

National Galleries of Scotland

Trustees' Annual Report and Financial Statements
for the year ended 31 March 2020

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Chairman's Foreword

I am pleased to present the Annual Accounts for the National Galleries of Scotland (NGS) for 2019-20.

At NGS we have set high ambitions for our role in promoting art and culture in Scotland. We want the collection to be recognised as truly world-class and we want as many people as possible to enjoy and benefit from access to great art. We are the custodians of a supremely important national asset and that sense of ownership should be shared by everyone across society.

Much of the success of the last year is attributable to the hard work of the teams at NGS and I would firstly like to thank all the trustees on the various boards and committees of the NGS for their huge contribution throughout the year.

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 challenges presented by the Coronavirus pandemic which affected business in the last quarter of the financial year. The impact of this crisis continues in 2020-21 and colleagues will now have to develop alternative business models to respond to new situations as we emerge from the pandemic.

I would like to emphasise 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

Benny Higgins
Chairman

26 October 2020

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 100,000 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 holds part of its collection in storage at several locations including 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 by appointment 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:

1. Increased participation
2. Greater impact
3. Investment in our future

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Trustees' Annual Report (continued)

2.3 2019-20 Objectives

In 2019-20, NGS's activities were focussed on a set of objectives which align with these main aims.

Aim 1: Increased participation	
Objectives	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.
	We want to involve people inside and outside NGS in our work, discussing and debating.
Aim 2: Greater impact	
Objectives	We want to make sure our work is both world class and relevant.
	What we do should make a difference and be admired.
	We want to leave a legacy, having been the best at what we do.
Aim 3: Investment in our future	
Objectives	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 aim to create more secure and varied sources of income so that we become more self-sufficient.

3 Achievements and Performance

3.1 Key Performance Indicators

NGS has developed key performance indicators (KPIs) to help assess the achievement of its long-term aims. The results for 2019-20 are set out below shown against the targets set. Visitor numbers are significantly below target for the year and well below the number achieved for 2018-19. This is in part due to the Scottish National Gallery (SNG) project construction works and the extended closure of one of the main entrances to the SNG. The target for 100% minimum standard environmental conditions was set in 2017 and is impossible to achieve within the constraints of the existing estate. The Coronavirus also had an impact in the final quarter of the year. Work to reduce carbon emissions continues and the target of 60% by 2022 looks likely to be met.

Indicator	Target / Projection 2019-20	Results for 2019-20
Number of actual visits to all gallery sites	2,775,028	2,366,321
Increase in website user sessions	10% increase year-on-year	0.77%
Digitisation of the collection	19,200	10,803 (Total works digitised to date: 83,893)
Visitor Satisfaction	90% of visitors rate their visit as 'excellent' or 'very good'	86%
Engagement via social media	Facebook and Twitter (reach vs interaction)	3.62%
Website return users	10% increase year-on-year	-7.73%
Participation in education programme	66,150	77,969

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Indicator (contd)	Target / Projection 2019-20	Results for 2019-20
Percentage of storage/gallery spaces providing minimum standard environmental conditions for our collection	Museum standard conditions in 100% of collection display/storage space by 2020	52%
Retail income	Turnover: £1,772,000	£1,419,069
	Net loss: £(216,456)	£(432,760) loss
Catering income	Commission: £269,000	£233,437
	Net Profit: £139,539	£96,658
Number of volunteer hours	2018-19 value: 9,875	9,316
Donations per visit	41p per visit per annum by 2020 Baseline: 11p in 2014	6p
GI A per visitor	2018-19 value: £5.00	£6.24
Percentage reduction in carbon emissions	60% reduction by 2022	57%

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 118,000 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.

As at 31 March 2020 there are 118,601* objects catalogued (110,658 as at 31 March 2019) in NGS's permanent collection.

These include long loans and ARTIST ROOMS objects and are categorized as follows.

Paintings	3,690
Works on Paper	56,160
Photographs	42,553
Sculpture	12,920
Printed Material	582
Manuscript Material	887
Decorative and Applied Art	1,300
Installation and Film	125
Accessory	149
Photographic Equipment	129
Other	106

**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.

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In 2019-20 NGS continued to build this extensive collection where opportunity and funding allowed.

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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.

A detailed list of all our acquisitions, including gifts and bequests, is available on request. 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, and The Art Fund. *Tableau Vivant*, 1954 by Dorothea Tanning was purchased with funds from both sources. *Wretched War*, 2004 by Damien Hirst was acquired through the Cultural Gifts Scheme. Such acquisitions would not be affordable without generous support from external sources or government schemes.

Other notable acquisitions during the year included:

- *Green Apples*, 1921 by Dorothy Johnstone (purchased with funds from the Cecil and Mary Gibson Bequest)
- *SING SIGN: a close duet*, 2015 by Hanna Tuulikki (gifted by Outset Scotland)
- *Bows*, 1910 by Frances Macdonald MacNair
- *Edinburgh Milkmaid with Butter Churn*, c. 1785 by David Allan (purchased with funds from the Cowan Smith Fund)
- *Sanguis Gratia Artist* (Black Pudding Self-Portrait), performance 2004. Printed 2018 by John Beagles and Graham Ramsay (purchased through Art Fund Performance)
- *Light at Jacobshavn*, 2016 by Barbara Rae
- *Sybilline Figure*, 1943 by Benjamin Crème (purchased with funds from the Knapping Fund)
- *Anne of Denmark* (1574-1619) Queen Consort of James VI and I, 1605 by John de Critz
- *L'Écuyère (The Horse Rider)*, 1943 – 1953, Marc Chagall (accepted by HM Government in lieu of inheritance tax and allocated to National Galleries of Scotland)

NGS is grateful to individuals, funding bodies, HM Government's Acceptance in Lieu of Inheritance Tax scheme and Scottish Government for the generous assistance and support which has enabled us to continue to expand the collection.

3.3 Audiences

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 2019-20 we welcomed over 2.3m visitors across our three gallery sites, a drop from previous years which was in part due to the effect of Coronavirus in the last quarter of the year.

ARTIST ROOMS, our collaboration with Tate, 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. During the year, nearly 400 works from the ARTIST ROOMS collection were shown through a programme of nine exhibitions developed with partner venues across the UK, at National Galleries of Scotland and Tate, reaching more than 550,000 people.

The collection was presented at the Portrait Gallery in Edinburgh for the first time this year, and we welcomed over 140,000 visitors to an exhibition which celebrated the work of three of the 20th century's most renowned photographers: Diane Arbus, Francesca Woodman, and Robert Mapplethorpe. The strength of the ARTIST ROOMS photography collection was highlighted in presentations in Wales and England: National Museum Cardiff launched its inaugural photography season with a major exhibition of August Sander, and a collaboration with

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Leamington Spa Art Gallery and Museum brought the work of Diane Arbus to audiences in the West Midlands for the first time. Elsewhere, exhibitions by Vija Celmins, Alex Katz, Roy Lichtenstein, Richard Long and Ed Ruscha reached new audiences nationally, thanks to the continued support of Art Fund and the National Lottery through Arts Council England.

During 2019-20 NGS loaned 343 works to 96 different venues – 13 in Scotland, 26 in the rest of the UK and 57 abroad. These works were viewed by a total of 6,217,438 visitors. Loans included Leonardo da Vinci's *Studies of a Dog's Paws* to the Louvre in Paris, and three works by John Faed to Kirkcudbright Galleries for their Bicentenary of John Faed's birth. Our large sculpture of a baby, *A Girl* by Ron Mueck, was on the move again this year, travelling to Tübingen in Germany, then onto to Liege in Belgium, where she is currently awaiting transfer to Milan as part of the exhibition *50 years of Hyper realistic Sculpture*.

The number of visits to the NGS website continues to grow, although at a slower rate than desired. Social media interaction has grown significantly as we align content to the needs of our audience and move into a more digitally enhanced world. A digitisation programme began in early 2015 with a view to photographing the entire 2D collection by 2020. By 31 March 2020, around 84,000 artworks had been digitised. Completion of this programme, which will ultimately include sculpture as well as 2D works, will ensure access to the NGS collection across the world and significantly broaden our reach and visibility. Access to great art by as wide an audience as possible is part of our core mission. In 2019-20 we welcomed over 2.3m visitors across our three gallery sites. However we also reach audiences across the UK and the world through our loans programme.

3.4 The Public Programme

The 2019-20 the public programme of exhibitions and displays included the following ticketed shows:

Scottish National Gallery	
Bridget Riley	RSA Upper Galleries, 15 June to 22 September 2019
Scottish National Gallery of Modern Art (Modern 2)	
Cut and Paste 400 Years of Collage	Modern Two, 29 June to 27 October 2019
Paula Rego Obedience and Defiance	Modern Two, 23 rd November 2019 until closure in March 2020

There were many free exhibitions and displays throughout the year in addition to the paying shows. This included two NOW exhibitions, the fifth and sixth (and final) in a series of dynamic contemporary art exhibitions displayed across the ground floor at Modern One. The fifth show included works by Anya Gallacio, Charles Avery, Peles Empire, Aurélien Froment, Roger Hiorns and Zineb Sediashow. The final show highlighted the work of Scottish artist Katie Paterson (b.1981), considered one of the leading artists of her generation. Works by Darren Almond, Shona Macnaughton and Lucy Raven were also included in that display. Scotland's Photograph Album: The MacKinnon Collection showcased highlights of an exceptional collection of historic photographs which capture over a century of Scottish life. The collection was purchased jointly by NGS and the National Library of Scotland in 2018. Other displays included *The Long Look* and the biennial BP Portrait Award. All of the temporary displays complemented our high quality permanent collection displays, contributing to a rich visitor experience.

NGS is committed to making the collection accessible and available to our audiences through an active learning programme. This year saw us deliver creative sessions at the Royal Hospital for Sick Children in Edinburgh; collaborate with choreographer Janice Parker on a live dance performance in response to the exhibition Bridget Riley with members of the public (many of whom had never danced before) as the performers; welcome children

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from a local primary school into the Granton Art Centre for the first time; and exhibit a powerful photographic portrait exhibition by young people in the Portrait Gallery.

In total, there were around 78,000 participants in the NGS Learning programme in 2019-20, (69,000 2018-19), covering schools, communities, families and adults.

3.5 Research and Scholarship

NGS produces many publications each year both to complement our exhibitions programme and promote the permanent collection.

NGS's international profile remains high with several curatorial staff taking part in 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 a number of 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.

Our three Arts and Humanities Research Council (AHRC) collaborative doctoral partnership students started at the end of September 2019: Emily Learmont is working on William Bell Scott Decorative Painting of a Pictorial Kind'; Eleanor Capaldi is working on Unlike a version: the lives of digitised artworks; and Paula Szturc is working on From Book Form to Architectures of Reading: A Design-led Study of Artists' Books Within the Spaces of the Collection. They are all collaborations with the University of Edinburgh.

NGS appointed a Research Manager in 2018. This post has enabled a stronger focus and more strategic approach to managing our research brief. A new Research Framework was produced in 2019-20, providing a clear vision for research at NGS from 2019-24. The framework focusses on priority areas for research and development 2019-24. These include Contemporary and performance art; Dada and Surrealism; Western European Art; Identity and portraiture; Photography and Scottish Art.

3.6 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, increasing and enhancing access to artworks from the collection and allowing our audiences to enjoy 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.

There was one partnership tour this year in Scotland with ANGUSalive, in which Turner's watercolour of the Bell Rock Lighthouse was lent for display in the Signal Tower Museum, Arbroath, to coincide with the opening of their new fishing galleries and start of their appeal for funding to open the Signal Tower to the public.

NGS also lent the engraving after the watercolour to the exhibition for one day, providing talks on the work whilst it was there.

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. In 2019-20 ARTIST ROOMS partners have included university galleries, independent museums, local authorities and national museums, establishing new connections and developing

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existing relationships. With Art Fund and Arts Council England support, ARTIST ROOMS provides bursaries to partners where needed to develop audience-focused public programming, with the aim of giving visitors different routes in to engage with modern and contemporary art, and to participate in creative projects. In 2019-20 creative programmes developed by partners included a town-wide photography project, practical workshops with hard-to-reach community groups, and a year-long young people's project exploring communities of practice, each inspired by the venue's ARTIST ROOMS exhibition but responding to local context and people.

3.7 *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.

The success of this year's Public Programme in conjunction with planned fundraising initiatives has resulted in a positive financial contribution from exhibitions and memberships. This included £266k in Museums and Galleries Tax Relief – the incentive offered by the UK government in support of temporary exhibitions.

The programme to encourage philanthropic support for NGS continues, developing the network of support from individuals, companies, trusts and foundations.

The NGS 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 13,005 on 31 March 2020, compared with 13,735 as at 31 March 2019. While the retention rate remained high at 91%, the reduction in visitors to the ticketed summer exhibitions resulted in a lower number of new Friends joining during this key in-Gallery recruitment period. Income was still up overall due to the increase in the subscription price. In 2019-20 income from the Friends membership was once again used for education programmes such as family drop-in activities, Art Maker, Bags of Art and Portrait Detectives, as well as the Public Lecture programme and Gallery Social programme. Friends funding was also provided for the sponsorship of the Bridget Riley exhibition held at the Scottish National Gallery during the Summer of 2019.

In 2019-20, Patrons generously contributed to the acquisition fund in addition to supporting an outreach initiative, Ruined, a project focused on young people remixing Scottish history.

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 £78k during 2019-20.

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4 Financial Review

4.1 Introduction

The financial statements meet the requirements of the Companies Act 2006 and accounting standards issued or adopted by the Accounting Standards Board, so far as they are appropriate. They also comply with SORP 2019, the Statement of Recommended Practice on the preparation of financial statements of charitable organisations.

NGS is required to operate within the financial limits prescribed in the Financial Memorandum laid down by Scottish Government and to follow the Government Financial Reporting Manual (FRM), unless in conflict with the Charity SORP. Thus we are generally not permitted to borrow funds, and our 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	14,775	14,775
Purchase Grant	200	200
Capital Projects	5,500	5,500
	<u>20,475</u>	<u>20,475</u>
Non-Cash Items (Notional)		
Depreciation	1,061	2,500
	<u>1,061</u>	<u>2,500</u>
Total	<u>21,536</u>	<u>22,975</u>

4.3 Financial Results

The Financial results for 2019-20 are set out in the Consolidated Statement of Financial Activities on page 33.

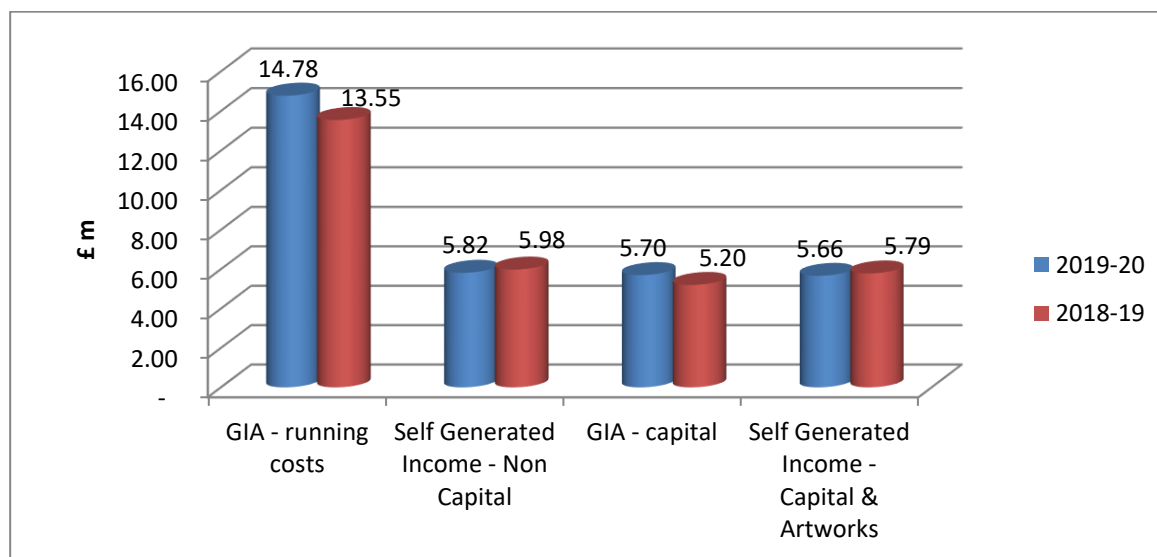
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Income

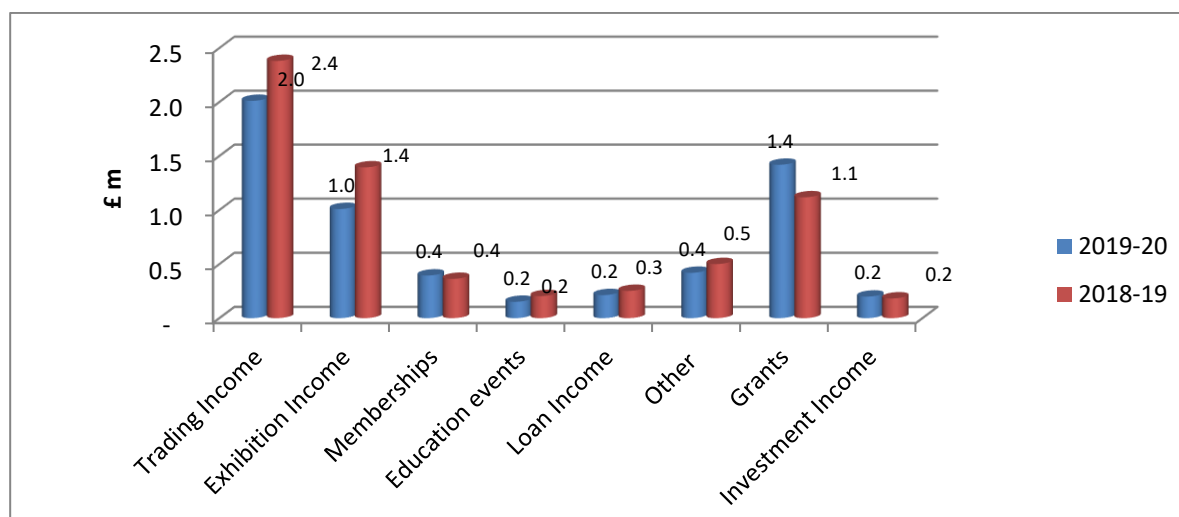
The following graph analyses the major sources of income for NGS in the financial year to 31 March 2020



The largest source of income for NGS continues to be Grant in Aid (GIA) received from the Scottish Government. In 2019-20 GIA for running costs increased to £14.78m (2018 £13.55m) in support of the implementation of pay policy as directed by the Scottish Government. £5.7m (2018 £5.2m) of GIA was also allocated by the Scottish Government for capital projects, including the SNG Project, 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 also transfer of artworks under HM Government's Acceptance in Lieu of Inheritance Tax Scheme.

Self-generated income (non-capital) has decreased from 2018-19. Delays to the construction element of the SNG project and related closure of the commercial areas have impacted commercial returns. This is partially offset by increased loan fee and funded income. Exhibition income includes £0.3m of Museums & Galleries Tax relief. The graph below shows the major components.

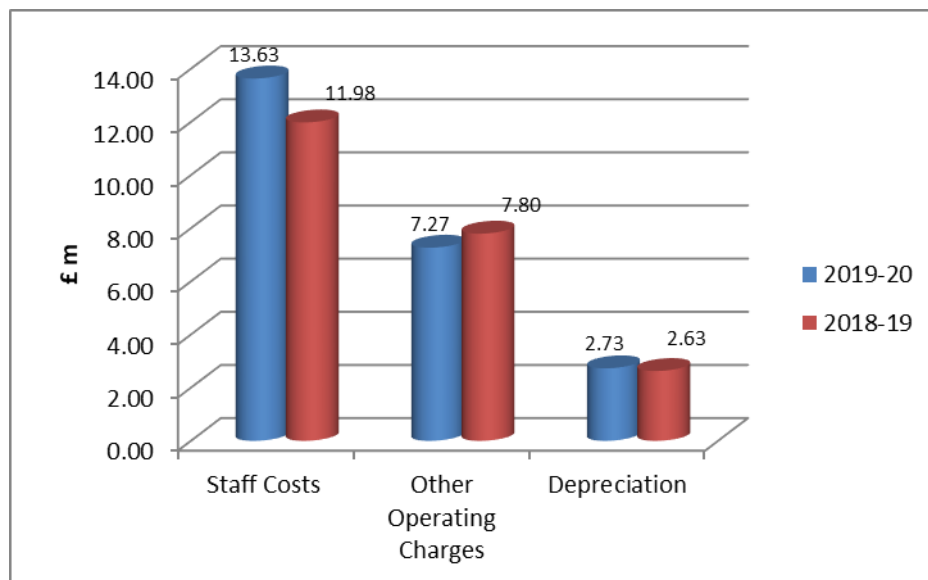


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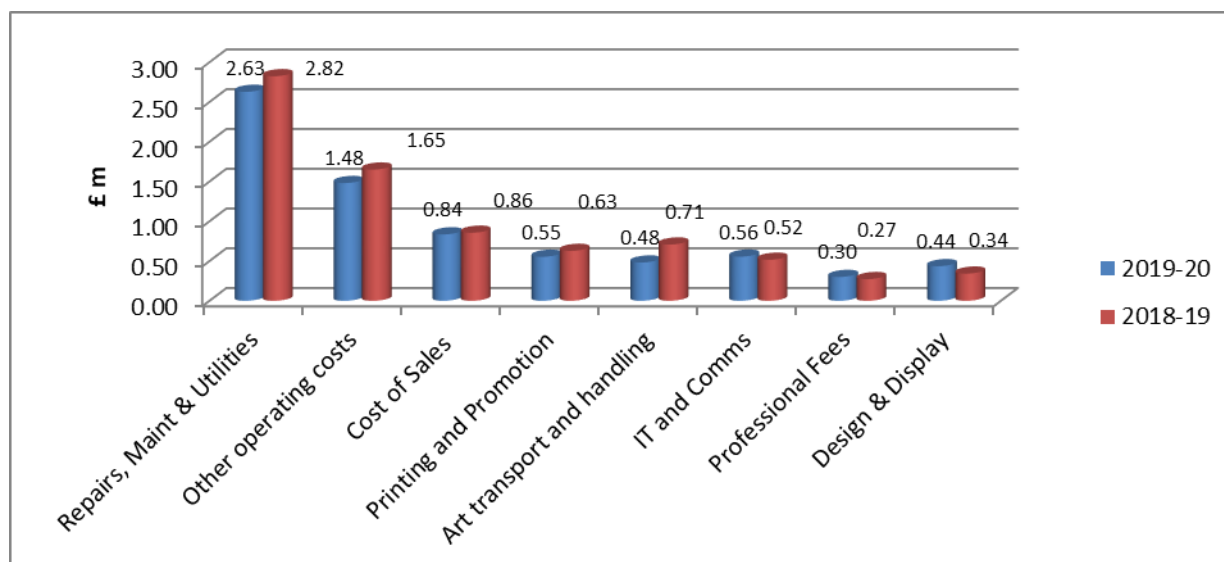
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Expenditure

The following graph analyses the major categories of expenditure by NGS in the financial year to 31 March 2020.



Staff costs continue to be the most significant category of expenditure for NGS. Total staff costs increased by £1.65m to £13.63m during 2019-20 (2018-19, £11.98m). The increase is due to the implementation of Scottish Government pay policy and increased government pension contributions in 2019-20, but also with an increase in headcount in support of project activities. These posts are fixed term and mainly externally funded. Other operating charges are categorised in the graph below:



Other operating charges were reduced across most categories in 2019-20, to match the reduction in income noted above. IT costs however continue to increase slightly as more technology services become subscription based.

A more detailed analysis of other costs with comparatives is available in note 7 to the Financial Statements on page 45.

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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, Cornelian Asset Managers Ltd, who were appointed in the year to March 2014 for an initial term of five years, remained managers of the investment portfolio of the organisation until March 2020. This contract was re-tendered in early-2020 and the company CCLA was appointed to take over the investment management position.

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 54.

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 (2018-19, £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 2019-20 (2018-19 99%). A 10 day payment initiative was introduced by the Scottish Government in December 2008 and we achieve this with 67% of our creditors (2018-19 77%).

4.7 Risk Management

In accordance with Scottish Government requirements and best practice, NGS operates a risk management policy. The Board of Trustees and Leadership Team identified the top ten business risks as follows (at 31 March 2020):

- Implications of the Coronavirus and the potential impact of a reduction in staff/opening the galleries. (Separate risk register in place)
- Organisation is over-committed and does not have the resource to deliver the strategic plan.
- Delay in any element of the major capital programme and the knock-on effect to other projects, business as usual and income.
- Implications of Brexit and wider political instability and ongoing uncertainty/ volatility with regard to regulation, legislation and funding.
- Cyber breach severely disrupts business operations in an environment of escalating cyber threats, internal resource conflict and organisational change.
- Damage or loss to the collection.
- Inability to respond quickly enough to the speed and depth of external change and adapt the business model accordingly.
- Failure to meet annual budget targets/increase income to execute business plan.
- Failure to respond adequately to climate change challenges and associated risks.
- Failure to invest adequately in estates.

Trustees' Annual Report (continued)

Those key business risks are being effectively managed by a series of control measures put in place by the Leadership Team. Risk management is monitored by the Audit and Risk Committee.

5 Future Plans

5.1 Aims and Objectives 2019-23

In 2018, NGS commenced development of a new shared strategy to help ensure that NGS thrives in the 21st century. Since then, colleagues have worked together to develop the details of this five-year strategy. Our vision, Art for Scotland: Inspiration for the World, sits at the heart of the strategy along with three overarching aims.

Increased participation:

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

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 leave a legacy, having been the best at what we do.

Investment in our future:

- Investment is essential because we need 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.



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Values

Our values define the way we want to go about our work, how we want to work with one another and our partners and audiences. Those values were developed by colleagues across the organisation.

GENEROUS

We share our passion and our knowledge generously; building creative and collaborative relationships with artists, audiences, partners and each other.

RIGOROUS

We strive for excellence and coherence in everything, achieving the very best we can by making the most of every asset.

INQUISITIVE

Our audiences are our inspiration. They stimulate our curiosity. We listen, we question, we play, we imagine.

DARING

We're courageous enough to embrace change, we're brave enough to experiment and bold enough to provoke new ways of seeing.

Drivers

Our Drivers are the areas of work we need to focus on and develop to achieve our aims. There are six drivers in total and they all interconnect.

One Collection:

This is about a joined-up approach to making the most of our world-class collection, bringing the various elements of our collection together as one. This will enable us to work more collaboratively, develop our research activities and open up the full range of our collection for audiences across the world.

Our People:

This is about creating a plan for making NGS a stimulating and collaborative place to work. We plan to create a better working environment, with greater opportunities for learning and development.

Audience Framework:

By understanding who our priority audiences are and what they want and need, we can plan and engage in a more meaningful way with the people we already know, as well as with new groups we want to reach.

Visitor Experience:

The Visitor Experience Driver will go further and will look at the whole journey a visitor experiences from the moment they connect with us to the moment they leave, in a rounded way that builds on the audience framework.

Sustainability:

This is about our approach to all the aspects of making our organisation fit for success in the long-term, financial and environmental. We need to plan for our financial security and self-sufficiency, work more efficiently to reduce our costs and waste and reduce our impact on the environment.

Partnership:

This driver will give us a clear definition of how we will develop and expand our relationships with a wide range of partners. We know we can achieve more and better by working with others and this will guide us in our choices of partner to help us to maximise the benefit of our collaborations.

Enablers

All our enablers are essential to everything we do, underpinning the strategy and connecting with one another.

Trustees' Annual Report (continued)

Digital Working:

Digital Working means making the most of opportunities that technology has to offer across everything we do. It allows us to work efficiently and to connect with each other, our partners and our audiences

Collection Care and Management:

Looking after and managing our collection, as well as works we have on loan from others, is fundamental to making everything we want to do with the collection possible.

Infrastructure Development:

Our infrastructure is the buildings we work in, the technology we use and the facilities that are essential to us and to our visitors every day. The state of our infrastructure is directly related to the quality of collection management and care we can achieve. It is what makes our everyday work possible and allow us to provide the facilities our visitors need and expect.

5.2 Outlook

In line with all other organisations and business across society, our immediate future is dominated by the COVID-19 crisis and its aftermath. At the time of writing, all NGS facilities are still closed as a result of the lockdown imposed in mid-March 2020 and we are currently working towards a phased re-opening of our Galleries from August onwards. Clearly, the pandemic will have a major impact on all aspects of our activities going forward. As described above, NGS has a robust strategy in place. While we anticipate that the framework and high-level aims of this strategy will remain valid, we will need to review many aspects of our approach to respond to the changed situation, post COVID. This includes what we offer to the public, the audiences that focus on and, obviously, our plans for sustainability in what is likely to be a very challenging economic context. A strong and vibrant arts sector will remain a key component in Scotland's plans for recovery. 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 we can contribute to social and economic recovery in the years ahead. An increased emphasis on health and well-being is likely to be an expectation across society and NGS is well placed to contribute in this area. Collaboration with partners at home and abroad will remain crucial to NGS's success and collaborative working opportunities are always being sought.

Close to 60% 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 is therefore looking for ways to develop additional income through its trading company and through philanthropy and as many visitors as possible are also encouraged to become Friends or Patrons and support the work of the NGS. Self-generated income was severely challenged in 2019-20, which was due to a number of factors. The building works at the Scottish National Gallery hit some additional delays which led to a longer than expected closure of the Scottish National Gallery shop and restaurant. The situation was exacerbated by the loss of visitors in the final quarter of the year due to Coronavirus.

5.3 Capital Projects

NGS has two major capital projects in progress: the development of the Scottish National Gallery, which is already well under way, 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, but steady progress is being made towards completion in 2022.

Trustees' Annual Report (continued)

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, following a review of design and costs in 2019. The Leadership Team and Trustees approved the revised approach towards the end of 2019 and the project will relaunch in 2020. 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 2019-20 was slow due to resourcing challenges. The project is continuing however and the desire to digitise the entire collection remains. Work will continue in 2020-21.

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 2019-20: Andrew Wilson and Rucelle Soutar were appointed in March 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 2020 there were

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Trustees' Annual Report (continued)

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 2019-20 is set as £23,310.

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

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. NGS continues to be committed to making equality the 'norm', ensuring it is part of our daily routine, rather than an 'add-on' or simply a box that must be ticked. The reports and relevant statistical data which support this approach are available on the NGS website. An internal Equalities Working Group has been established to drive delivery of the outcomes. A significant amount of work has been undertaken in the last year to review our existing approaches to interpretation and consider how this can be more accessible and inclusive. Representation of the protection characteristics in the collection and our public programme is another significant area of work under way at present.

We aim to provide an inclusive, supportive and mutually respectful working and volunteering environment that reflects and celebrates Scotland's diversity.

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.

6.5 *Sustainability policy*

NGS gives full consideration to environmental matters when managing the organisation, with Sustainability identified as one of our key six drivers. This puts environmental stewardship at the heart of our operations; from how we run our buildings, engaging with visitors, our procurement processes and how we influence our local and international communities.

This commitment is reflected in the 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.

Trustees' Annual Report (continued)

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 estate to support these activities.

The NGS Green Team helps the organisation identify further improvements and encourages colleagues to adopt more environmentally friendly working practises. NGS has seen improvements in our recycling practises through the addition of food waste recycling for staff. Active travel gathered more interest after a successful 3-month trial of e-bikes through the Energy Saving Trust. The move to cloud-based virtual desktops through the IT Infrastructure improvement plans has helped towards energy consumption reduction along with other energy efficiency projects such as the installation of secondary glazing at the Gallery of Modern Art site. With the declaration of the Climate Emergency by the Scottish Government in April 2019, NGS looks to the future for further scoping and planning towards setting a net-zero carbon emissions target.

6.6 *Sickness Absence Data*

For the 12 month period from 1 April 2019 to 31 March 2020, 3.76% of working days were lost as result of sickness absence (2018-19, 3.78%).

6.7 *Data Handling*

In 2019-20, the Compliance Manager and Records & Information Manager led briefing sessions with all teams across NGS on the basics of managing information. The focus was on the key requirements of the data protection policy and information management handbook. A training plan covering specific areas of information management and personal data protection is under consideration. This was identified as a need by an internal audit on our approach to data protection.

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 2019-20. 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 HR onboarding, volunteer management and education bookings. 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 gave an overall assurance rating of Satisfactory with actions to address areas of weakness. These will be actioned in 2020/21.

6.8 *Accountable Officer*

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

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Trustees' Annual Report (continued)

7 Reference and Administration details

7.1 Trustees: 1 April 2019 – 31 March 2020

Benny Higgins (Chairman)
Tricia Bey (Chair, Major Capital Programme Committee)
Audrey Carlin
Alistair Dodds (Chair, Audit and Risk Committee and Deputy Chairman)
Edward Green
Tari Lang
Catherine Muirden (Chair, Remuneration Committee)
Professor Nicholas Pearce
Hannah Rudman
Rucelle Soutar (from 16 March 2020)
Willie Watt
Andrew Wilson (from 16 March 2020)

All Trustees serving at 31 March 2020 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 2019 – 31 March 2020

Sir John Leighton	Director-General
Professor Chris Breward	Director of Collection & Research
Jacqueline Ridge	Director of Conservation & Collection Management
Jo Coomber	Director of Public Engagement
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.

For details of staff numbers employed in 2019-20, 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:	Cornelian Asset Managers Ltd 30 Charlotte Square Edinburgh, EH2 4ET		

Benny Higgins

Benny Higgins
On behalf of the Board of Trustees
National Galleries of Scotland

26 October 2020

Sir John Leighton

Sir John Leighton
Accountable Officer

26 October 2020

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 (FReM) 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.

Governance Statement

Introduction

The National Galleries of Scotland (NGS) 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 Trustee's 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 2020 and up to the date of approval of the financial statements and accords with guidance from the Scottish Ministers.

Discharge of Board Responsibilities

In order to discharge its responsibilities, the Board of Trustees met five times in 2019-20. Over the course of the year the Trustees received regular reports from the Director-General, quarterly management accounts and key performance measures, strategic risk register, minutes of sub-committee meetings and gallery reports on collection matters (including, public programme, acquisitions and loans), public engagement and operations. Safeguarding is now a standing item on all board agendas to support trustees' responsibilities in relation to safeguarding children, young people and vulnerable adults (as agreed in June 2019). In addition, the Board regularly discussed matters of strategic importance and input to the development of the strategic plan.

Other significant matters considered by the Board during the year:

- Scottish National Gallery project (progress reports and discussions on redesign/costs)
- The Art Works project (revision of scope)
- Branding proposals
- Strategy discussions focussing on partnership and the collection.

Governance Statement (continued)

The Board of Trustees delegates responsibility to five 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 Board of NGS Trading Company Ltd.

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 the revised strategy will be completed in 2020, once the long-term impact of the Coronavirus crisis is clearer.

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. This included the four standing quarterly meetings, an additional meeting at the end of March to review the closure process at the start of the Coronavirus crisis plus an additional two joint meetings with the Major Capital Programme Committee to review costs and construction challenges relating to the Scottish National Gallery project. Major items of business were as follows:

- Quarterly review of performance against strategic objectives
- Quarterly review of management accounts
- Quarterly review of risk, including an in-depth review of collection management and cyber security.
- Quarterly review of Trading Company accounts, including an in-depth review of its business and drop in income following an extended closure period at the Scottish National Gallery.
- Quarterly review of investment performance (including tender and procurement of a new investment manager)
- Review of internal audit reports (see below)
- Review of annual accounts
- Review of external audit reports
- Quarterly review of financial and risk aspects of major capital projects
- Five year financial projections
- Review of costs/risks/delays on the SNG project.
- Review of risks and cost implications presented by the sudden closure of the galleries at the start of the Coronavirus crisis in March 2020.

A number of internal audits were agreed and carried out by Henderson Loggie, our internal auditor. Audit reviews carried out during the year included:

- Storage and security of the collection
- Estates and capital projects

Governance Statement (continued)

- IT and Cyber Security
- Data Protection

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 2020-21 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 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 seven times during the financial year, chaired by Tricia Bey, Trustee. This included the two joint meetings with the Audit & Risk Committee outlined above. Major items of business were as follows:

- Consideration of the construction challenges and revised costs of the Scottish National Gallery project.
- Overview of risk and capital projects schedule (with emphasis on resource management)
- Art Works design and funding challenges, including a revision of scope.
- Short-term storage needs.
- Estates Strategy.

Remuneration Committee

The Remuneration Committee is responsible for considering an overall remuneration policy which is aligned with NGS's long-term strategy, its objectives, risk appetite, 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 Catherine Muirden, Trustee. The second meeting was postponed due to the delay in starting pay negotiations as the galleries closed in March 2020. Major items of business were as follows:

- Pay negotiations with Trade Unions
- Director-General's contractual arrangements
- Equal pay

The Committee was also consulted on the appointment of the Director of HR and the Director of Collection & Research, who were appointed in May 2019 and June 2020 respectively.

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 2019-20, however members played an important role in the appointment of four new trustees, two of whom commenced in post in March 2020. 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

Governance Statement (continued)

formed in 2018 and meets on an ad hoc basis as the need arises. The committee is chaired by the Chairman of the Board, Benny Higgins. It met once in 2019-20 to discuss the development of an Ethical policy and NGS's response to challenges over BP sponsorship of the BP Portrait exhibition.

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 SPFM requirements 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. Our approach to mapping risk overall has evolved following an internal audit by TIAA (NGS internal auditors until 2018) in 2018 and a consistent process is now in place at strategic level and for all major projects. Further work is required in this area 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 is planned for 2020 once the galleries re-open.

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 Data Protection regulations and follows good practice. There were no data breaches reported in 2019-20.

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 2019-20, 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.

I shall ensure that there is continuous review of internal systems through the internal audit process and, when required, that recommendations for improvement are duly considered. Following a review of internal systems and risks in 2019-20, I would like to draw attention to the following matters:

- In line with similar organisations in the culture sector, the Covid-19 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 Trustee's report in the foreseeable future. NGS must now develop and adapt its strategic plan and related KPIs over the coming year to adapt to the new operating environment.
- The NGS workforce has and will continue to have to adapt to new ways of working due to Covid-19. The level of uncertainty is high, and staff will have to be adaptable in managing and implementing new policies and

Governance Statement (continued)

- regulations whilst monitoring risk levels to ensure a safe environment for visitors. This includes planning for the possibility of further closures in the winter period. 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 in order to improve its long-term resilience and impact.

Priorities will have to be managed closely in the year ahead. 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 Workforce Planning strategy, as part of the Our People driver, will now be further evolved to take account of the new operating environment.

- The additional costs of operating with social distancing measures and loss of income due to the anticipated reduction in visitor numbers will impact NGS's financial position significantly in the medium-term which will also impact the delivery of NGS's offer. NGS's commercial subsidiary will be particularly affected during 2020-21. Financial forecasts to 2025 were prepared as part of the annual budget process, however new forecasts are now required on an ongoing basis. 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.
- The launch of the National Partnership for Culture will result in changing demands for NGS, which may prove challenging in the post Covid-19 environment, when financial 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, NGA has taken the opportunity to adapt spaces elsewhere on the estate to make some improvements in collection care conditions and enter into a new lease agreement for a purpose-built storage facility at Loanhead as an interim solution over the next 2-3 years.
- 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 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. This has been completed and will be considered in greater detail once the estate has re-opened following extended closure during the Coronavirus crisis. It did however reference the back log of actions identified in the Quinquennial Report that have not been progressed, due to the limitation of the annual allocation of capital budget for estates.
- 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, although the exact timeline is under review due to site closure and slow-down in relation to the Covid-19 crisis. These additional 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

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Governance Statement (continued)

- 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.
- Fraud attempts from external parties have become increasingly common and more sophisticated. NGS fell victim to one phishing fraud during 2019-20. The financial impact was small, and procedures have now been amended and tightened. NGS has tested the adequacy of our security systems and response to potential cyber-attack through an internal audit. Over the last two years we have made significant improvement in our digital infrastructure, this is an area where we are allocating additional resources to address the work required to achieve cyber essentials by the end of 2020. This review of NGS's cyber security follows the recommendations of the internal audit report.

Sir John Leighton

Sir John Leighton
Accountable Officer

26 October 2020

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

Report on the audit of the financial statements

Opinion on financial statements

I have audited the annual report and financial statements of National Galleries of Scotland for the year ended 31 March 2020 and 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 2020 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the National 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 4 years. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

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

Risks of material misstatement

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

Responsibilities of 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

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

with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Other information in the annual report and financial statements

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

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

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

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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

- the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National 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 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.

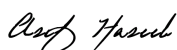
I have nothing to report in respect of these matters.

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

26 October 2020

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

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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

	Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2020 £000	Total 2019 £000
Income						
Grant in Aid	3	20,475	-	-	20,475	18,745
Donations and Legacies	2	312	5,781	-	6,093	6,294
Income from Charitable Activities	2	2,449	726	-	3,175	2,817
Other Trading Activities	2	2,014	-	-	2,014	2,462
Income from Investments	2	27	137	34	198	194
Total Income and Endowments		25,277	6,644	34	31,955	30,512
Expenditure						
Expenditure on Raising Funds	4	(2,760)	-	-	(2,760)	(2,559)
Expenditure on Charitable Activities	4	(17,162)	(969)	-	(18,131)	(17,220)
Depreciation	4	(2,729)	-	-	(2,729)	(2,628)
Total Expenditure		(22,651)	(969)	-	(23,620)	(22,407)
Net Gains/(Losses) on Investment Assets		(12)	(351)	(88)	(451)	12
Net Income/(Expenditure)		2,614	5,324	(54)	7,884	8,117
Transfers Between Funds	17	-	26	(26)	-	-
Depreciation Release	17	1,668	(1,668)	-	-	-
Other Recognised Gains and Losses						
Gains/(Losses) on Revaluation of Fixed Assets	17	-	1,957	-	1,957	651
Net Movement in Funds		4,282	5,639	(80)	9,841	8,768
Reconciliation of Funds						
Total Funds b/f at 1 April	17	88,345	253,238	993	342,576	333,808
Total Funds c/f at 31 March	17	92,627	258,877	913	352,417	342,576
Total Fund Balances Made Up By						
General Fund	17	217	-	-	217	119
Capital Assets Fund	17	92,142	-	-	92,142	87,943
General Fund Revaluation Reserve	17	-	38,402	-	38,402	36,641
General Fund Capital Reserve	17	-	30,580	-	30,580	30,580
Donated Asset Reserve	17	-	185,176	-	185,176	181,039
Trust Funds & Bequests (incl. Purchase Fund)	17	268	4,719	913	5,900	6,254
Total Fund Balances		92,627	258,877	913	352,417	342,576

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

The notes on pages 37-59 form part of the financial statements

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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

	Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2020 £000	Total 2019 £000
Income						
Grant in Aid	3	20,475	-	-	20,475	18,745
Donations and Legacies	2	312	5,781	-	6,093	6,294
Income from Charitable Activities	2	3,725	726	-	4,451	4,174
Other Trading Activities	2	-	-	-	-	-
Income from Investments	2	24	137	34	195	194
Total Income and Endowments		24,536	6,644	34	31,214	29,472
Expenditure						
Expenditure on Raising Funds	4	(452)	-	-	(452)	(464)
Expenditure on Charitable Activities	4	(18,371)	(969)	-	(19,340)	(18,118)
Depreciation	4	(2,704)	-	-	(2,704)	(2,607)
Total Expenditure		(21,527)	(969)	-	(22,496)	(21,189)
Net Gains/(Losses) on Investment Assets		(12)	(351)	(88)	(451)	12
Net Income/(Expenditure)		2,997	5,324	(54)	8,267	8,295
Transfers Between Funds	17		26	(26)	-	-
Depreciation Release	17	1,668	(1,668)	-	-	-
Other Recognised Gains and Losses						
Gains/(Losses) on Revaluation of Fixed Assets	17	-	1,957	-	1,957	651
Net Movement in Funds		4,665	5,639	(80)	10,224	8,946
Reconciliation of Funds						
Total Funds b/f at 1 April	17	88,280	253,238	993	342,511	333,566
Total Funds c/f at 31 March	17	92,945	258,877	913	352,735	342,512
Total Fund Balances Made Up By						
General Fund		535	-	-	535	54
Capital Assets Fund	17	92,142	-	-	92,142	87,943
General Fund Revaluation Reserve	17	-	38,402	-	38,402	36,641
General Fund Capital Reserve	17	-	30,580	-	30,580	30,580
Donated Asset Reserve	17	-	185,176	-	185,176	181,039
Trust Funds & Bequests (incl. Purchase Fund)	17	268	4,719	913	5,900	6,254
Total Fund Balances		92,945	258,877	913	352,735	342,512

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

The notes on pages 37-59 form part of the financial statements

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Consolidated and NGS Balance Sheet as at 31 March 2020

		Group 2020	NGS 2020	Group 2019	NGS 2019
	Note	£000	£000	£000	£000
Fixed Assets					
Intangible Assets	10	180	180	261	261
Tangible Assets	8	140,039	139,929	131,001	130,909
Heritage Assets	9	205,895	205,895	204,643	204,643
Investments	11	4,338	4,338	4,790	4,790
		<u>350,452</u>	<u>350,342</u>	<u>340,695</u>	<u>340,603</u>
Current Assets					
Stocks	12	837	-	670	-
Debtors: amounts falling due within one year	13	1,891	2,273	2,192	2,401
Cash at bank and in hand	14	3,550	3,451	3,097	3,021
		<u>6,278</u>	<u>5,724</u>	<u>5,959</u>	<u>5,422</u>
Creditors: amounts falling due within one year	15	<u>(4,253)</u>	<u>(4,071)</u>	<u>(3,979)</u>	<u>(3,900)</u>
Net Current Assets		<u>2,025</u>	<u>1,653</u>	<u>1,980</u>	<u>1,522</u>
Debtors: amounts falling due after one year	13	-	800	-	473
Total Assets less Current Liabilities		<u>352,477</u>	<u>352,795</u>	<u>342,675</u>	<u>342,598</u>
Provisions for liabilities and charges	16	(60)	(60)	(99)	(87)
Total Net Assets		<u><u>352,417</u></u>	<u><u>352,735</u></u>	<u><u>342,576</u></u>	<u><u>342,511</u></u>
Represented by:					
Unrestricted Reserves					
Designated	17	92,580	92,845	88,245	88,180
Undesignated	17	100	100	100	100
Restricted Reserves		<u>258,824</u>	<u>258,877</u>	<u>253,238</u>	<u>253,238</u>
Total Funds		<u>351,504</u>	<u>351,822</u>	<u>341,583</u>	<u>341,517</u>
Capital Funds – Permanent Endowments	17	913	913	993	993
Total Funds		<u><u>352,417</u></u>	<u><u>352,735</u></u>	<u><u>342,576</u></u>	<u><u>342,511</u></u>

The financial statements on pages 33 – 60 were approved by the Accountable Officer and Board of Trustees and authorised for issue on 26 October 2020

Benny Higgins

Benny Higgins
On behalf of the Board of Trustees

Sir John Leighton

Sir John Leighton
Accountable Officer

The notes on pages 37-59 form part of the financial statements

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Consolidated and NGS Statement of Cash Flows for the Year Ended 31 March 2020

		Group 2020 £000	NGS 2020 £000	Group 2019 £000	NGS 2019 £000
	Note				
Cash flows from operating activities:					
Net cash generated from operating activities	18	10,505	10,440	4,851	5,163
Cash flows from investing activities:					
Dividends and interest received		198	195	194	189
Purchase of artworks		(519)	(519)	(342)	(341)
Purchase of property, plant and equipment		(9,731)	(9,686)	(6,366)	(6,301)
Proceeds from the sale of property, plant and equipment		-	-	-	-
Net cash used in investing activities		(10,052)	(10,010)	(6,514)	(6,453)
Change in cash and cash equivalents in the reporting year		453	430	(1,663)	(1,290)
Analysis of changes in net funds:					
Cash and cash equivalents at the beginning of the reporting year	14	3,097	3,021	4,760	4,311
Cash and cash equivalents at the end of the reporting year	14	3,550	3,451	3,097	3,021
Change in cash and cash equivalents in the reporting year		453	430	(1,663)	(1,290)

The notes on pages 37-59 form part of the financial statements

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 2015).

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 and applicable Accounting Standards in the United Kingdom, issued or adopted by the Accounting Standards Board so far as they are appropriate, including the Charities Statement of Recommended Practice (SORP 2019), and the Charities Accounts (Scotland) Regulations 2006 and 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.

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, with the exception of 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 (FReM), 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

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

The Board of Trustees has been granted 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 2020

2 Analysis of Total Income – Consolidated

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Group 2020	Total NGS 2020	Total Group 2019
	£000	£000	£000	£000	£000	£000
Grant in Aid	20,475	-	-	20,475	20,475	18,745
Donations and Legacies						
Grants – Capital Projects	-	4,514	-	4,514	4,514	1,404
Donations – Capital Projects	125	55	-	180	180	398
Donations – Artworks	-	969	-	969	969	3,983
Donations - Exhibitions	-	243	-	243	243	246
Other	187	-	-	187	187	263
Total Income from Donations and Legacies	312	5,781	-	6,093	6,093	6,294
Income from Charitable Activities						
Grants - Exhibitions	-	108	-	108	108	-
Grants – Other	800	618	-	1,418	1,418	972
Exhibition admission fees	392	-	-	392	392	804
Museum & Galleries Exhibition Tax Relief	266	-	-	266	266	275
Income from loans out	213	-	-	213	213	86
Educational events	151	-	-	151	151	158
Memberships	395	-	-	395	395	380
Other	232	-	-	232	255	142
Recharges	-	-	-	-	1,253	-
Total Income from Charitable Activities	2,449	726	-	3,175	4,451	2,817
Other Trading Activities						
NGS Trading Company Income	2,014	-	-	2,014	-	2,392
Sponsorship – Exhibitions	-	-	-	-	-	70
Total Income from Other Trading Activities	2,014	-	-	2,014	-	2,462
Income from Investments						
Dividends	5	137	34	176	176	170
Interest	22	-	-	22	19	24
Total Investment Income	27	137	34	198	195	194
Total Income	25,277	6,644	34	31,955	31,214	30,512

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

3 Grant in Aid

	Group & NGS 2020 £000	Group & NGS 2019 £000
Grant in Aid Received		
Running Costs	14,775	13,545
Capital Projects	5,500	5,000
Purchase Grant	200	200
Total Grant in Aid Received	20,475	18,745

4 Analysis of Total Expenditure

	Group 2020 £000	NGS 2020 £000	Group 2019 £000	NGS 2019 £000
Staff Costs	13,634	13,634	11,982	11,982
Other Operating Costs	7,257	6,158	7,797	6,600
Depreciation & Amortisation	2,729	2,704	2,628	2,607
Total Expenditure	23,620	22,496	22,407	21,189

	Direct Costs £000	Support Costs £000	Group 2020 £000	NGS 2020 £000	Group 2019 £000	NGS 2020 £000
Raising Funds						
Cost of fundraising	430	0	430	430	442	442
Cost of NGS Trading Company Ltd	2,308	0	2,308	-	2,095	-
Investment management costs	22	0	22	22	22	22
Total Expenditure on Raising Funds	2,760	0	2,760	452	2,559	464
Charitable Expenditure						
Exhibitions and education	6,158	1,884	8,042	8,042	7,761	7,761
Conserve and add to collections	4,496	1,873	6,369	6,369	5,890	5,890
Estates management	3,130	418	3,548	3,547	3,513	3,513
Audience development	1,668	1,233	2,901	4,086	2,684	3,561
Total Charitable Expenditure	15,452	5,408	20,860	22,044	19,848	20,724
Total Expenditure	18,212	5,408	23,620	22,496	22,407	21,189

NATIONAL GALLERIES OF SCOTLAND

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5 Allocation of Support Costs

	Charitable Activities				Total 2020	Total 2019
	Exhibition and Education £000	Conserve & Add to Collection £000	Estates Managem- ent £000	Audience Developm- ent £000		
Central and Finance	332	330	73	217	952	872
HR	170	169	38	111	488	515
Planning & Performance	133	132	30	87	382	366
IT	307	305	68	201	881	851
Depreciation (NGS)	942	937	209	617	2,705	2,607
Total	1,884	1,873	418	1,233	5,408	5,211

6 Trustees Remuneration and Staff Costs

	Group & NGS 2020 £000	Group & NGS 2019 £000
Staff costs during the year		
Wages and Salaries	10,141	9,352
Social Security Costs	902	819
Other Pension Costs	2,591	1,811
Accounted for in grant aided activities	13,634	11,982

Capitalised staff costs during the financial year amounted to £311,094 (2018-19 - £222,021).

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 2020	Group & NGS 2019
£60,000 - £69,999	4	2
£70,000 - £79,999	2	5
£80,000 - £89,999	2	-
£90,000 - £99,999	2	2
£100,000 – 109,999	1	-
£110,000 – 120,000	1	1

The total cost of remuneration to key management personnel in 2019-20 was £495,785 (2018-19 £477,722)

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.

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 2019-20, employers' contributions of 2,578,871 were payable to the PCSPS (2018-19 £1,774,690) at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands.

6 Trustees Remuneration and Staff Costs (continued)

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 2019-20 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 £52,012 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 £1,519, 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 £4,474. 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 2020	Group 2020	Group 2019	Group 2019
	Permanent	Temporary	Permanent	Temporary
Security and Visitor Services	124	13	124	10
Gallery Curatorial and Administration	41	14	39	9
Service Departments	52	8	54	7
Central Administration	42	8	39	11
Revenue Earning Activities	38	8	34	4
	<u>297</u>	<u>51</u>	<u>290</u>	<u>41</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 2019-20 was £115,000 (2018-19 £115,000 FTE). This was 5.48 times (2018-19 6.23) the median remuneration of the workforce which is £21,003 (2018-19 £18,449).

Trustees Remuneration

No remuneration was paid to members of the Board of Trustees during 2019-20 (2018-19 nil).

	NGS 2020	NGS 2019
	£000	£000
Total amount of travel expenses reimbursed	<u>1</u>	<u>1</u>
	NGS 2020	NGS 2019
	3	3

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Compensation for Loss of Office & Settlement Agreements

In the year to 31 March 2020 no staff left under voluntary exit terms (2018-19 0 staff). Settlement payments were made to 2 staff members at a cost of £21k, funded from operating budgets. (2018-19 £34k).

Trade Union Facility Time

There were 7 employees of NGS who were relevant TU officials during 2019-20, 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%.

7 Analysis of Other Operating Charges

	Group 2020 £000	NGS 2020 £000	Group 2019 £000	NGS 2019 £000
Repairs, renewals and maintenance of buildings	1,462	1,441	1,585	1,572
Cost of sales	835	-	856	-
General expenses	662	493	857	600
Art transport, handling and storage	482	482	708	708
Rates and utilities	772	772	763	763
Printing and promotion	552	509	628	595
IT and communications	555	555	516	516
Legal, consultancy and other professional fees	249	231	273	252
Design and display	435	435	342	342
Education	264	264	272	272
Cleaning	262	262	259	259
Office costs and consumables	85	85	110	110
Travel, subsistence & hospitality	177	169	196	189
Conservation and restoration	159	159	118	118
Operating lease rentals	132	132	108	108
Training and recruitment	102	102	141	140
Internal and External Audit Fees	39	34	40	34
Vehicle costs	33	33	25	24
	7,257	6,158	7,797	6,602

Audit fees include £23,310 (2018-19 £23,010) 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 2020

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 Infrastruc- -ture £000	Total £000
Cost or Valuation								
At 1 April 2019	124,522	9,148	2,225	5,426	286	-	-	141,607
Additions during year	297	8,798	45	93	-	76	218	9,527
Disposals	-	-	(57)	(625)	-	-	-	(682)
Transfers	-	-	(69)	69	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Indexation	2,008	-	-	-	-	-	-	2,008
At 31 March 2020	126,827	17,946	2,144	4,963	286	76	218	152,460
Accumulated Depreciation								
At 1 April 2019	3,726	-	2,002	4,682	196	-	-	10,606
Charge for year	1,921	-	90	317	48	15	54	2,445
Disposals	-	-	(57)	(625)	-	-	-	(682)
Transfers	-	-	(8)	8	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Indexation	52	-	-	-	-	-	-	52
At 31 March 2020	5,699	-	2,027	4,382	244	15	54	12,421
Net Book Value								
At 31 March 2020	121,128	17,946	117	581	42	61	164	140,039
At 31 March 2019	120,796	9,148	223	744	90	-	-	131,001

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

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 Improvem- ents £000	IT Infrastruc- -ture £000	Total £000
Cost or Valuation								
At 1 April 2019	124,522	9,148	2,156	5,359	273	-	-	141,458
Additions during year	297	8,798	45	49	-	76	218	9,483
Disposals	-	-	(57)	(603)	-	-	-	(660)
Transfers	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Indexation	2,008	-	-	-	-	-	-	2,008
At 31 March 2020	126,827	17,946	2,144	4,805	273	76	218	152,289
Accumulated Depreciation								
At 1 April 2019	3,726	-	1,995	4,643	185	-	-	10,549
Charge for year	1,921	-	90	294	46	15	54	2,420
Disposals	-	-	(58)	(603)	-	-	-	(661)
Transfers	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Indexation	52	-	-	-	-	-	-	52
At 31 March 2020	5,699	-	2,027	4,334	231	15	54	12,360
Net Book Value								
At 31 March 2020	121,128	17,946	117	471	42	61	164	139,929
At 31 March 2019	120,796	9,148	161	716	88	-	-	130,909

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

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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

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9 Heritage Assets – Group and NGS

	Value at 1 Apr 2019 £000	Additions £000	Value at 31 Mar 2020 £000
Artworks at cost	2,892	519	3,411
Artworks at valuation	201,752	732	202,484
	204,644	1,251	205,895

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

	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
Donated assets and acquisitions funded by donations	1,043	3,974	2,095	11,706	1,403
Other acquisitions	208	298	375	233	175
Total cost/value of acquisitions	1,251	4,272	2,470	11,939	1,578

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

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10 Intangible Assets – Group and NGS

	Computer Software £000	Website £000	Total £000
Cost or Valuation			
At 1 April 2019	200	934	1,134
Additions	78	125	203
Disposals	-	-	-
Transfers	-	-	-
At 31 March 2020	<u>278</u>	<u>1,059</u>	<u>1,337</u>
Accumulated Amortisation			
At 1 April 2019	200	673	873
Charge for the year	20	264	284
Disposals	-	-	-
At 31 March 2020	<u>220</u>	<u>937</u>	<u>1,157</u>
Net Book Value			
At 31 March 2020	<u>58</u>	<u>122</u>	<u>180</u>
At 31 March 2019	<u>-</u>	<u>261</u>	<u>261</u>

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TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

11 Investments

	Group & NGS 2020 £000	Group & NGS 2019 £000
Market value at 1 April	4,790	4,777
Sale of investments	(1,152)	(772)
Realised (loss)/gain	46	68
Purchased investments	1,037	831
Movement in investments held as cash	115	(59)
Change in market value – unrealised (loss)/gain	(498)	(55)
Market value at 31 March	4,338	4,790
Investments at cost	4,497	4,451

Investments are managed by Cornelian Asset Managers Limited and are a mixture of investment types. The mix of investment types as at 31 March 2020 is detailed below:

Asset Class	Percentage of Total Portfolio
Fixed Interest	17.9
UK Equities	30.2
International Equities	28.7
Other Assets	18.1
Cash	5.1

12 Stocks

	Group 2020 £000	NGS 2020 £000	Group 2019 £000	NGS 2019 £000
Goods held for resale	837	-	670	-
Net book value of goods held for resale	837	-	670	-

NATIONAL GALLERIES OF SCOTLAND

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13 Debtors

	Group 2020 £000	NGS 2020 £000	Group 2019 £000	NGS 2019 £000
Amounts falling due within one year				
Trade Debtors	145	77	243	219
Amounts owed by Group undertakings	-	509	-	268
Other Debtors	996	937	1,226	1,191
VAT Debtor	567	567	570	570
Prepayments	183	183	153	153
	1,891	2,273	2,192	2,401
Amounts falling due after more than one year				
Amounts owed by Group undertakings	-	800	-	473

Debtors due after more than one year represent amounts due by NGS Trading Company Limited in respect of the loan facility of £800k made by NGS Charity initially in 2012 and extended in 2018. 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%.

Balances due from other bodies within the boundary set for Whole of Government Accounts included in Debtors:

	Group 2020 £000	NGS 2020 £000	Group 2019 £000	NGS 2019 £000
Amounts falling due within one year				
Local Government	-	-	-	-
Central Government	882	1,391	1,301	1,577
NHS Bodies	-	-	-	-
Public Bodies	-	-	-	-
External to Government	1,009	882	891	824
Total	1,891	2,273	2,192	2,401

14 Cash at Bank and In Hand

	Group 2020 £000	NGS 2020 £000	Group 2019 £000	NGS 2019 £000
Cash at bank	3,550	3,451	3,097	3,021
Cash at bank and in hand	3,550	3,451	3,097	3,021

NATIONAL GALLERIES OF SCOTLAND

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15 Creditors: Amounts Falling Due Within One Year

	Group 2020 £000	NGS 2020 £000	Group 2019 £000	NGS 2019 £000
Trade Creditors	509	452	402	393
Other Creditors	578	453	510	440
	1,087	905	912	833
Other Taxation and Social Security		-	215	215
Accruals	1,337	1,337	2,153	2,153
Deferred Income	1,829	1,829	699	699
	4,253	4,071	3,979	3,900

Balances due to other bodies within the boundary set for Whole of Government Accounts included in Creditors:

	Group 2020 £000	NGS 2020 £000	Group 2019 £000	NGS 2019 £000
Amounts falling due within one year				
Local Government			-	-
Central Government	387	387	507	507
NHS Bodies			-	-
Public Bodies			-	-
External to Government	3,866	3,684	3,472	3,393
Total	4,253	4,071	3,979	3,900

Analysis of Deferred Income:

	Group & NGS 2020 £000	Group & NGS 2019 £000
As at 1 April	699	1,014
Charged in year	1,631	502
Released in year	(501)	(817)
Total as at 31 March	1,829	699

16 Provisions for Liabilities and Charges

	Group 2020 £000	NGS 2020 £000	Group 2019 £000	NGS 2019 £000
As at 1 April	99	87	93	89
Charged in year	12	12	32	24
Released in year	(51)	(39)	(26)	(26)
Total as at 31 March	60	60	99	87

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

17 Consolidated Reserves

	Unrestricted					Restricted						Endowment	Total
	General Fund	Trust Funds Central	Purchase Funds	Capital Assets Fund	Total	General Fund	General Fund Revaluation Reserve	General Fund Capital Reserve	Donated Asset Reserve	Trust Funds	Total	Trust Funds Endowment	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening balance 1 April 2019	119	275	9	87,942	88,345	-	36,642	30,580	181,038	4,978	253,238	993	342,576
Government Grant in Aid	20,275	-	200	-	20,475	-	-	-	-	-	-	-	20,475
Other Income	4,775	-	-	-	4,775	969	-	-	5,530	8	6,507	-	11,282
Investment Income	22	5	-	-	27	-	-	-	-	137	137	34	198
Total Income	25,072	5	200	-	25,277	969	-	-	5,530	145	6,644	34	31,955
Expenditure in Year	(22,651)	-	-	-	(22,651)	(969)	-	-	-	-	(969)	-	(23,620)
Investments revaluation	-	(12)	-	-	(12)	-	-	-	-	(351)	(351)	(88)	(451)
Net (Exp)/Inc - SOFA	2,421	(7)	200	-	2,614	-	-	-	5,530	(206)	5,324	(54)	7,884
Buildings Revaluation	-	-	-	-	-	-	1,957	-	-	-	1,957	-	1,957
Depreciation release	2,559	-	-	(891)	1,668	-	(197)	-	(1,471)	-	(1,668)	-	-
Transfers between reserves	(4,882)	-	(209)	5,091	-	-	-	-	79	(51)	26	(26)	-
Net Movement in Funds (SOFA)	98	(7)	(9)	4,200	4,282	-	1,760	-	4,138	(258)	5,639	(80)	9,841
Closing balance 31 March 2020	217	268	-	92,142	92,627	-	38,402	30,580	185,176	4,719	258,877	913	352,417

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TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

17 Consolidated Reserves (continued)

The Financial Statements comprise a number of 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 (2018-19 £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

NATIONAL GALLERIES OF SCOTLAND

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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

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

NATIONAL GALLERIES OF SCOTLAND

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18 Notes to the Statement of Cash Flows

	Group 2020 £000	NGS 2020 £000	Group 2019 £000	NGS 2019 £000
Net movement in funds (as per the Statement of Financial Activities)	9,841	10,224	8,768	8,946
Adjustments for:				
Depreciation charges	2,729	2,704	2,628	2,607
(Gains)/losses on revaluation of fixed assets	(1,957)	(1,957)	(652)	(651)
Losses/(gains) on investments	451	451	(12)	(12)
(Profit)/loss on sale of fixed assets	2	-	-	-
Dividends and interest shown in investing activities	(198)	(195)	(194)	(190)
Donations of artworks for the collection	(732)	(732)	(3,929)	(3,931)
Increase/(decrease) in provisions	(39)	(27)	6	(2)
(Increase)/decrease in stocks	(167)	-	(8)	-
Decrease/(increase) in Debtors	301	(198)	(1,094)	(987)
(Decrease)/Increase in Creditors	274	170	(662)	(617)
Net cash provided by (used in) operating activities	10,505	10,440	4,851	5,163

19 Financial Commitments – Group and NGS

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

	2020 £000	2019 £000 (Restated)
	Land & Buildings	Land & Buildings
Not later than one year	127	75
Leases expiring after one year but within five years	349	209
Leases expiring after five years	-	-
	<u>476</u>	<u>284</u>

At the end of 2019-20, 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 2020 was £5.2m.

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20 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:

	2020 £000	2019 £000
Turnover	2,012	2,388
Cost of sales	(835)	(856)
Gross profit	1,177	1,532
Administrative costs	(1,542)	(1,466)
Other operating income	2	4
Operating (loss)/ profit	(363)	70
Interest income	3	4
Interest payable	(12)	(6)
Profit/ (loss) before taxation	(372)	68
Taxation	12	(8)
Profit/ (loss) after taxation	(360)	60

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.

21 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 £20.475m (2018-19 £18.745m). In addition NGS 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 £800k. Benny Higgins, Chairman, Sir John Leighton, Director-General, Jo Coomber, Director of Public Engagement and Tricia Bey 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 and has 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 £2.8m (2018-19 £0.6m) from NGS Foundation for various projects. During the period to March 2020 administrative services were gifted to NGS Foundation by NGS under the terms of a service agreement. In March 2020 NGS Charity granted NGS Foundation £0.2m. 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.

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

22 Taxation

The Board of Trustees of NGS has been granted 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.

23 Losses and Special Payments

Losses and special payments during the year amounted to £nil (2018-19 £nil). There were no individual losses or special payments of more than £250k.

24 Post Balance Sheet Events

As a result of the Covid-19 crises, NGS closed its galleries to the public in the middle of March 2020. The galleries are planned to reopen in stages from August to October 2020. This, and the impact of a reduced tourism presence has inevitably had a significant financial impact on NGS's commercial subsidiary, NGS Trading. NGS has therefore further extended the loan facility to £1.4m, and provided a letter of support to August 2021 to allow the company to review its operating model and trade through the crises period.

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NATIONAL GALLERIES OF SCOTLAND

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 (FReM) 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. A. Stewart'.

Signed by the authority of the Scottish Ministers

Dated 31 March 2006