constraints but has also presented the opportunity to review the scope and cost of that project.
- Staff costs are by far the biggest running cost incurred by NGS, representing over 80% of our revenue grant-in-aid. Even with relatively static core headcount and more externally funded posts, we have experienced unavoidable increases due to Scottish Government pay and pensions policy. In addition, the impact of universal statutory living wage is increasing NGS staff costs further. In March 2021 NGS offered a Voluntary Exit Scheme to assist in reducing staffing costs. 19 staff took up the opportunity to leave the organisation. This will assist in reducing staff costs but also brings with it the challenge of a loss of key staff and knowledge and a resultant risk.
- Fraud attempts from external parties have become increasingly common and more sophisticated. NGS has tested the adequacy of our security systems and response to potential cyber-attack through an internal audit. Over the last three years we have made significant improvement in our digital infrastructure and this is an area where we are allocating additional resources to address the work required to achieve cyber essentials by the end of 2021. This review of NGS's cyber security follows the recommendations of the internal audit report.

Sir John Leighton

Sir John Leighton
Accountable Officer

14 September 2021

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Independent auditors' report to the members of the National Galleries of Scotland, the Auditor General for Scotland and the Scottish Parliament

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and financial statements of National Galleries of Scotland for the year ended 31 March 2021 under the National Galleries of Scotland Act 1906 as amended by 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 NGS Statement of Financial Activities, the Consolidated and NGS Balance Sheet, the Consolidated and NGS Statement of Cash Flows and notes to the financial statements, 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 the National Galleries of Scotland Act 1906 as amended by the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2021 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the National Galleries of Scotland Act 1906 as amended by the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 18 July 2016. The period of total uninterrupted appointment is 5 years. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

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

Responsibilities of the Accountable Officer for the financial statements

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

Independent auditors' report to the members of the National Galleries of Scotland, the Auditor General for Scotland and the Scottish Parliament

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Reporting on other requirements

Statutory other information

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

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Independent auditors' report to the members of the National Galleries of Scotland, the Auditor General for Scotland and the Scottish Parliament

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

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

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

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

- the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Galleries of Scotland Act 1906 as amended by 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 Galleries of Scotland Act 1906 as amended by 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 financial statements, 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
102 West Port
Edinburgh
EH3 9DN

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

14 September 2021

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

	Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2021 £000	Total 2020 £000
Income						
Grant in Aid	3	21,672	-	-	21,672	20,475
Coronavirus Job Retention Scheme	-	1,291	-	-	1,291	-
Donations and Legacies	2	202	4,536	-	4,738	6,093
Income from Charitable Activities	2	1,011	795	-	1,806	3,175
Other Trading Activities	2	576	-	-	576	2,014
Income from Investments	2	10	149	37	196	198
Total Income and Endowments		24,762	5,480	37	30,279	31,955
Expenditure						
Expenditure on Raising Funds	4	(1,442)	-	-	(1,442)	(2,760)
Expenditure on Charitable Activities	4	(18,043)	(301)	-	(18,344)	(18,131)
Depreciation	4	(2,573)	-	-	(2,573)	(2,729)
Total Expenditure		(22,058)	(301)	-	(22,359)	(23,620)
Net Gains/(Losses) on Investment Assets		21	572	144	737	(451)
Net Income/(Expenditure)		2,725	5,751	181	8,657	7,884
Transfers Between Funds	17	-	9	(9)	-	-
Depreciation Release	17	1,437	(1,437)	-	-	-
Other Recognised Gains and Losses						
Gains/(Losses) on Revaluation of Fixed Assets	17	-	(425)	-	(425)	1,957
Net Movement in Funds		4,162	3,898	172	8,232	9,841
Reconciliation of Funds						
Total Funds b/f at 1 April	17	92,627	258,877	913	352,417	342,576
Total Funds c/f at 31 March	17	96,789	262,775	1,085	360,649	352,417
Total Fund Balances Made Up By						
General Fund	17	138	-	-	138	217
Capital Assets Fund	17	96,313	-	-	96,313	92,142
General Fund Revaluation Reserve	17	-	37,793	-	37,793	38,402
General Fund Capital Reserve	17	-	30,580	-	30,580	30,580
Donated Asset Reserve	17	-	188,471	-	188,471	185,176
Trust Funds & Bequests (incl. Purchase Fund)	17	338	5,931	1,085	7,354	5,900
Total Fund Balances		96,789	262,775	1,085	360,649	352,417

All recognised gains and losses have been included within the Statement of Financial Activities. All activities are classed as continuing.

The notes on pages 37-60 form part of the financial statements

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

	Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2021 £000	Total 2020 £000
Income						
Grant in Aid	3	21,672	-	-	21,672	20,475
Coronavirus Job Retention Scheme	-	1,291	-	-	1,291	-
Donations and Legacies	2	202	4,536	-	4,738	6,093
Income from Charitable Activities	2	1,399	795	-	2,194	4,451
Other Trading Activities	2	-	-	-	-	-
Income from Investments	2	10	149	37	196	195
Total Income and Endowments		24,574	5,480	37	30,091	31,214
Expenditure						
Expenditure on Raising Funds	4	(350)	-	-	(350)	(452)
Expenditure on Charitable Activities	4	(18,737)	(301)	-	(19,038)	(19,340)
Depreciation	4	(2,547)	-	-	(2,547)	(2,704)
Total Expenditure		(21,634)	(301)	-	(21,935)	(22,496)
Net Gains/(Losses) on Investment Assets		21	572	144	737	(451)
Net Income/(Expenditure)		2,961	5,751	181	8,893	8,267
Transfers Between Funds	17	-	9	(9)	-	-
Depreciation Release	17	1,437	(1,437)	-	-	-
Other Recognised Gains and Losses						
Gains/(Losses) on Revaluation of Fixed Assets	17	-	(425)	-	(425)	1,957
Net Movement in Funds		4,398	3,898	172	8,468	10,224
Reconciliation of Funds						
Total Funds b/f at 1 April	17	92,945	258,877	913	352,735	342,511
Total Funds c/f at 31 March	17	97,343	262,775	1,085	361,203	352,735
Total Fund Balances Made Up By						
General Fund		692	-	-	692	535
Capital Assets Fund	17	96,313	-	-	96,313	92,142
General Fund Revaluation Reserve	17	-	37,793	-	37,793	38,402
General Fund Capital Reserve	17	-	30,580	-	30,580	30,580
Donated Asset Reserve	17	-	188,471	-	188,471	185,176
Trust Funds & Bequests (incl. Purchase Fund)	17	338	5,931	1,085	7,354	5,900
Total Fund Balances		97,343	262,775	1,085	361,203	352,735

All recognised gains and losses have been included within the Statement of Financial Activities. All activities are classed as continuing.

The notes on pages 37-60 form part of the financial statements

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Consolidated and NGS Balance Sheet as at 31 March 2021

		Group 2021	NGS 2021	Group 2020	NGS 220
	Note	£000	£000	£000	£000
Fixed Assets					
Intangible Assets	10	225	225	180	180
Tangible Assets	8	144,721	144,638	140,039	139,929
Heritage Assets	9	207,866	207,866	205,895	205,895
Investments	11	5,075	5,075	4,338	4,338
		<u>357,887</u>	<u>357,804</u>	<u>350,452</u>	<u>350,342</u>
Current Assets					
Stocks	12	718	-	837	-
Debtors: amounts falling due within one year	13	1,356	1,331	1,891	2,273
Cash at bank and in hand	14	5,608	5,442	3,550	3,451
		<u>7,682</u>	<u>6,773</u>	<u>6,278</u>	<u>5,724</u>
Creditors: amounts falling due within one year	15	<u>(4,622)</u>	<u>(4,476)</u>	<u>(4,253)</u>	<u>(4,071)</u>
Net Current Assets		<u>3,060</u>	<u>2,297</u>	<u>2,025</u>	<u>1,653</u>
Debtors: amounts falling due after one year	13	-	1,400	-	800
Total Assets less Current Liabilities		<u>360,947</u>	<u>361,501</u>	<u>352,477</u>	<u>352,795</u>
Provisions for liabilities and charges	16	(298)	(298)	(60)	(60)
Total Net Assets		<u><u>360,649</u></u>	<u><u>361,203</u></u>	<u><u>352,417</u></u>	<u><u>352,735</u></u>
Represented by:					
Unrestricted Reserves					
Designated	17	96,689	97,243	92,580	92,845
Undesignated	17	100	100	100	100
Restricted Reserves	17	262,775	262,775	258,824	258,877
Total Funds		<u>359,564</u>	<u>360,118</u>	<u>351,504</u>	<u>351,822</u>
Capital Funds – Permanent Endowments	17	1,085	1,085	913	913
Total Funds		<u><u>360,649</u></u>	<u><u>361,203</u></u>	<u><u>352,417</u></u>	<u><u>352,735</u></u>

The financial statements on pages 33 – 61 were approved by the Accountable Officer and Board of Trustees and authorised for issue on 14 September 2021

Benny Higgins

Benny Higgins
On behalf of the Board of Trustees

Sir John Leighton

Sir John Leighton
Accountable Officer

The notes on pages 37-60 form part of the financial statements

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Consolidated and NGS Statement of Cash Flows for the Year Ended 31 March 2021

		Group	NGS	Group	NGS
		2021	2021	2020	2020
	Note	£000	£000	£000	£000
Cash flows from operating activities:					
Net cash generated from operating activities	18	9,905	9,840	10,505	10,440
Cash flows from investing activities:					
Dividends and interest received		196	196	198	195
Purchase of artworks		(491)	(491)	(519)	(519)
Purchase of property, plant and equipment		(7,554)	(7,554)	(9,731)	(9,686)
Proceeds from the sale of property, plant and equipment		2	-	-	-
Net cash used in investing activities		(7,847)	(7,849)	(10,052)	(10,010)
Change in cash and cash equivalents in the reporting year		2,058	1,991	453	430
Analysis of changes in net funds:					
Cash and cash equivalents at the beginning of the reporting year	14	3,550	3,451	3,097	3,021
Cash and cash equivalents at the end of the reporting year	14	5,608	5,442	3,550	3,451
Change in cash and cash equivalents in the reporting year		2,058	1,991	453	430

The notes on pages 37-60 form part of the financial statements

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting Policies

a) Basis of Accounting

The Financial statements have been prepared in accordance with the Accounts Direction given by Scottish Ministers which is produced as an appendix to these financial statements.

NGS have adopted the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2019).

The financial statements include the activities and balances of NGS grant-aided activities and its Trust Funds and Bequests, which are under the control of the Board of Trustees.

Without limiting the information given, the financial statements meet the requirements of the Companies Act 2006, the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019), the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities and Trustee Investment (Scotland) Act 2005. They also comply with the Government Financial Reporting Manual (FRM).

Accounting policies have been consistently applied in these financial statements.

b) Going Concern Basis

The financial statements have been prepared on the going concern basis. The anticipated income from government grant and self-generated income will be sufficient to meet NGS's on-going expenses.

c) Basis of Consolidation

The financial statements consolidate those of NGS and its subsidiary company, NGS Trading Company Ltd. The financial statements are consolidated on a line by line basis for assets and liabilities.

d) Tangible Fixed Assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation, except in the case of land and buildings where assets are revalued every five years and are shown at revalued cost less accumulated depreciation.

NGS acquired the title to the Scottish National Gallery and the Royal Scottish Academy, both on the Mound, Edinburgh, from the Scottish Ministers on 21 February 2001. Construction work on the Weston Link was completed in July 2004 and the building transferred to NGS in August 2004.

The title to the Scottish National Portrait Gallery administered by the trustees remains with the Scottish Ministers.

The Scottish National Gallery of Modern Art (Modern One) and its associated lodges were gifted to NGS in March 2005 by the Art Galleries of Scotland Foundation. The Scottish National Gallery of Modern Art (Modern Two) is held on a 125-year lease at £1 per annum, which commenced on 28 April 1995. The Bridge Lodge is owned by NGS.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting Policies (continued)

The method of valuation for specialised buildings for which there is effectively no market price is depreciated replacement cost. A formal revaluation is carried out every five years in line with the review of fixed assets to ensure fitness for purpose.

In years between formal valuations, buildings are revalued at depreciated replacement cost, by the use of appropriate cost indices applied to historic cost. Non-specialised use buildings (e.g. the lodge buildings at the Scottish National Gallery of Modern Art) have been valued at existing use value.

Assets acquired from Grant in Aid are capitalised in the financial statements and are depreciated on a straight-line basis over their estimated useful lives at rates calculated to write off the cost or valuation of each asset as follows:

- Land - not depreciated
- Buildings and Improvements - up to 86 years
- Assets Under Construction - not depreciated
- Office Equipment and Computing - 4 years
- Fixtures and Fittings - 6 years
- Vehicles - 4 years
- Leasehold Improvements – over the duration of the lease
- IT Infrastructure – 4 years

Assets valued below £5,000 are not capitalised, except for Artwork purchases.

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

e) Heritage Assets

In line with the requirements of the Government Financial Reporting Manual (FRM), additions to the collections of NGS from 1 April 2000 have been capitalised at purchase price or value of the acquisition where such a value is reasonably obtainable. Such items are not depreciated or revalued as a matter of routine as the assets are deemed to have indeterminable lives. Expenditure to conserve the works is included under charitable activities in the SOFA.

The gallery collections are defined as non-operational heritage assets. The collection existing at 31 March 2000 has not been capitalised and the trustees do not consider that the cost of valuing this part of the collection is commensurate with the benefits to the users of the financial statements.

Capitalised gallery collection items are valued at cost or value of the acquisition. Where the acquisition is part donation, part purchase the asset is capitalised at current value on receipt. These items are not depreciated or revalued as a matter of routine as the assets are deemed to have indeterminable lives.

Works donated by third parties by way of funds for the asset are capitalised at current value on receipt.

f) Intangible Assets

Intangible fixed assets are stated at historic purchase cost less accumulated depreciation.

Intangible assets acquired are capitalised in the financial statements and are amortised on a straight-line basis over their estimated useful lives, as follows:

- Computer Software - 4 years
- Website – 4 years

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting Policies (continued)

g) Incoming Resources

Income is accounted for on a receivable basis. Revenue grant-in-aid is credited to the General Fund in the year in which it is received. Incoming resources such as exhibition sponsorship are treated as deferred income when received in advance. As required by the Charities SORP 2019, all incoming resources are accounted for in the Statement of Financial Activities. All grant-in-aid is shown in the Statement of Financial Activities, and that portion which is deemed as capital is transferred to the Capital Assets Fund and released over the lifetime of the asset to offset asset depreciation.

The purchase grant is used to purchase additions to the gallery collections, which since 1 April 2000 have been capitalised.

Donations of fixed assets and cash, which are applied to capital expenditure, are credited to the donated asset reserve (at market value in the case of non-cash items) and are amortised over the expected useful lives of the assets acquired.

Legacy income is regarded as receivable when the conditions for its receipt have been met.

Receipts from grant awarding trusts are credited to income in the year in which they are receivable. Any portion which is applied to capital expenditure is credited to the donated assets reserve and amortised over the expected useful lives of the assets acquired and released to the Income and Expenditure Account over the corresponding period.

h) Resources Expended

All expenditure has been accounted for on an accruals basis and has been classified under headings that aggregate all costs relating to our main activities.

Charitable expenditure comprises those costs incurred in the delivery of our activities and services. It includes both costs which can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Support costs are those which are necessary to deliver an activity but do not themselves produce the output of the charitable activity. They include the central office functions such as human resources, finance, information technology and administration. Expenditure incurred on support costs has been apportioned to our activities on a per capita basis.

i) Subsidiary Company

National Galleries of Scotland owns the share capital of one subsidiary company, NGS Trading Company Limited, 73 Belford Road, Edinburgh EH4 3DS.

j) Investments

NGS Trust Funds and Bequests have listed investments from which income is derived and used to meet the specific objects of the funds. These investments are shown at market value in accordance with the Charities Statement of Recommended Practice (SORP 2019). The investment policy is determined by the Audit and Risk Committee and is reviewed on a periodic basis.

k) Pensions

Pension contributions payable by NGS are expensed as incurred. Note 6 provides further details on the pension arrangements.

1 Accounting Policies (continued)

l) Stocks

Stocks are valued at the lower of cost or net realisable value. Cost valuation is based on a FIFO basis. Where goods are identified as slow moving or damaged and their realisable value is lower than cost, write downs are made against those specific lines.

m) Taxation

National Galleries of Scotland has been recognised as having charitable status by HM Revenue and Customs. Non-recoverable Value Added Tax arising from expenditure on non-trading activities is charged to expenditure.

The taxable profits of NGS Trading Company Limited are paid to NGS under Gift Aid rules.

n) Leases

Leases are regarded as operating leases and the rentals are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

o) Deferred Income

Incoming resources relating to the future provision of services are deferred until the services are provided and entitlement to the income is earned.

p) Key Judgements and Estimates

In the years between formal valuations, NGS's buildings are revalued using the BCIS All-in Tender Price Index. Donated Heritage Assets are valued on receipt by staff who have relevant skills knowledge and experience, or by a similarly qualified external valuation expert.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2 Analysis of Total Income – Consolidated

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Group 2021	Total NGS 2021	Total Group 2020
	£000	£000	£000	£000	£000	£000
Grant in Aid	21,672	-	-	21,672	21,672	20,475
Coronavirus Job Retention Scheme	1,291	-	-	1,291	1,291	-
Donations and Legacies						
Grants – Capital Projects	141	2,299	-	2,440	2,440	4,514
Donations – Capital Projects	-	355	-	355	355	180
Donations – Artworks	-	1,876	-	1,876	1,876	969
Donations - Exhibitions	-	6	-	6	6	243
Other	61	-	-	61	61	187
Total Income from Donations and Legacies	202	4,536	-	4,738	4,738	6,093
Income from Charitable Activities						
Grants - Exhibitions	-	-	-	-	-	108
Grants – Other	337	795	-	1,132	1,132	1,418
Exhibition admission fees	68	-	-	68	68	392
Museum & Galleries Exhibition Tax Relief	263	-	-	263	263	266
Income from loans out	3	-	-	3	3	213
Educational events	(18)	-	-	(18)	(18)	151
Memberships	322	-	-	322	322	395
Other	36	-	-	36	36	232
Recharges	-	-	-	-	388	-
Total Income from Charitable Activities	1,011	795	-	1,806	2,194	3,175
Other Trading Activities						
NGS Trading Company Income	576	-	-	576	-	2,014
Sponsorship – Exhibitions	-	-	-	-	-	-
Total Income from Other Trading Activities	576	-	-	576	-	2,014
Income from Investments						
Dividends	6	149	37	192	192	176
Interest	4	-	-	4	4	22
Total Investment Income	10	149	37	196	196	198
Total Income	24,762	5,480	37	30,279	30,091	31,955

In the year ended 31 March 2020, for the Group, Grant in Aid and Other Trading Activities income related only to Unrestricted Funds, Donations and Legacies was split £312k of Unrestricted and £5,781k of Restricted funds, Income from Charitable Activities was split £2,449k of Unrestricted and £726k of Restricted funds and Income from Investments was split £27k of Unrestricted, £137k of Restricted and £34k of Endowment funds.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3 Grant in Aid

	Group & NGS 2021	Group & NGS 2020
	£000	£000
Grant in Aid Received		
Running Costs	15,945	14,775
Capital Projects	5,527	5,500
Purchase Grant	200	200
Total Grant in Aid Received	<u>21,672</u>	<u>20,475</u>

4 Analysis of Total Expenditure

	Group 2021	NGS 2021	Group 2020	NGS 2020
	£000	£000	£000	£000
Staff Costs	14,521	14,521	13,634	13,634
Other Operating Costs	5,265	4,867	7,257	6,158
Depreciation & Amortisation	2,573	2,547	2,729	2,704
Total Expenditure	<u>22,359</u>	<u>21,935</u>	<u>23,620</u>	<u>22,496</u>

	Direct Costs	Support Costs	Group 2021	NGS 2021	Group 2020	NGS 2020
	£000	£000	£000	£000	£000	£000
Raising Funds						
Cost of fundraising	334	-	334	334	430	430
Cost of NGS Trading Company Ltd	1,092	-	1,092	-	2,308	-
Investment management costs	16	-	16	16	22	22
Total Expenditure on Raising Funds	<u>1,442</u>	<u>-</u>	<u>1,442</u>	<u>350</u>	<u>2,760</u>	<u>452</u>
Charitable Expenditure						
Exhibitions and education	5,155	1,992	7,147	7,147	8,042	8,042
Conserve and add to collections	4,208	1,980	6,188	6,188	6,369	6,369
Estates management	3,010	447	3,457	3,457	3,548	3,547
Audience development	1,210	1,277	2,487	3,155	2,901	4,086
Covid Expenditure	1,638	-	1,638	1,638	-	-
Total Charitable Expenditure	<u>15,221</u>	<u>5,696</u>	<u>20,917</u>	<u>21,585</u>	<u>20,860</u>	<u>22,044</u>
Total Expenditure	<u>16,663</u>	<u>5,696</u>	<u>22,359</u>	<u>21,935</u>	<u>23,620</u>	<u>22,496</u>

Total Expenditure on Raising Funds and Depreciation relate only to Unrestricted Funds in the current and prior year. Total Expenditure on Charitable Activities relates to £18,043k (2019-20 £17,162k) of Unrestricted and £301k (2019-20 £969k) of Restricted Funds.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

5 Allocation of Support Costs

	Charitable Activities				Total 2021	Total 2020
	Exhibition and Education	Conserve & Add to Collection	Estates Managem- ent	Audience Developm- ent		
	£000	£000	£000	£000	£000	£000
Central and Finance	506	503	114	324	1,447	952
HR	161	160	36	103	460	488
Planning & Performance	124	124	28	80	356	382
IT	310	308	69	199	886	881
Depreciation (NGS)	891	885	200	571	2,547	2,705
Total	1,992	1,980	447	1,277	5,696	5,408

6 Trustee Remuneration and Staff Costs

	Group & NGS 2021	Group & NGS 2020
	£000	£000
Staff costs during the year		
Wages and Salaries	10,861	10,141
Social Security Costs	953	902
Other Pension Costs	2,707	2,591
Accounted for in grant aided activities	14,521	13,634

Capitalised staff costs during the financial year amounted to £481,237 (2019-20 - £311,094).

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

	Group & NGS 2021	Group & NGS 2020
£60,000 - £69,999	6	4
£70,000 - £79,999	2	2
£80,000 - £89,999	2	2
£90,000 - £99,999	1	2
£100,000 – 109,999	2	1
£110,000 – 120,000	1	1

Remuneration of Leadership Team Director positions is set by the Board of Trustees ensuring fair and industry comparisons for similar roles and all such positions are approved by the Remuneration Committee. For ongoing salary reviews, the remuneration is reviewed and approved by the Remuneration Committee working within the pay remit from Scottish Government.

The total cost of remuneration to key management personnel in 2020-21 was £485,071 (2019-20 £495,785)

Pension Costs

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “Alpha” – are unfunded multi-employer defined benefit schemes but National Galleries of Scotland is unable to identify its share of the underlying assets and liabilities.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

6 Trustee Remuneration and Staff Costs (continued)

The scheme actuary valued the PCSPS as at 31 March 2016. You can find details in the resource accounts of the Cabinet Office at: <https://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>.

For 2020-21, employers' contributions of £2,736,942 were payable to the PCSPS (2019-20 £2,578,871) at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2020-21 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £42,668 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%.

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £1,443, 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £4,829. Contributions prepaid at that date were £0.

The average number of full-time equivalent employees employed by NGS and the Group were as follows:

	Group 2021 Permanent	Group 2021 Temporary	Group 2020 Permanent	Group 2020 Temporary
Security and Visitor Services	132	10	124	13
Gallery Curatorial and Administration	44	13	41	14
Service Departments	52	5	52	8
Central Administration	44	6	42	8
Revenue Earning Activities	31	2	38	8
	<u>303</u>	<u>36</u>	<u>297</u>	<u>51</u>

Median Staff Pay Ratio

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 organisation's workforce.

The mid-point of the banded remuneration of the highest-paid director in NGS in 2020-21 was £115,000 (2019-20 £115,000 FTE). This was 5.29 times (2019-20 5.48) the median remuneration of the workforce which is £21,753(2019-20 £21,003).

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

6 Trustee Remuneration and Staff Costs (continued)

Trustee Remuneration

No remuneration was paid to members of the Board of Trustees during 2020-21 (2019-20 nil).

	NGS 2021	NGS 2020
	£000	£000
Total amount of travel expenses reimbursed	<u>0</u>	<u>1</u>
	NGS 2021	NGS 2020
Number of trustees receiving reimbursement	<u>0</u>	<u>3</u>

Compensation for Loss of Office & Settlement Agreements

In the year to 31 March 2021 no staff left under a voluntary exit scheme (VES) (2019-20 0 staff). A VES was launched in December 2020 with the leaving date for staff who were offered the terms set as June 2021.

Trade Union Facility Time

There were 10 employees of NGS who were relevant TU officials during 2020-21, all of whom spent 1-50% of their working hours on facility time. The cost of this time to NGS is estimated as 0.05% of the total salary bill. The number of hours spent by relevant union officials on paid trade union activities as a percentage of total paid facility time hours was 100%.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

7 Analysis of Other Operating Charges

	Group	NGS	Group	NGS
	2021	2021	2020	2020
	£000	£000	£000	£000
Repairs, renewals and maintenance of buildings	1,562	1,537	1,462	1,441
Cost of sales	246	-	835	-
General expenses	634	527	662	493
Art transport, handling and storage	64	64	482	482
Rates and utilities	560	560	772	772
Printing and promotion	266	262	552	509
IT and communications	599	599	555	555
Legal, consultancy and other professional fees	247	237	249	231
Design and display	338	338	435	435
Education	101	101	264	264
Cleaning	226	226	262	262
Office costs and consumables	134	134	85	85
Travel, subsistence & hospitality	5	5	177	169
Conservation and restoration	39	39	159	159
Operating lease rentals	155	155	132	132
Training and recruitment	25	25	102	102
Internal and External Audit Fees	35	29	39	34
Vehicle costs	29	29	33	33
	5,265	4,867	7,257	6,158

Audit fees include £23,880 (2019-20 £23,310) for statutory audit payable to Audit Scotland.

Operating charges include costs relating to the exhibition programme and are not directly comparable year on year.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

8 Tangible Assets

Group	Land and Buildings £000	Assets Under Construction £000	Office Equipment and Computing £000	Fixtures and Fittings £000	Vehicles £000	Leasehold Improvements £000	IT Infrastructure £000	Total £000
Cost or Valuation								
At 1 April 2020	126,827	17,946	2,144	4,963	286	76	218	152,460
Additions during year	-	7,061	136	252	-	-	131	7,580
Disposals	-	-	-	(2)	-	-	-	(2)
Transfers	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Indexation	(448)	-	-	-	-	-	-	(448)
At 31 March 2021	126,379	25,007	2,280	5,213	286	76	349	159,590
Accumulated Depreciation								
At 1 April 2020	5,699	-	2,027	4,382	244	15	54	12,421
Charge for year	1,911	-	116	301	42	15	87	2,472
Disposals	-	-	-	(1)	-	-	-	(1)
Transfers	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Indexation	(23)	-	-	-	-	-	-	(23)
At 31 March 2021	7,587	-	2,143	4,682	286	30	141	14,869
Net Book Value								
At 31 March 2021	118,792	25,007	137	531	-	46	208	144,721
At 31 March 2020	121,128	17,946	117	581	42	61	164	140,039

Assets under construction include development expenditure for the SNG and TAW projects.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

8 Tangible Assets (continued)

NGS	Land and Buildings £000	Assets Under Construction £000	Office Equipment and Computing £000	Fixtures and Fittings £000	Vehicles £000	Leasehold Improvements £000	IT Infrastructure £000	Total £000
Cost or Valuation								
At 1 April 2020	126,827	17,946	2,144	4,805	273	76	218	152,289
Additions during year	-	7,061	136	252	-	-	131	7,580
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Indexation	(448)	-	-	-	-	-	-	(448)
At 31 March 2021	126,379	25,007	2,280	5,057	273	76	349	159,421
Accumulated Depreciation								
At 1 April 2020	5,699	-	2,027	4,334	231	15	54	12,360
Charge for year	1,911	-	116	275	42	15	87	2,446
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Indexation	(23)	-	-	-	-	-	-	(23)
At 31 March 2021	7,587	-	2,143	4,609	273	30	141	14,783
Net Book Value								
At 31 March 2021	118,792	25,007	137	448	-	46	208	144,638
At 31 March 2020	121,128	17,946	117	471	42	61	164	139,929

Assets under construction include development expenditure for the SNG and TAW projects.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

8 Tangible Assets (continued)

Land and buildings were valued by District Valuer Services at 31 March 2017. The valuations were undertaken in accordance with Royal Institute of Chartered Surveyors (RICS) Valuation Professional Standards 2014 UK Edition - on a Depreciated Replacement Cost basis for buildings of a specialised nature and on the basis of existing use for other buildings.

Valuations provided by the District Valuer at 31st March 2017 were as follows:

Scottish National Gallery	£23,770,000
Scottish National Portrait Gallery	£18,421,000
Scottish National Gallery of Modern Art (Modern One) and Lodges	£28,990,640
Scottish National Gallery of Modern Art (Modern Two) and Lodges	£14,990,000
Weston Link	£20,505,000
Royal Scottish Academy	£10,884,000
Granton Art Store	£1,150,000
Total	<u>£118,710,640</u>

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

9 Heritage Assets – Group and NGS

	Value at 1 Apr 2020 £000	Additions £000	Value at 31 Mar 2021 £000
Artworks at cost	3,411	491	3,902
Artworks at valuation	202,484	1,480	203,964
	<u>205,895</u>	<u>1,971</u>	<u>207,866</u>

Government Financial Reporting Manual guidelines require that the additions to the gallery collections after 1 April 2000 should be treated as non-operational heritage assets.

Capitalised gallery collection items are valued at cost or value of the acquisition. Where the acquisition is part donation, part purchase the asset is capitalised at current value on receipt. Works donated by third parties by way of funds for the asset are capitalised at current value on receipt.

Five Year Financial Summary of Acquisitions

	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000
Donated assets and acquisitions funded by donations	1,789	1,043	3,974	2,095	11,706
Other acquisitions	182	208	298	375	233
Total cost/value of acquisitions	<u>1,971</u>	<u>1,251</u>	<u>4,272</u>	<u>2,470</u>	<u>11,939</u>

Significant acquisitions over the last five years include:

Prince Charles Edward Stuart, 1720 - 1788. Eldest Son of Prince James Francis Edward Stuart by Allan Ramsay which was accepted in lieu of Inheritance Tax by HM Government from the Trustees of the Wemyss Heirlooms Trust and allocated to the Scottish National Portrait Gallery in 2017

The Monarch of the Glen by Edwin Landseer Purchased by the National Galleries of Scotland as a part gift from Diageo Scotland Ltd, with contributions from the Heritage Lottery Fund, Dunard Fund, the Art Fund, the William Jacob Bequest, the Turtleton Trust and through public appeal in 2017

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

10 Intangible Assets – Group and NGS

	Computer Software £000	Website £000	Total £000
Cost or Valuation			
At 1 April 2020	278	1,059	1,337
Additions	30	116	146
Disposals	-	-	-
Transfers	-	-	-
At 31 March 2021	<u>308</u>	<u>1,175</u>	<u>1,483</u>
Accumulated Amortisation			
At 1 April 2020	220	937	1,157
Charge for the year	27	74	101
Disposals	-	-	-
At 31 March 2021	<u>247</u>	<u>1,011</u>	<u>1,258</u>
Net Book Value			
At 31 March 2021	<u>61</u>	<u>164</u>	<u>225</u>
At 31 March 2020	<u>58</u>	<u>122</u>	<u>180</u>

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

11 Investments

	Group & NGS 2021 £000	Group & NGS 2020 £000
Market value at 1 April	4,338	4,790
Sale of investments	(5,087)	(1,152)
Realised gain	749	46
Purchased investments	5,087	1,037
Movement in investments held as cash	-	115
Change in market value – unrealised (loss)	<u>(12)</u>	<u>(498)</u>
Market value at 31 March	<u>5,075</u>	<u>4,338</u>
Investments at cost	<u>5,087</u>	<u>4,497</u>

Investments are managed by CCLA Investment Management Limited. Asset allocation as at 31 March 2021 is detailed below:

Asset Class	Percentage of Total Portfolio
Overseas Equities	67.4
UK Equities	9.81
Infrastructure & Operating Assets	9.01
Cash & Near Cash	4.92
Property	4.19
Contractual & Other Income	3.29
Private Equity & Other	1.38

12 Stocks

	Group 2021 £000	NGS 2021 £000	Group 2020 £000	NGS 2020 £000
Goods held for resale	<u>718</u>	<u>-</u>	<u>837</u>	<u>-</u>
Net book value of goods held for resale	<u>718</u>	<u>-</u>	<u>837</u>	<u>-</u>

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

13 Debtors

	Group	NGS	Group	NGS
	2021	2021	2020	2020
	£000	£000	£000	£000
Amounts falling due within one year				
Trade Debtors	83	96	145	77
Amounts owed by Group undertakings	-	(2)	-	509
Other Debtors	411	374	996	937
VAT Debtor	755	755	567	567
Prepayments	107	107	183	183
	1,356	1,330	1,891	2,273
Amounts falling due after more than one year				
Amounts owed by Group undertakings	-	1,400	-	800

Debtors due after more than one year represent amounts due by NGS Trading Company Limited in respect of the loan facility of £1.4m made by NGS Charity initially in 2012, extended in 2018 and 2021. This loan is repayable on demand by NGS, with the last repayment to be made in March 2031. Interest is charged on the loan at base rate plus 1%.

14 Cash at Bank and In Hand

	Group	NGS	Group	NGS
	2021	2021	2020	2020
	£000	£000	£000	£000
Cash at bank	5,608	5,442	3,550	3,451
Cash at bank and in hand	5,608	5,442	3,550	3,451

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

15 Creditors: Amounts Falling Due Within One Year

	Group 2021	NGS 2021	Group 2020	NGS 2020
	£000	£000	£000	£000
Trade Creditors	1,525	1,517	509	452
Other Creditors	201	63	578	453
	1,726	1,580	1,087	905
Other Taxation and Social Security	-	-	-	-
Accruals	1,580	1,580	1,337	1,337
Deferred Income	1,316	1,316	1,829	1,829
	4,622	4,476	4,253	4,071

Analysis of Deferred Income:

	Group & NGS 2021	Group & NGS 2020
	£000	£000
As at 1 April	1,829	699
Charged in year	807	1,631
Released in year	(1,320)	(501)
Total as at 31 March	1,316	1,829

16 Provisions for Liabilities and Charges

	Group 2021	NGS 2021	Group 2020	NGS 2020
	£000	£000	£000	£000
As at 1 April	60	60	99	87
Charged in year	288	288	12	12
Released in year	(50)	(50)	(51)	(39)
Total as at 31 March	298	298	60	60

Provisions charged in the year represent a provision for costs associated with the voluntary exit scheme launched in Dec 2020. The provision represents the costs to be incurred for employee agreements signed prior to the end of March 2021.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

17 Consolidated Reserves

	Unrestricted					Restricted					Endowment	Total	
	General Fund £000	Trust Funds Central £000	Purchase Funds £000	Capital Assets Fund £000	Total £000	General Fund £000	General Fund Revaluation Reserve £000	General Fund Capital Reserve £000	Donated Asset Reserve £000	Trust Funds £000	Total £000	Trust Funds Endowment £000	Total £000
Opening balance 1 April 2020	217	268	-	92,142	92,627	-	38,402	30,580	185,176	4,719	258,877	913	352,417
Government Grant in Aid	21,472	-	200	-	21,672	-	-	-	-	-	-	-	21,672
Other Income	3,080	-	-	-	3,080	301	-	-	4,522	508	5,331	-	8,411
Investment Income	4	6	-	-	10	-	-	-	-	149	149	37	196
Total Income	24,556	6	200	-	24,762	301	-	-	4,522	657	5,480	37	30,279
Expenditure in Year	(22,058)	-	-	-	(22,058)	(301)	-	-	-	-	(301)	--	(22,359)
Investments revaluation	-	21	-	-	21	-	-	-	-	572	572	144	737
Net (Exp)/Inc - SOFA	2,498	27	200	-	2,725	-	-	-	4,522	1,229	5,751	181	8,657
Buildings Revaluation	-	-	-	-	-	-	(425)	-	-	-	(425)	-	(425)
Depreciation release	2,474	-	-	(1,037)	1,437	-	(184)	-	(1,253)	-	(1,437)	-	-
Transfers between reserves	(5,051)	-	(157)	5,208	-	-	-	-	26	(17)	9	(9)	-
Net Movement in Funds (SOFA)	(79)	27	43	4,171	4,162	-	(609)	-	3,295	1,212	3,898	172	8,232
Closing balance 31 March 2021	138	295	43	96,313	96,789	-	37,793	30,580	188,471	5,931	262,775	1,085	360,649

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

17 Consolidated Reserves (continued)

The Financial Statements comprise several individual funds that divide into distinct categories, which are defined below.

Unrestricted Reserves comprise general funds and those designated for specified purposes.

Designated funds

Funds designated for a particular use by the trustees. These include the Capital Assets Fund where grants received for capital expenditure projects from the Scottish Government in respect of the Scottish Gallery of Modern Art (Modern Two) Gallery, Playfair Project, ARTIST ROOMS, Diana and Actaeon by Titian purchase and Scottish National Portrait Gallery refurbishment.

During the year the Audit and Risk Committee reviewed the reserves policy and agreed to maintain the level of funds not committed or invested in tangible fixed assets at a minimum holding £100,000 (2019-20 £100,000).

Restricted funds

Funds restricted for particular purposes either by the wishes of the donor or by the nature of the fund-raising appeal.

The Donated Assets Reserve includes funds received from third parties, including the Heritage Lottery Fund and the National Galleries of Scotland Foundation, for the Playfair Project, the purchase of artworks, including ARTIST ROOMS and Diana and Actaeon by Titian, the Scottish National Portrait Gallery refurbishment and the Scottish National Gallery Project. The Donated Asset Reserve is treated as a Restricted Fund under the Charities SORP 2019.

The General Fund Capital Reserve represents the valuation of those assets included in the Balance Sheet at 31 March 1998 under FRS 5 together with the RSA building shown at the 2001 transfer valuation of £6,467,000. The General Fund Capital Reserve is treated as a Restricted Fund under the Charities SORP 2019.

The revaluation reserve reflects the effect of revaluations of land and buildings over time. The reserve is restricted.

The restricted trust funds and the purpose for which their income may be applied are:

Gibson Bequest	Funds are restricted to purchases of artworks for the Scottish National Gallery of Modern Art
Gulbenkian Award	Funds are to be utilised for improvements to the Scottish National Gallery of Modern Art
Treaty of Union	Annuity to be used for purchase of works of art or for promoting exhibitions in Scotland
Knapping Fund	For the purchase for exhibition in England, Scotland and Wales of paintings in any medium, by artists of any nationality living at or within twenty-five years of the time of purchase
Cameron Fund	For the purchase of works of art for any purpose in connection with NGS
George Sutherland Bequest	To be used for capital projects at the Scottish National Gallery Complex
Olive Pollock Morris Bequest	Funds are restricted to purchases of artworks for the Scottish National Gallery of Modern Art

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17 Consolidated Reserves (continued)

Mary Legget Bowman Bequest	Funds are restricted to purchases for the Scottish National Portrait Gallery
ARTIST ROOMS Fund	For the purchase of works of art for the ARTIST ROOMS collection, and support of the Artist Rooms programme.

Endowment funds

Endowment funds are funds that the donor has stated are to be held as capital.

The endowment funds and the purpose for which their income may be applied are:

AH Whittin Purchase Fund	Income from the fund is restricted to purchase of portraits, with preference given to portraits of Queen Mary and other members of the Royal House of Stuart, for the Scottish National Portrait Gallery
Cowan Smith Fund	Income available at the discretion of the Board for purchases of paintings, pictures and works of art for the Scottish National Gallery
Laird Fund	Funds may only be used for maintenance of pictures
McDougall Fund	Income shall be applied or accumulated and applied towards art, pictures or objects for the Scottish National Gallery
Michie Fund	Income to be used for purchase of pictures of any British or other artist for NGS
Gray Bequest	To be securely invested by the Board in order that the annual interest be applied to portraits of eminent deceased men and women born in Scotland, to be hung at the Scottish National Portrait Gallery
Scottish National Portrait Gallery Purchase Fund	Income from the fund is restricted to purchases of portraits for the Scottish National Portrait Gallery

18 Group Net Assets by Fund

	Unrestricted	Restricted	Endowment	Total
	£000	£000	£000	£000
Fixed Assets	87,029	255,943	-	342,972
Investments	147	3,940	988	5,075
Cash	3,120	2,391	97	5,608
Current Assets (excluding cash)	2,074	-	-	2,074
Current Liabilities	4,121	501	-	4,622
Provisions	298	-	-	298
Total	96,789	262,775	1,085	360,649

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19 Notes to the Statement of Cash Flows

	Group 2021 £000	NGS 2021 £000	Group 2020 £000	NGS 2020 £000
Net movement in funds (as per the Statement of Financial Activities)	8,232	8,468	9,841	10,224
Adjustments for:				
Depreciation charges	2,573	2,547	2,729	2,704
(Gains)/losses on revaluation of fixed assets	425	425	(1,957)	(1,957)
Losses/(gains) on investments	(737)	(737)	451	451
(Profit)/loss on sale of fixed assets	-	-	2	-
Dividends and interest shown in investing activities	(196)	(196)	(198)	(195)
Donations of artworks for the collection	(1,480)	(1,480)	(732)	(732)
(Decrease)/increase in provisions	238	238	(39)	(27)
Decrease/(increase) in stocks	119	-	(167)	-
Decrease/(increase) in debtors	535	342	301	(198)
(Decrease)/Increase in creditors	196	233	274	170
Net cash provided by (used in) operating activities	<u>9,905</u>	<u>9,840</u>	<u>10,505</u>	<u>10,440</u>

20 Financial Commitments – Group and NGS

Future minimum lease payments required under non-cancellable operating leases existing at 31st March are as follows:

	2021 £000	2020 £000
	Land & Buildings	Land & Buildings
Not later than one year	127	127
Leases expiring after one year but within five years	222	349
Leases expiring after five years	-	-
	<u>349</u>	<u>476</u>

At the end of 2020-21, NGS is contractually committed to one capital project, the refurbishment of the Scottish National Gallery. The amount contracted for but not provided in the financial statements as at 31st March 2021 was £6.8m.

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21 Subsidiary Company

NGS Trading Company Ltd, a company registered in Scotland, is a wholly owned subsidiary of NGS, set up to promote and develop our commercial activities. The results for the year to 31 March are summarised in the following table:

	2021 £000	2020 £000
Turnover	575	2,012
Cost of sales	(246)	(835)
Gross profit	329	1,177
Administrative costs	(542)	(1,542)
Other operating income	1	2
Operating (loss)/ profit	(212)	(363)
Interest income	-	3
Interest payable	(24)	(12)
Profit/ (loss) before taxation	(236)	(372)
Taxation	-	12
Profit/ (loss) after taxation	(236)	(360)

The trustees believe the carrying value of this investment is supported by its underlying net assets. NGS owns 100% of the £100 called-up share capital of NGS Trading Company Limited.

22 Related Party Transactions

NGS is a non-departmental public body of the Scottish Government which is a related party. During the year, NGS had various material transactions with the Scottish Government in the form of receipt of Grant in Aid which totalled £21.672m (2019-20 £20.475m). NGS also had a number of transactions with other government departments, local government, non-departmental public bodies and similar organisations.

None of the trustees, members of key management staff or other related parties has entered into any material transactions with NGS during the year. Benny Higgins was appointed Executive Chairman for Buccleuch Group in March 2019. NGS has works of Art on loan from and to various Buccleuch Trusts.

NGS is the parent company of NGS Trading Company Limited. During the year NGS had various material transactions with NGS Trading Company Limited, including the extension of a loan facility to £1.4m and provision of a letter of support. Benny Higgins, Chairman, Sir John Leighton, Director-General, Jo Coomber, Director of Public Engagement and Chris Sibbald and Edward Green, Trustees are also directors of NGS Trading Company Limited.

NGS has one connected charity which is independent and does not impact on NGS's operating policies. The NGS Foundation, Princes Exchange, 1 Earl Grey Street, Edinburgh, EH3 9EE, works closely with NGS with the aim of helping NGS fulfil its mission for the public benefit. The NGS Foundation was founded in 2012 to further the charitable purposes of the Board of Trustees of the National Galleries of Scotland through active fundraising and investment.

NGS recognised grant income of £1.2m (2019-20, £2.8m) from NGS Foundation for various projects. During the period to March 2021 administrative services were gifted to NGS Foundation by NGS under the terms of a service agreement. In March 2021 NGS Charity granted NGS Foundation £0.06m. Bryan Robertson, Chief Operating Officer NGS is a director of the NGS Foundation, but the majority of the NGS Foundation directors are unconnected to NGS Charity.

All related party transactions were in the normal course of business and were carried out at full arm's length.

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23 Taxation

National Galleries of Scotland has been recognised as having charitable status by HM Revenue and Customs and is therefore entitled to certain tax exemptions on income and profits from investments and surpluses on any trading activities carried on in furtherance of the charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

24 Losses and Special Payments

Losses and special payments during the year amounted to £nil (2019-20 £nil). There were no individual losses or special payments of more than £250k.

25 Contingent Liabilities

As at March 31st 2021 NGS has a contingent liability of £131k in respect of costs associated with a VES launched in December 2020.

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DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of paragraph 8(3) of the Schedule to the National Galleries of Scotland Act 1906 as amended by Section 17 of 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 12 March 2001 is hereby revoked.

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

Signed by the authority of the Scottish Ministers

Dated 31 March 2006