

National Galleries of Scotland

Trustees' Annual Report and Financial Statements
for the year ended 31 March 2022

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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Chairman's Foreword

I am pleased to present the Annual Report and Financial Statements for the National Galleries of Scotland for 2021-22.

The period covered by these accounts has been dominated by the lingering impact of the global health emergency caused by COVID-19. Although we were able to open our sites to the public for most of the period 2021-22, our visitor numbers were greatly reduced, with a corresponding impact on our ability to generate income from retail, catering, and other commercial activities. At the time of writing, the trend is towards recovery, but it may be several years before visits return to the same levels that we enjoyed before the pandemic. Following on from the disruption of lockdown, our organisation has had to adapt to new ways of working with all the pressures of providing security and reassurance to visitors and colleagues returning to the Galleries. Despite these challenges, NGS was able to provide a strong offer to the public in its Galleries in Edinburgh and on-line. We are also working to resume our efforts to tour parts of our collection around the UK and currently have a major loan on show in Japan. We have continued to make good progress with our major capital projects. These include *Celebrating Scotland's Art*, the ambitious redevelopment of the Scottish National Gallery with new Galleries to house the world's most important collection of Scottish art. We are also continuing to develop our plans for a major new facility in north Edinburgh, *The Art Works*, which will be an innovative centre for conserving, researching, and distributing the collection.

Looking forwards, the broader socio-economic and political context in which we operate looks set to remain extremely challenging. However, thanks to the continued support of our many stakeholders including Scottish Government, we remain confident that we can play an important part in recovery and regeneration in Scotland over the coming years. Our revised and refreshed strategy looks to make NGS even more relevant to our different audiences, national and international, and to ensure that we work across key issues in society, including health & well-being; the climate emergency and in playing our part in addressing inclusion and inequality.

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



Benny Higgins
Chairman

13 September 2022

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Trustees' Annual Report

1 Introduction

The National Galleries of Scotland (NGS) looks after one of the finest collections of art anywhere in the world, consisting of over 130,000 works of fine art. Our principal place of business and registered address is 73 Belford Road, Edinburgh, EH4 3DS, and the collection is displayed to the public at the following locations:

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

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

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

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 revised our strategy for 2022-27, aligning with the national framework and Programme for Government. This programme is focused on how Scotland can recover from the Covid-19 pandemic, sitting alongside the drive to address the climate emergency, eradicate child poverty and build a sustainable economy.

NGS has three overarching aims which are inter-connected and which help to deliver our vision:

- Increased Participation
 - We want to welcome and include everyone, reaching more people and more diverse groups.
 - We want to open up conversations with our audiences to discover new ways to experience and explore the collection together.

Trustees' Annual Report (continued)

- o Greater impact
 - o We want to make sure our work is both world-class and relevant.
 - o We will make an active contribution to some of the key challenges facing society, including improving health and wellbeing, combatting inequality, and addressing the climate and ecological emergency.
- o Investment in our future
 - o We will invest to make the most of our people and their talents, knowledge and skills, our collection, and buildings. We will take a long-term view about investing in all these areas, making sure everyone has a role to play.
 - o We will create more secure and varied sources of income so that we become more self-sufficient financially.

2.3 2021-22 Priorities

The Covid pandemic continued to impact on our business in 2021-22 with limitations on visitor capacity and the resultant impact on income. Online activity continued to evolve, and our digital offer became key to developing a stronger connection with our audience.

Following the challenges faced by NGS during the pandemic, the business model was reviewed, and work was focused on six priority areas. Those six priorities remained relevant in 2021-22 and continued with minor adjustment into 2022-23 as we evolved our strategic plan for 2022-27. Aims and objectives for 2022-27 are aligned to business priorities to assist in managing and focusing resources and workload. Our six priorities are:

- Public offer
- Equalities, Diversity, and Inclusion
- Environmental Response
- Health & Well-being
- Contributing to recovery: continuity and change
- Income generation and managing the cost base

3. Achievements and Performance

3.1 Key Performance Indicators

NGS's key performance indicators (KPIs) for 2021-22 focused on what could be achieved, noting that the outcomes were difficult to assess in any meaningful way and achievement against long-term aims could not be measured. The results for 2021-22 are set out below and demonstrate that we are moving towards a gradual recovery. Targets were not set for visitor number related KPIs as there was no certainty at the start of the year as to when the galleries may be affected by closure. Key points:

- Visitor capacity increased during the year and numbers had started to show clear signs of recovery by March 2022, however self-generated income was still impacted. Retail income was boosted by a strong online performance and by March 2022 the trading company achieved a small profit, albeit at lower levels than pre-covid.
- Web traffic and engagement via social media continues to rise year-on-year and there was a positive effect on numbers through engagement with our digital content.
- Digitisation of the collection was limited as only a small number of staff were able to work on site and access the objects.
- Visitor satisfaction scores were high, considering the safety challenges and the number of necessary room closures. The Harryhausen exhibition, which closed in February 2022 after a lengthy run, performed particularly well and had the highest visitor satisfaction rating of all the sites.
- Donations per visitor showed a downward trend as the requirement for online bookings ceased, however cash and cashless donation boxes are now up and running again at all sites to optimise income opportunities.

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Trustees' Annual Report (continued)

- Work to reduce carbon emissions continues and was boosted by most staff working from home and being unable to travel. The 2022 target was surpassed well ahead of schedule, but this will be challenged now that colleagues have returned to the workplace.

For 2022-23, Key performance indicators have been revised in line with our six priorities. Further work will be done in 2022-23 to align more closely with the 2022-27 strategic plan.

Key Performance Indicator	Results for 2021-22
Number of actual visits to all gallery sites	780,275 (116,765 in 2020-21)
Website sessions	2,812,855 (28% increase on 2020-21)
Digitisation of the collection	6,301 works digitised (36% of target)
Visitor Satisfaction	91% average across the sites (target 90%)
Engagement via social media	3.5% (3.89% 2020-21)
Percentage of storage/gallery spaces providing minimum standard environmental conditions for our collection (m ²)	52% (52% 2020-21)
Trading Company profit/loss	£0.07m profit (£0.2m loss 2020-21)
Donations per visit	8p online/6p in gallery (38p in 2020-21)
Percentage reduction in carbon emissions	63.58% (against a target of 60%)

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 130,000 objects including paintings, works on paper, photographs, sculpture, manuscript and archival material, digital works, installation, performance, and film. Displayed across the Scottish National 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 2022 there are 134,176* objects catalogued (120,490 as at 31 March 2021) in NGS's permanent collection. The significant increase on 2021 can be attributed to the ongoing cataloguing of the photography collection. These include long loans and ARTIST ROOMS objects and are categorized as follows.

Paintings	3,709
Works on Paper	56,417
Photographs	57,900
Sculpture	12,931
Printed Material	560
Manuscript Material	887
Decorative and Applied Art	1,313
Installation	113
Mixed Media	63
Accessory	95
Photographic Equipment	130
Other	58

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

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Trustees' Annual Report (continued)

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

In 2021-22 NGS continued to build this extensive collection where opportunity and funding allowed. The majority of acquisitions came from donations and NGS's Trust Funds, along with generous gifts and bequests. This enabled the collection to continue its steady growth. There was no allocation from Scottish Government for the purchase of works of art in 2021-22. Some of our purchases in 2021-22 are detailed below.

The modern and contemporary collection has had a number of major acquisitions this year. *At the Edge of Town* by Peter Doig was accepted in lieu of tax, gifted by the Kennedy Doig family. *Bloodlines* by Amie Siegel is an interesting video piece, commissioned in 2019-20, and completed in 2021-22 was acquired with the support of Art Fund and Contemporary Art Society.

Once again, the Walton Fund supported the acquisition of a key piece of modern art, this time a sculpture (Untitled, 1965) by Yayoi Kusama, one of the most iconic artists of the post-war era. This piece will work well with our Surrealist and 1960s holdings.

The Photography collection was boosted by a number of acquisitions. Works included photographs from the series *Scots Jews: Identity, Belonging and the Future* by Judah Passow, gifted by Edward and Maryla Green. Photography series' by the artists Kieran Dodds and David Hurn were also acquired. Photographers Kirsty Mackay, Edyta Majewska and Craig Waddell had works acquired by NGS with the support of the Art Fund New Collecting Award for Photography.

One of the most important purchases of the year is *Bérénice* by Henri Martin, a major nineteenth century French artist, acquired with the assistance of the Heinz fund and The Art Fund. This extraordinarily beautiful artwork is a depiction of Martin's wife and is the first Martin piece to enter the NGS collection.

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

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

3.3 Our Public Offer

The trustees believe that whilst ensuring the protection of the national collection is paramount, access to great art by as wide an audience as possible is part of our core mission. In 2021-22 this mission continued to be challenged by the world-wide Covid pandemic, which drastically reduced our visitor numbers. Our digital offer however enhanced our programme onsite and extended our reach. Although we only welcomed around 780,000 visitors to our sites, we reached 2.8m online. Visitor numbers had started to increase in the last quarter of 2021-22 and overall showed significant signs of recovery.

Our one paying exhibition of the year was *Ray Harryhausen: Titan of Cinema*. It closed in February 2022 after a long run which initially started, belatedly, in October 2020 and had two periods of closure. It proved a popular show surpassing its target for both income and visitor numbers.

The Portrait Gallery had three main exhibitions during the year - Alison Watt: *A Portrait Without Likeness*, *Modern Portrait* and Thomas Joshua Cooper: *The World's Edge. Ruined*, which presented a vibrant and challenging response to Scottish history as represented in our collection, was also on display from June to November. An accompanying online digital game, *Flashback*, designed by young artists, further explored the 'ruins' that young people inherit from the past. This exhibition was the culmination of two hundred young people contributing to the Scottish National Gallery Project.

Trustees' Annual Report (continued)

Modern One meanwhile celebrated the 100th anniversary of Joan Eardley's birth in May, with a two-room display of our holdings of Eardley work, and 20th Century Masterpieces which was on display for most of the year. The Eardley show was coupled with a three-part online audio series which was published both on our website and soundcloud channel. Modern One also presented, in partnership with the Edinburgh Art Festival, Isaac Julien: Lessons of the Hour. This was supported by the Scottish Government's Festivals Expo Fund and EventScotland, with additional support from British Council Scotland, ProAV, David Narro Associates, McEvoy Foundation for the Arts, and MacFadden & Thorpe. This major new ten-screen film installation offered a poetic meditation on the life and times of Frederick Douglass, the visionary African American orator, philosopher, intellectual, and self-liberated freedom-fighter, who was born into slavery in Maryland, USA.

Our touring programme was curtailed in 2021-22, but we were still able to share our collection across the UK and abroad. Some of our touring activity is detailed in section 3.6.

3.4 Learning & Engagement:

In 2021-22 we continued to offer many of our programmes online, but also returned to providing learning opportunities onsite and in the community.

In 2021, we launched *Your Art World*, a new online community where 3–18-year-olds are supported to make and share their art. Groups of young people across Scotland have been taking part: setting challenges, taking part in artist-led clubs in school and online, attending family workshops, and sharing their work in the online gallery. Artists recorded videos to demystify the creative process and demonstrate how they responded to challenges set by young people. Piloting took place with schools in disadvantaged areas in the Borders, North Ayrshire, Edinburgh, West Lothian, and Fife.

Through our adult programme, for nearly 20 years, The Drawing Room had been running as an artist-led, free to access, experimental drawing workshop. Over the pandemic lockdowns, it moved online out of necessity and The Drawing Room Kitchen Table became a vital support for participants. When asked what they enjoyed about the online Kitchen Table sessions participants mentioned 'being in contact with other people,' 'seeing familiar faces' and that they found it 'very enjoyable and therapeutic.' In 2021 we published a blog to mark its first year online.

2021 was also the 80th anniversary of live music at National Galleries of Scotland. Inspired by NGS's long history of supporting new music, we initiated a commission for a new Gaelic composition responding to the Scottish works in the collection. In collaboration with our regular partners Live Music Now we have also recorded five fantastic concerts to share with our online audiences in lockdown.

In 2021 we took our Communities and Access programmes online. Working with deaf, blind, and partially sighted audiences and those living with dementia, we hosted facilitated sessions over Zoom and produced a series of 'at home' resources that could be accessed at any time. Of course, digital engagement does not work for everyone so NGS became part of a joint project called *At Home with Heritage* that delivered eight thematic art packs, posted out once a month between October 2021–May 2022 to individuals who were facing particularly high levels of isolation.

We also worked with young people in North and East Ayrshire. 'Life Hacks' was a project that aimed to make life-affirming artworks with young people and professional artists in North Ayrshire, for public spaces. We looked at artwork from the national collection, posted 440 art packs to young people, ran 50 online and 40 in-person workshops from growing plants to make ink, alpaca life drawing, building an outdoor Arabic setting from pallets and a series of proposals for public artworks. In East Ayrshire we asked the question 'Can visual art change the way people see their local environment?' This project set up a mini-art school to make this happen. As a response to the aftermath of Covid-19, 35 young artists from the Robert Burns Academy were able to conjure a vision of hope and possibility by creating a modern myth – a gender-fluid, alien, space bunny' (alias 'Billy Enigma'), who would bring reassurance and happiness to the young people of East Ayrshire.

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

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3.5 *Research and Scholarship*

Throughout the pandemic NGS staff maintained an external research profile for the organisation by participating in events and lectures across the UK and abroad. NGS colleagues have also contributed their expertise to a number of activities, including 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, as well as publishing in journals, books, and articles.

We continued our internal research development with our research hubs, and we now have five doctoral students, one having completed during the financial year.

We have drawn from a wide range of colleagues from around the world to host a series of internal EDI knowledge exchange seminars, enabling discussion around the ways they can work with and engage key audiences.

Although the climate has continued to be challenging, we have had a few successes with funding; the Paul Mellon Centre for British Art awarded us a grant to research John Michael Wright, an important 17th century painter working between Scotland, England, and mainland Europe. This is a fully collaborative project between NGS and the University of Edinburgh. We also received funding from the Art Fund Small Projects Fund for a project on the Scottish-Ghanaian artist, Maud Sulter for which we obtained match funding from Creative Scotland.

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, enhancing access to artworks from the collection and enabling access to works from other regions and countries. Many partnerships are developed through education activities and others are developed with museums and galleries around the UK and abroad through the loans and exhibitions programmes.

Between 1 April 2021 and 31 March 2022 we had 191 artworks out on loan to 37 venues, 7 in Scotland, 9 in the rest of the UK, 13 in Europe and 8 further afield. The substantial increase in loans activity from the previous year reflected the loosening of pandemic restrictions both nationally and internationally and a move into a period of recovery. International loans included a Poussin drawing to the Getty Museum in Los Angeles, a Rembrandt to Ottawa and Frankfurt, and Olive Trees by Van Gogh to Dallas and Amsterdam. More locally we loaned to Kirkcudbright Art Galleries Glasgow Boys and Girls exhibition, Perth Museum and Art Gallery's Eardley exhibition, the Dovecot Gallery's Archie Brennan exhibition and to 3 City Art Centre exhibitions, Charles Mackie, Ian Hamilton Finlay and Lorimer.

This year also saw the return of our touring programme. The tour of a selection of photographs from the Mackinnon Collection, jointly acquired with the National Library of Scotland, began at Duff House in Banff in September, followed by Kirkcudbright Galleries December to March, and at the time of writing the exhibition was on display at Museum nan Eilean in Stornoway. The Greats: Masterpieces from the National Galleries of Scotland will tour to four venues across Japan from April, comprising 93 paintings and works on paper by artists such as Titian, Raphael, Veronese, Rembrandt, and Rubens.

The increase in lending activity and the return of the touring programme enabled us to build upon the creative thinking, experiences, and new ways working developed in response to the pandemic and Brexit. We continue to work with virtual couriers where risk management allows, reducing our carbon footprint and costs to borrowers; we have been testing new crate designs, combining improved protection and handling for our artworks with more sustainable materials and models; trialling the use of 'real time' tracking systems, which record environmental and impact data from within the packing crates in addition to geo-tracking; and testing a methodology for calculating the carbon footprint of a tour.

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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, to grow and diversify the audiences we reach. It enables world-class, modern, and contemporary international art to be shared with audiences throughout the UK. The collection is a catalyst for exciting programming that engages and stimulates audiences, particularly young people. The ARTIST ROOMS programme, jointly managed by NGS and Tate, was on hold for 2021-22 while we reconsider the brand, programme, and reach.

In 2021-22 we reviewed our approach to partnership to seek more efficient ways of delivering our strategy through effective collaboration with other organisations. This review continues as we revise our partnership strategy.

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 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 10,322 on 31 March 2022, compared with 10,877 as at 31 March 2021, which is a 5% decrease. This has been another difficult year for all, with only one paying exhibition, however our Friends have continued to show great willingness to support the Galleries. This has been confirmed by the recent Loyalty Review which showed Friends to be highly contented and very likely to renew. Retention at the end of 20/21 was 84% but has increased this year up to 91%, again showing the Friends commitment to support.

The Friends' events programme has continued to take place online, with 21 talks created over the year and sent out on a fortnightly, and now monthly basis. These continue to be very well received and provide much positive feedback. Live events will begin in Spring 2022, building the programme back up over the year and into 2023.

The surplus raised was £315k from Friends membership which has been given to the Scottish National Gallery Project.

NGS is most grateful to the Friends and Patrons for continuing their invaluable support.

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 £57k during 2021-22.

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4 Financial Review

4.1 Introduction

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

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

4.2 Grant in Aid

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

Grant in Aid	Actual £000	Offer Letter £000
Cash Items		
Running Costs	17,158	17,158
Purchase Grant	-	-
Capital Projects	4,170	4,170
	<u>21,328</u>	<u>21,328</u>
Non-Cash Items (Notional)		
Depreciation	1,057	2,500
Total	<u>22,385</u>	<u>23,828</u>

4.3 Financial Results

The Financial results for 2021-22 are set out in the Consolidated Statement of Financial Activities on page 31.

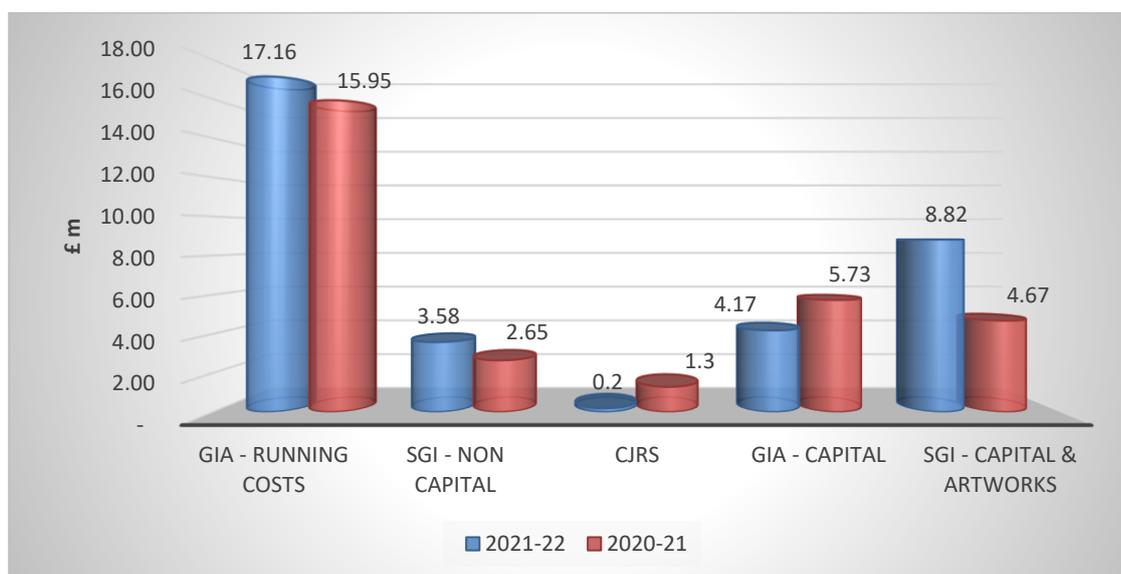
Income

The following graph analyses the major sources of income for NGS in the financial year to 31 March 2022.

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Trustees' Annual Report (continued)

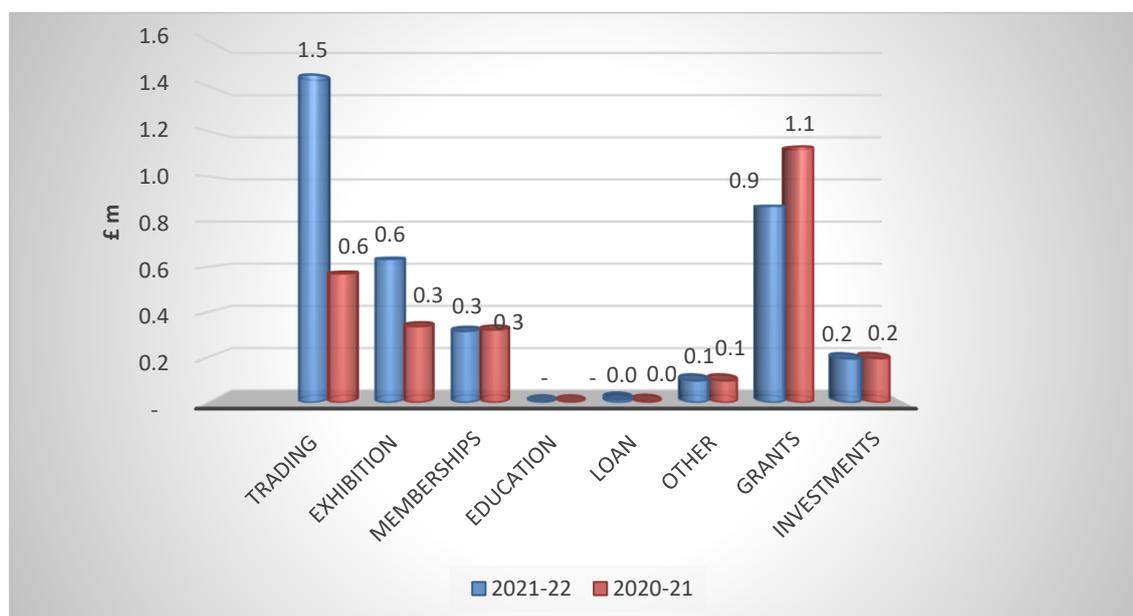


A detailed year on year comparison is set out in note 2 to the Financial Statements, page 39

The largest source of income for NGS continues to be Grant in Aid (GIA) received from the Scottish Government. In 2021-22 GIA for running costs increased to £17.158m (2020 £15.95m) in support of the implementation of pay policy (£0.6m) as directed by the Scottish Government, and support for loss of income during closure, (£0.6m).

£4.17m (2020 £5.73m) of GIA was also allocated by the Scottish Government for capital projects, including the SNG and the Artworks projects. Donations of and in support of artworks continues to be a material component of NGS's income. New artworks can be funded from cash donations and transfer of artworks under HM Government's Acceptance in Lieu of Inheritance Tax Scheme.

Whilst the financial impact of the Covid pandemic can still be seen in a reduction in self-generated income (SGI) from pre-covid years, with the galleries open for the majority of 2021-22, SGI income has increased year on year. £0.2m of Coronavirus Job Retention Scheme (CJRS) was claimed in the year and exhibition income includes £0.08m of Museums & Galleries Tax relief. The graph below shows the major components.

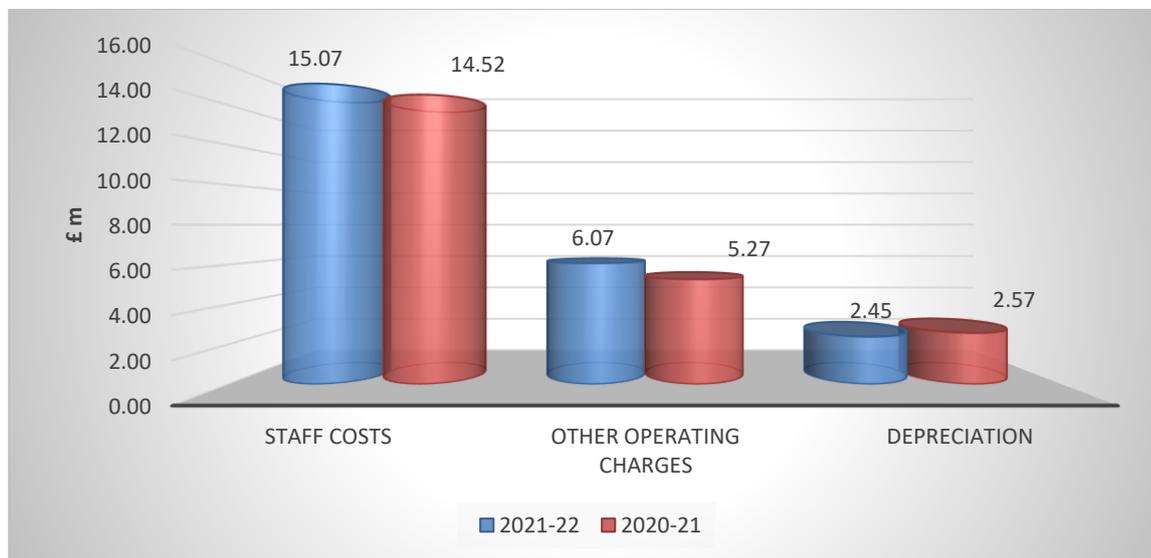


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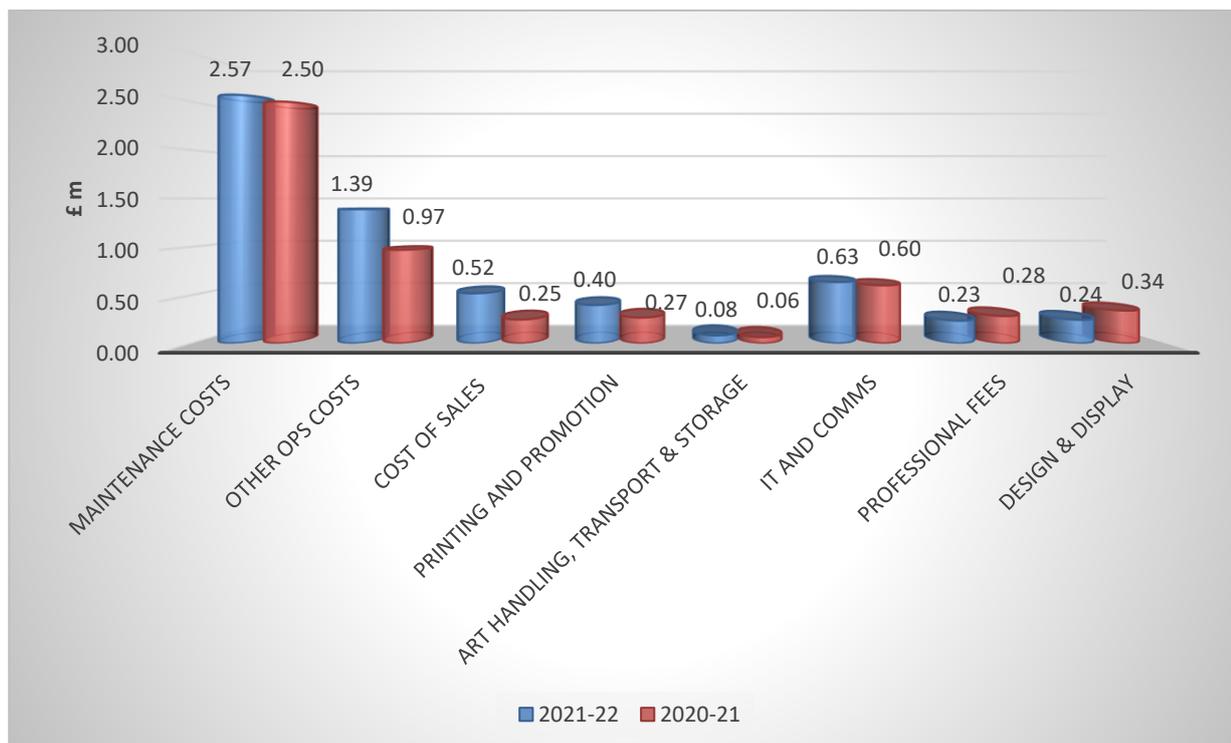
Expenditure

The following graph analyses the major categories of expenditure by NGS in the financial year to 31 March 2022.



Staff costs continue to be the most significant category of expenditure for NGS. Total staff costs increased by £0.55m to £15.07m during 2021-22 (2021, £14.52m). The increase is mainly due to the implementation of Scottish Government pay policy. The second voluntary exit scheme (VES2) was mainly funded from the savings made in VES1 and residual gapping.

Other operating charges are categorised in the graph below:



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Other operating charges continue to be managed closely to match the reduction in income noted above, but as the Galleries reopened and staff returned to site, closer to normal spend patterns resumed. Total other operating charges of £6.07m (2020-21, £5.27m), were £0.8m higher. In addition to the covid business rates relief, a net rates rebate of £0.16m was also received in year, and with a reduced exhibition programme, other costs were significantly lower than in previous years.

A more detailed analysis of other costs is available in note 7 to the Financial Statements on page 44

4.4 Investments

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

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

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 movement during the year is set out in note 17 to the Financial Statements, page 53.

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 (2020-21, £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 2021-22 (2020-21 98%). A 10 day payment initiative was introduced by the Scottish Government in December 2008 and we achieve this with 79% of our creditors (2020-21 72%).

Trustees' Annual Report (continued)

4.7 Risk Management

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

The major strategic business risks at 31 March 2022 were as follows:

- Reduction in income and impact of continuing restrictions post-Covid, challenging the recovery period.
- Implications of Brexit and wider political instability and ongoing uncertainty/ volatility with regard to regulation, legislation, funding, potential Scottish independence and the impact of Covid restrictions.
- Poor performance of Trading Company and concerns over future viability following the Covid crisis.
- Cyber breach severely disrupts business operations in an environment of escalating cyber threats, internal resource conflict and organisational change.
- Delay in the completion of the SNG project and knock-on impact on funding/costs.
- Delay in any element of the major capital programme and the knock-on effect to other projects, project costs, business as usual and income.
- Organisation is over-committed and does not have the resource to deliver the strategic plan, exacerbated by the Covid 19 crisis and temporary reduction in staff numbers/loss of income through 2020-21.
- Negative staff morale arising from the impact of the Covid crisis.
- Failure to invest adequately in estates and IT systems.
- Risk of damage or loss to the collection.
- Security/safety of the collection, estate and people compromised due to inadequate investment in training and resources.
- Meeting the externally imposed challenges to employment costs (inc. pensions, living wage, NI, potential for 35 hour week)
- Failure to manage compliance requirements within government and legislative framework leading to financial penalties and potential reputational damage.
- Failure to respond adequately to climate emergency challenges and associated risks.
- The Artworks – insufficient funding to deliver the project and maintain the programme and subsequent threat to storage needs and running costs.
- Failure to effectively deliver and position our EDI work.

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

In March 2021 NGS commenced a training programme for Trustees, Leadership Team and the Extended Leadership Team with the support of the internal auditors, Henderson Loggie. This risk management framework is being developed to create a more robust approach to managing risk. Risk appetite was agreed by the Board in May 2021 and is now incorporated in the risk management framework.

Trustees' Annual Report (continued)

5 Future Plans

5.1 *Strategic Plan 2022-27*

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

- Increased participation
- Greater impact
- Investment in our future

In 2020-21 NGS embarked on a review of the five-year strategy in the light of the Covid pandemic and how the organisation moves forward. The review concluded that the strategy remained valid, with a slightly change in emphasis. Following that review, we have established a five-year Strategic Plan for 2022-27, due to be published in summer 2022.

We have already started to take a fresh look at our collection and programme to ensure that it is more relevant to a more diverse audience, with a particular emphasis on health & well-being. EDI has also become an integral part of our planning and delivery both in terms of our programme and our internal processes and procedures. We have also initiated a renewed focus on income generation, with the aim of both diversifying and focussing various income generating initiatives. Finally, we are trying to better understand the impact of our activities on the environment, revising our organisational processes. This has had a positive effect on our carbon reduction target.

5.2 *Outlook*

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

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

71% of NGS's operating costs (excluding depreciation) are on staff remuneration. NGS remains committed to the Scottish Living Wage as a minimum salary and must adhere to SG pay policy and therefore is limited in its ability to manage fixed staff costs. A second Voluntary Exit Scheme in March 2022 enabled 24 staff to leave the organisation. NGS continues to seek opportunities to develop additional income streams and a focus group has been established to review income generation opportunities. Self-generated income has been challenged over the last year due to the pandemic and the impact on footfall. The trading company is now focussed on recovery following the significant impact on visitor numbers of gallery closures. Membership has remained at a healthy level and has supported various initiatives.

NGS continually reviews its business model and organisation structure. Two VES Schemes have recently been offered with a positive uptake to manage staff costs. NGS has also reviewed processes to find more efficient ways of working. This work will continue in 2021-22 as we revise our business model and create a re-skilled workforce fit for purpose.

Fundraising efforts will continue to supplement the Grant in Aid and support the public programme activities.

The Capital Projects discussed below are central to this plan.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Trustees' Annual Report (continued)

5.3 *Capital Projects*

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

Celebrating Scotland's Art: The Scottish National Gallery project will transform the Scottish National Gallery, creating radically improved gallery space for the Scottish Collection, an enriched visitor experience and enhanced facilities for retail and catering. The building will also deliver greater energy efficiency and increased sustainability. The building works have been challenging, mainly due to the nature and location of the World Heritage Site and also the Covid crisis, but steady progress is being made towards completion and reopening in 2023.

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 through the design process, RIBA stage three. 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.

Work was also completed in 2021-2022 on the development in a 5-year investment plan for NGS's existing estate, including initial scoping of the required investment to achieve net zero across the estate. This work will continue in 2022-23.

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 three new members appointed to the Board in 2021-22: Apphia Campbell, Professor Kate Sang and Jim McConville joined the Board in January 2022.

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.

Trustees' Annual Report (continued)

6.5 Sustainability

The new NGS Environmental Response Plan was launched in 2021-22, outlining the organisation's key commitments to addressing the Climate Emergency and creating a pathway to net-zero carbon emissions before 2045. The three priorities include 'Engaging and inspiring' our audiences, colleagues and partners, 'Achieving Net-Zero' carbon emissions and 'Protecting the collection' from the impacts of climate change. Work has continued to reduce our carbon emissions including engaging with consultants to create a route map for transitioning to low carbon technologies and net-zero carbon emissions from our buildings by 2038. The new plan encompasses NGS' ambition to address the Climate Emergency from a whole-organisational approach, with every department contributing projects and ideas through the consultation period over the year. Improving our environmental impact continues to be an organisational priority for the year ahead with the start of the new Environmental Response Plan.

A new COP26 Working Group supported the environmental engagement work during 2021-22, focusing on using the collection to engage our audiences with COP26 being hosted by the UK in Glasgow. A joint campaign was run with National Libraries of Scotland called 'Preserving Pasts, Imagining Futures', encouraging our visitors and audiences to creatively respond to how they imagine our landscapes to look in the future. Using selected materials from both organisations' collections as inspiration, submissions of drawing, poems, photography, and collage were submitted and showcased on the NGS website. With support from Museums and Galleries Scotland, the campaign as supported by online and in-person workshops as well as blogs from artist Patricia Macdonald.

6.6 Sickness Absence & Staff Turnover Data

For the 12 month period from 1 April 2021 to 31 March 2022, 2.74% of working days were lost as result of sickness absence (2020-21, 1.95%). Staff turnover was 35% (2020-21 7.7%) this includes leavers under voluntary exit schemes.

6.7 Data Handling

In 2021-22, the majority of data protection work focused on day-to-day compliance such as DPIAs, reviewing data processing agreements, providing advice on new or revised processing purposes. In February 2022, all colleagues were asked to undertake online Data Protection awareness training alongside cyber security modules. 83% completed the DP module.

There was one formal Subject Access Request handled in the year and several rights requests, primarily objections to processing and withdrawal of consent to receive marketing. Most of the latter related to a data processing incident in August 2021 when a user (NGS staff member)/ system error led to a booking confirmation being sent to all customers recorded in the CRM system. This prompted one complaint to the ICO which has since been closed by the ICO without further action by them.

There was one reportable data breach in 2021-22. Information security incidents are monitored, and guidance issued as appropriate. The internal mechanism for reporting security incidents which might compromise personal data continues to work well and ensures escalation and action even when the Data Protection Officer is temporarily unavailable.

The record of processing activity now requires a full refresh which will be undertaken in 2022 in conjunction with development of an information asset framework for the organisation. Work on information security and broader information governance is ongoing.

Data Protection Impact Assessments have been undertaken for the introduction of new activities such as Your Art World and lateral flow testing for staff. None have identified any high risks which would require consultation with the Information Commissioner's Office.

6.8 Accountable Officer

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

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Trustees' Annual Report (continued)

7 Reference and Administration details

7.1 Trustees: 1 April 2021 – 31 March 2022

Benny Higgins (Chairman and Remuneration Committee Chair)
Audrey Carlin (Chair, Major Capital Programme Committee)
Apphia Campbell (from 24 January 2022)
Alistair Dodds (Chair, Audit and Risk Committee and Deputy Chairman until 31 December 2021)
Edward Green (until 31 December 2021)
Tari Lang (until 31 December 2021)
James McConville (from 24 January 2022)
Professor Nicholas Pearce
Lynn Richmond
Hannah Rudman
Professor Katherine Sang (from 24 January 2022)
Chris Sibbald
Rucelle Soutar
Willie Watt (Chair, Audit & Risk Committee from 1 January 2022)
Andrew Wilson

All trustees serving at 31 March 2022 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 2021 – 31 March 2022

Sir John Leighton	Director-General
Jacqueline Ridge	Director of Conservation & Collection Management
Jo Coomber	Director of Public Engagement (until 31 March 2022)
Line Clausen Pedersen	Director of Collection & Research
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. A new group focusing on income generation will be established for 2022-23.

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

For details of staff numbers employed in 2021-22, see Note 6 in the Notes to the Financial Statements.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Trustees' Annual Report (continued)

7.3 Principal Advisers and Auditors

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


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

13 September 2022


Sir John Leighton
Accountable Officer

12 September 2022

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Statement of Trustees' and Accountable Officer's Responsibilities

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

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

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

The Principal Accountable Officer for the Scottish Government has appointed the Director-General as the Accountable Officer for National Galleries of Scotland. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding National Galleries of Scotland's assets, are set out in the Scottish Public Finance Manual and the Framework Document.

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

Governance Statement

Introduction

The National Galleries of Scotland is committed to best practice in all aspects of corporate governance. The corporate governance framework is set out in section 6.2, page 17 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 2022 and up to the date of approval of the financial statements and accords with guidance from the Scottish Ministers.

Response to the Covid Pandemic

2021-22 was another challenging year with the continuing impact of the Covid crisis. The additional layer of internal control and governance, which was put in place in March 2020 to assist in managing the impact of the crisis and control our response to the pandemic, continued until September 2021. The governance structure included the establishment of a Reopening Steering Group, a Core Team Relaunch Group and Site Management Group. Most office-based staff continued to work from home throughout 2021-22.

The Reopening Steering Group, which met weekly until September 2021, comprised the Leadership Team and the Directors of Operations, Finance and HR. The Core Team Relaunch Group comprised key team leaders (Security, HR, Finance, IT, Communications, Collections Management) and was charged with the responsibility of the operational management of all aspects of our response to the pandemic, including reopening and closure.

The work of the Reopening Steering Group was subsumed into the full Leadership Team from September 2021. The focus of those discussions for the remainder of 2021-22 was on recovery, assessing the impact on resources and planning the route forward.

Discharge of Board Responsibilities

To discharge its responsibilities, the Board of Trustees met six times in 2021-22, five of which were regular meetings. At each of its regular meetings the Trustees received reports from the Director-General, management accounts and key performance measures (quarterly), strategic risk register (quarterly), minutes of sub-committee meetings and gallery reports on collection matters (including, public programme, acquisitions and loans), public engagement and operations. Safeguarding is a standing item on all board agendas to support trustees' responsibilities in relation to safeguarding children, young people and vulnerable adults. In addition, the Board regularly discussed matters of strategic importance and input to the development of the strategic plan.

The sixth meeting was convened in October to discuss the strategic plan and consider on-going funding challenges.

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Governance Statement (continued)

Other significant matters considered by the Board during the year:

- Covid response, reopening strategy and planning.
- Financial sustainability and budget planning
- The Art Works Project (including approval to move to RIBA stage three)
- The Scottish National Gallery project
- Re-branding
- Trading Company support and review
- Environmental sustainability

The Board of Trustees delegates responsibility to the sub-committees noted below, 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's commercial subsidiary, the NGS Trading Company.

The Board has continued its support of the Leadership Team in the development of a revised strategic plan. The revised strategy centres around six priorities: Our Public Offer; Equalities, Diversity and Inclusion; Environmental Response; Health & Wellbeing; Contributing to Recovery; and Income Generation & managing the cost base. Those priorities support the core vision, Art for Scotland: Inspiration for the World and align with the broader Scottish Government national framework and the key priorities of climate change and a stronger, fairer, greener economy.

Audit & Risk Committee

The Audit & Risk Committee has full delegated authority from the Board to review and challenge all matters relating to the management of NGS's finances 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 five times during the financial year, chaired until December 2021 by Alistair Dodds, Trustee and from January 2022 by Willie Watt, Trustee. This included the four standing quarterly meetings, and one additional meeting in March to review the budget for 2022-23. There were two further joint meetings with the MCP as noted below. Major items of business were as follows:

- Quarterly review of performance against strategic objectives
- Quarterly review of management accounts
- Quarterly review of risk, including continuing review of cyber security.
- Quarterly review of Trading Company accounts, including an in-depth review of its business and the severe impact on income following the extended closure period due to Covid.
- Quarterly review of investment performance
- Review of internal audit reports (see below)
- Review of Trustees' Annual Report and Financial Statements
- Quarterly review of financial and risk aspects of major capital projects
- Five-year financial projections
- Five-year capital investment plan
- Trading company support package.
- Review of costs/risks/delays on the SNG and The Art Works projects.
- Continual review of risks and cost implications presented by the Coronavirus crisis throughout the financial year
- Workforce management (which included a second voluntary exit scheme)

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Governance Statement (continued)

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

- Transactional Income
- Collections Management: Acquisitions & Long Loans In/Asset Management
- Estates Strategy/Capital Projects
- Business Planning
- Archive and Library Management

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.

Major Capital Programme Committee

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

The Committee met six times during the financial year. This included two joint meetings with the Audit & Risk Committee to discuss the ongoing financial and construction challenges of the Scottish National Gallery project and development of The Art Works project. The meetings were chaired by Audrey Carlin, Trustee.

Major items of business were as follows:

- Consideration of the construction challenges/additional costs of the Scottish National Gallery project.
- Consideration of key supplier risks
- Overview of risk and capital projects schedule
- The Art Works- ongoing project monitoring, development of the outline business case and progression to RIBA stage three.
- Development of the five-year capital investment plan

Remuneration Committee

The Remuneration Committee, chaired by Benny Higgins, Chairman, is responsible for considering an overall remuneration policy which is aligned with NGS's long term strategy, its objectives, values, and long-term interests. It is also responsible for advising and supporting NGS staff on all matters relating to employment and conditions.

The Committee did not meet during the year, but members of the committee were consulted regarding any relevant developments, pay policy and on the implementation of the Voluntary Exit Scheme. The focus during the year was on the health and well-being of colleagues.

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 2021-22. The members did however fully participate in the appointment of five new trustees and the review of skills required to fulfil the needs of the Board. The committee is chaired by the Chairman of the Board, Benny Higgins.

Ethics Committee

The Ethics Committee is responsible for monitoring ethical issues in relation to fundraising, donations and gifts, investments and partnerships and reviewing allegations of misconduct/breaches in relation to the ethics policy. It was formed in 2018 and meets on an ad hoc basis as need arises. The committee is chaired by the Chairman of the Board, Benny Higgins and met once in 2021-22.

Governance Statement (continued)

Risk and Control Framework

All bodies subject to the requirements of the SPFM must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

In accordance with the above and best practice NGS has a risk management policy in place. Risk management practice is led by the Director-General under the guidance of the Chairman of the Audit and Risk Committee. In accordance with this policy NGS monitors its business risks on two levels: Project and Strategic level. Key strategic risks have been identified and are effectively managed by a series of control measures put in place by the Leadership Team. A specific Covid risk register was established in April 2020 due to the complexities of managing our business during this period. Those risks were subsumed into the strategic risk register in summer 2021.

Our approach to mapping risk overall has evolved following an internal audit by TIAA in 2018 and a consistent process is now in place at strategic level and for all major projects. Work continued during 2021-22 to evolve our approach, to improve the integration of risk processes with strategic planning and operational management across the organisation and develop a more robust approach towards risk appetite. Risk appetite was defined and agreed by the Board during the course of 2021-22 and is now part of the risk management process. Training and support for senior managers and trustees took place March-April 2021. Further training and support is planned in 2022.

More generally, the organisation is committed to a process of continuous 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 IT, health & safety and business continuity. Additional operational risk registers will be developed during 2022-23.

The General Data Protection Regulation (GDPR) has significant implications for NGS as a data controller. NGS has a Data Protection Officer in post who ensures that NGS is compliant with DP regulations and follows good practice. There was one data breach reported in 2021-22 relating to a phishing attack. The Information Commissioner decided not to take any formal enforcement action on this occasion as the case did not reach the requirements for regulatory action based on the information provided.

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 2021-22, the internal auditor issued an opinion of "reasonable assurance" that effective risk management, control and governance processes are in place, except for Archive and Library Management where improvements were recommended;
- 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 considered appropriately. Following a review of internal systems and risks in 2021-22, I would firstly like to draw attention to the impact of wide-reaching global issues on NGS's operations. Of particular significance are the implications for NGS of the post-Brexit adjustment period, climate change, wider political instability and ongoing uncertainty/ volatility regarding regulation, legislation, funding, potential Scottish independence, the war in Eastern Europe and the continued impact of the Covid-19 pandemic. The combined impact of these factors has significant implications for NGS's operations in the foreseeable future.

Governance Statement (continued)

The main points are highlighted in greater detail below.

- In line with similar organisations in the culture sector, the Covid-19 pandemic has an ongoing impact on all aspects of NGS's operations and whilst restrictions have now eased in the UK, the global pandemic will continue to impact NGS's ability to deliver the long-term strategic vision as outlined in the Trustee's report through a period of recovery. NGS has adapted its strategic plan and related KPIs to reflect the challenges.
- The NGS workforce adapted to new ways of working during the Covid-19 pandemic and, as restrictions ease, are adjusting back to managing higher visitor numbers. The staff have had to be flexible in managing and implementing new policies and regulations whilst monitoring risk levels to ensure a safe environment for visitors. Staff have also adapted to working remotely and are now working flexibly, part-time on-site where the role allows. These adjustments add to the existing high workload due to NGS implementing significant organisational and cultural transformation to improve its long-term resilience and impact. An integrated planning exercise was conducted at the start of 2021-22 and has now started to assist in managing the associated workload. A Skills and Capacity Planning exercise has continued through 2021-22 and will evolve further in 2022-23 to take account of the new operating environment, alongside the integrated planning exercise. High workload remains a concern.
- Financial sustainability remains a significant challenge particularly as covid financial support is no longer available to NGS. The impact of loss of income due to the significant reduction in visitor numbers will continue to impact NGS's financial position in the medium-term which will also impact the delivery of NGS's public offer. NGS's commercial subsidiary, NGS Trading Company's financial results have started to recover but continue to be impacted by the ongoing reduction in visitor numbers. Financial forecasts to 2026 for NGS were prepared as part of the annual budget process and will require ongoing review as visitor numbers and income levels recover. This situation has demonstrated the financial risks to NGS of becoming increasingly dependent on variable discretionary income sources with a substantial fixed cost base.
- The impact of rising inflation due to global commodity prices increases and the resultant increase in fixed costs such as utilities, exhibition and other operating costs adds to the financial sustainability challenge particularly when statutory funding levels are static.
- Staff costs are by far the biggest running cost incurred by NGS, representing 90% of our revenue grant-in-aid, and 71% of total operating costs excluding depreciation. Even with relatively static core headcount and more externally funded posts, we have experienced unavoidable increases due to Scottish Government pay and pensions policy. The impact of universal statutory living wage is increasing NGS staff costs further. Following an initial VES in 2021, in March 2022 NGS offered a second Voluntary Exit Scheme to assist in reducing staffing costs and 24 staff took up the opportunity to leave the organisation. This will assist in reducing staff costs but also brings with it the challenge of a loss of key staff and knowledge and a resultant risk. Underlying this challenge is NGS's outdated pay system with salary scales not aligned to market rates. This increases the risks of the threat of industrial action/low morale and a high staff turnover, particularly in technical roles. The savings made through the Voluntary Exit Scheme have not been reinvested in skills development but used to support the broader funding gap. We are reviewing our staff structure to identify capacity needs and skills mix going forward, aligned with our strategy.
- Equality, Diversity and Inclusion is one of NGS's strategic priorities and a programme has been developed to place this focus at the centre of all aspects of NGS's operation, for example recruitment, public offer, staff training. This initiative adds further workload and challenges to NGS's capacity to deliver the planned outcomes alongside other priorities.
- Managing its response to the climate emergency is a high priority for NGS and improvement projects are included in the 5-year investment plan. NGS is working towards a more sustainable operating model in all aspects of its work and in reflecting climate change issues in its public offer. A key element of this focus has been to define the requirements and plan to invest in our Estates as a critical element of NGS's pathway to net zero.
- This is outlined in the 5 Year Investment Plan, however the c£4m required over a 10-year period is not currently funded.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Governance Statement (continued)

- The Scottish National Gallery project is nearing completion. There have been several construction challenges linked to working with a Heritage Site. The project is now due to complete in 2023. This, alongside the additional Covid-19 challenges, has had a knock-on effect on delivery of The Art Works project and NGS's public offer due to resourcing constraints.
- The longer-term resilience that NGS needs for Collections Care can be provided through museum quality spaces with sufficient capacity to support collection development. 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. The proposed creation of a new facility at Granton (The Art Works) will concentrate facilities for preservation, research storage and distribution on 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. The significant challenge for 2022-23 remains the establishment of sufficient funding confidence to progress to the next stage of the project. A programme to address this is in hand. In addition, we need to make headway in the provision of adequate environments at our display sites. NGS's storage requirements prior to the opening of the Artworks must be managed in the interim.
- NGS's ability to fundraise through public and private sector channels may also be constrained due to increased competition for philanthropic and other funds in the current environment which could have an impact on the delivery of capital projects in the pipeline.
- NGS occupies 5 Grade A listed buildings in central Edinburgh. The increased visitor footfall and the expectations of world-class cultural facilities necessitates increased capital investment at a time of funding constraints. As noted above, NGS is striving to deliver two major capital projects and a quinquennial maintenance schedule to address this. These initiatives carry inherent risk. To effectively review the challenges of managing the NGS estate, and address the backlog in maintenance, a five-year investment plan has been prepared. The plan also outlines the funding required to maintain our IT systems, with a particular focus on the cyber security risk, and outstanding business improvement projects.
- Fraud attempts from external parties have become increasingly common and more sophisticated. NGS has tested the adequacy of our security systems and response to potential cyber-attack through an internal audit. Over the last few years, we have made significant improvement in our digital infrastructure, and this is an area where we are allocating additional resources to address the work required to achieve cyber essentials accreditation by the end of 2022. This review of NGS's cyber security follows the recommendations of the internal audit report.
- It is a statutory obligation for NGS to develop its collection to ensure that it remains relevant and representative as the Scotland's national collection of Fine Art. Lack of a purchase grant for acquisitions in 2021-22 hampered the development of the collection. This was compounded by the reduced access to the collection by curators and researchers and the reduction in the public programme.
- An upgrade to NGS's outdated suite of systems to track, control and manage its collection has become critical and is now a priority area for investment to ensure NGS's digital offer is fit for purpose, and to manage the transfer of artworks to the new site at Granton. Some funding has been identified, however fully funding the project remains challenging.

Sir John Leighton

Sir John Leighton
Accountable Officer

12 September 2022

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of National Galleries of Scotland and its group for the year ended 31 March 2022 under the Charities and Trustees Investment (Scotland) Act 2005 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 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 and directions made thereunder by the Scottish Ministers of the state of the affairs of the body and its group as at 31 March 2022 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the National Galleries of Scotland Act 1906 as amended by the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers and directions made thereunder by the Scottish Ministers, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 18 July 2016. The period of total uninterrupted appointment is 6 years. I am independent of the body and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the body and its group. However, I report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

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

Responsibilities of the Accountable Officer and trustees for the financial statements

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

In preparing the financial statements, the Accountable Officer and trustees are responsible for assessing the ability of the body and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

Auditor's responsibilities for the audit of the financial statements

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

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

Procedures include:

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

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

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

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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

Reporting on other requirements

Other information

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

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

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

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

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

- the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Galleries of Scotland Act 1906 as amended by the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Galleries of Scotland Act 1906 as amended by the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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



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

Date: 13 September 2022

Asif A Haseeb 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 2022

Consolidated Statement of Financial Activities for the Year Ended 31 March 2022

	Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2022 £000	Total 2021 £000
Income						
Grant in Aid	3	21,328	-	-	21,328	21,672
Coronavirus Job Retention Scheme	-	200	-	-	200	1,291
Donations and Legacies	2	221	8,663	-	8,884	4,738
Income from Charitable Activities	2	1,436	427	-	1,863	1,806
Other Trading Activities	2	1,451	-	-	1,451	576
Income from Investments	2	6	157	31	194	196
Total Income and Endowments		24,642	9,247	31	33,920	30,279
Expenditure						
Expenditure on Raising Funds	4	(1,661)	-	-	(1,661)	(1,442)
Expenditure on Charitable Activities	4	(19,033)	(442)	-	(19,475)	(18,344)
Depreciation	4	(2,445)	-	-	(2,445)	(2,573)
Total Expenditure		(23,139)	(442)	-	(23,581)	(22,359)
Net Gains/(Losses) on Investment Assets		12	389	84	485	737
Net Income/(Expenditure)		1,515	9,194	115	10,824	8,657
Transfers Between Funds	17	-	29	(29)	-	-
Depreciation Release	17	1,388	(1,388)	-	-	-
Other Recognised Gains and Losses						
Gains/(Losses) on Revaluation of Fixed Assets	17	-	(2,984)	-	(2,984)	(425)
Net Movement in Funds		2,903	4,851	86	7,840	8,232
Reconciliation of Funds						
Total Funds b/f at 1 April	17	96,789	262,775	1,085	360,649	352,417
Total Funds c/f at 31 March	17	99,692	267,626	1,171	368,489	360,649
Total Fund Balances Made Up By						
General Fund	17	198	-	-	198	138
Capital Assets Fund	17	99,166	-	-	99,166	96,313
General Fund Revaluation Reserve	17	-	34,809	-	34,809	37,793
General Fund Capital Reserve	17	-	30,580	-	30,580	30,580
Donated Asset Reserve	17	-	195,782	-	195,782	188,471
Trust Funds & Bequests (incl. Purchase Fund)	17	328	6,455	1,171	7,954	7,354
Total Fund Balances		99,692	267,626	1,171	368,489	360,649

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

The notes on pages 35-58 form part of the financial statements

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

NGS Statement of Financial Activities for the Year Ended 31 March 2022

	Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2022 £000	Total 2021 £000
Income						
Grant in Aid	3	21,328	-	-	21,328	21,672
Coronavirus Job Retention Scheme	-	200	-	-	200	1,291
Donations and Legacies	2	221	8,663	-	8,884	4,738
Income from Charitable Activities	2	2,117	427	-	2,544	2,194
Other Trading Activities	2	-	-	-	-	-
Income from Investments	2	6	157	31	194	196
Total Income and Endowments		23,872	9,247	31	33,150	30,091
Expenditure						
Expenditure on Raising Funds	4	(332)	-	-	(332)	(350)
Expenditure on Charitable Activities	4	(19,685)	(442)	-	(20,127)	(19,038)
Depreciation	4	(2,421)	-	-	(2,421)	(2,547)
Total Expenditure		(22,438)	(442)	-	(22,880)	(21,935)
Net Gains/(Losses) on Investment Assets		12	389	84	485	737
Net Income/(Expenditure)		1,446	9,194	115	10,755	8,893
Transfers Between Funds	17	-	29	(29)	-	-
Depreciation Release	17	1,388	(1,388)	-	-	-
Other Recognised Gains and Losses						
Gains/(Losses) on Revaluation of Fixed Assets	17	-	(2,984)	-	(2,984)	(425)
Net Movement in Funds		2,834	4,851	86	7,771	8,468
Reconciliation of Funds						
Total Funds b/f at 1 April	17	97,343	262,775	1,085	361,203	352,735
Total Funds c/f at 31 March	17	100,177	267,626	1,171	368,974	361,203
Total Fund Balances Made Up By						
General Fund		683	-	-	683	692
Capital Assets Fund	17	99,166	-	-	99,166	96,313
General Fund Revaluation Reserve	17	-	34,809	-	34,809	37,793
General Fund Capital Reserve	17	-	30,580	-	30,580	30,580
Donated Asset Reserve	17	-	195,782	-	195,782	188,471
Trust Funds & Bequests (incl. Purchase Fund)	17	328	6,455	1,171	7,954	7,354
Total Fund Balances		100,177	267,626	1,171	368,974	361,203

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

The notes on pages 35-58 form part of the financial statements

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Consolidated and NGS Balance Sheet as at 31 March 2022

		Group 2022	NGS 2022	Group 2021	NGS 2021
	Note	£000	£000	£000	£000
Fixed Assets					
Intangible Assets	10	162	162	225	225
Tangible Assets	8	147,164	147,105	144,721	144,638
Heritage Assets	9	212,695	212,695	207,866	207,866
Investments	11	6,760	6,760	5,075	5,075
		<u>366,781</u>	<u>366,722</u>	<u>357,887</u>	<u>357,804</u>
Current Assets					
Stocks	12	535	-	718	-
Debtors: amounts falling due within one year	13	1,073	1,032	1,356	1,331
Cash at bank and in hand	14	7,093	6,639	5,608	5,442
		<u>8,701</u>	<u>7,671</u>	<u>7,682</u>	<u>6,773</u>
Creditors: amounts falling due within one year	15	<u>(6,873)</u>	<u>(6,699)</u>	<u>(4,622)</u>	<u>(4,476)</u>
Net Current Assets		1,828	972	3,060	2,297
Debtors: amounts falling due after one year	13	-	1,400	-	1,400
Total Assets less Current Liabilities		<u>368,609</u>	<u>369,094</u>	<u>360,947</u>	<u>361,501</u>
Provisions for liabilities and charges	16	(120)	(120)	(298)	(298)
Total Net Assets		<u><u>368,489</u></u>	<u><u>368,974</u></u>	<u><u>360,649</u></u>	<u><u>361,203</u></u>
Represented by:					
Unrestricted Reserves					
Designated	17	99,592	100,077	96,689	97,243
Undesignated	17	100	100	100	100
Restricted Reserves	17	267,626	267,626	262,775	262,775
Total Funds		<u>367,318</u>	<u>367,803</u>	<u>359,564</u>	<u>360,118</u>
Capital Funds – Permanent Endowments	17	1,171	1,171	1,085	1,085
Total Funds		<u><u>368,489</u></u>	<u><u>368,974</u></u>	<u><u>360,649</u></u>	<u><u>361,203</u></u>

The financial statements on pages 31 – 59 were approved by the Accountable Officer and Board of Trustees and authorised for issue on 12 September 2022


Benny Higgins
On behalf of the Board of Trustees


Sir John Leighton
Accountable Officer

The notes on pages 35-58 form part of the financial statements

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Consolidated and NGS Statement of Cash Flows for the Year Ended 31 March 2022

	Note	Group 2022 £000	NGS 2022 £000	Group 2021 £000	NGS 2021 £000
Cash flows from operating activities:					
Net cash generated from operating activities	19	10,546	10,258	9,905	9,840
Cash flows from investing activities:					
Dividends and interest received		194	194	196	196
Purchase of artworks		(354)	(354)	(491)	(491)
Purchase of property, plant and equipment		(7,701)	(7,701)	(7,554)	(7,554)
Purchase of investments		(1,200)	(1,200)	-	-
Proceeds from the sale of property, plant and equipment		-	-	2	-
Net cash used in investing activities		(9,061)	(9,061)	(7,847)	(7,849)
Change in cash and cash equivalents in the reporting year		1,485	1,197	2,058	1,991
Analysis of changes in net funds:					
Cash and cash equivalents at the beginning of the reporting year	14	5,608	5,442	3,550	3,451
Cash and cash equivalents at the end of the reporting year	14	7,093	6,639	5,608	5,442
Change in cash and cash equivalents in the reporting year		1,485	1,197	2,058	1,991

The notes on pages 35-58 form part of the financial statements

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting Policies

a) Basis of Accounting

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

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

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

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

Accounting policies have been consistently applied in these financial statements.

b) Going Concern Basis

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

c) Basis of Consolidation

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

d) Tangible Fixed Assets

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

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

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

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

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting Policies (continued)

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

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

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

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

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

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

e) Heritage Assets

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

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

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

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

f) Intangible Assets

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

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

- Computer Software - 4 years
- Website – 4 years

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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.

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.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting Policies (continued)

m) Taxation

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

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

n) Leases

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

o) Deferred Income

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

p) Key Judgements and Estimates

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

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2 Analysis of Total Income – Consolidated

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Group 2022	Total NGS 2022	Total Group 2021
	£000	£000	£000	£000	£000	£000
Grant in Aid	21,328	-	-	21,328	21,328	21,672
Coronavirus Job Retention Scheme	200	-	-	200	200	1,291
Donations and Legacies						
Grants – Capital Projects	168	3,553	-	3,721	3,721	2,440
Donations – Capital Projects	-	396	-	396	396	355
Donations – Artworks	-	4,699	-	4,699	4,699	1,876
Donations - Exhibitions	-	15	-	15	15	6
Other	53	-	-	53	53	61
Total Income from Donations and Legacies	221	8,663	-	8,884	8,884	4,738
Income from Charitable Activities						
Grants – Other	443	427	-	870	870	1,132
Exhibition admission fees	533	-	-	533	533	68
Museum & Galleries Exhibition Tax Relief	86	-	-	86	86	263
Income from loans out	13	-	-	13	13	3
Educational events	1	-	-	1	1	(18)
Memberships	316	-	-	316	316	322
Other	44	-	-	44	44	36
Recharges	-	-	-	-	681	-
Total Income from Charitable Activities	1,436	427	-	1,863	2,544	1,806
Other Trading Activities						
NGS Trading Company Income	1,451	-	-	1,451	-	576
Total Income from Other Trading Activities	1,451	-	-	1,451	-	576
Income from Investments						
Dividends	5	157	31	193	193	192
Interest	1	-	-	1	1	4
Total Investment Income	6	157	31	194	194	196
Total Income	24,642	9,247	31	33,920	33,150	30,279

In the year ended 31 March 2021, for the Group, Grant in Aid and Other Trading Activities income related only to Unrestricted Funds, Donations and Legacies was split £202k of Unrestricted and £4,536k of Restricted funds, Income from Charitable Activities was split £1,011k of Unrestricted and £795k of Restricted funds and Income from Investments was split £10k of Unrestricted, £149k of Restricted and £37k of Endowment funds.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

3 Grant in Aid

	Group & NGS 2022	Group & NGS 2021
	£000	£000
Grant in Aid Received		
Running Costs	17,158	15,945
Capital Projects	4,170	5,527
Purchase Grant	-	200
Total Grant in Aid Received	<u>21,328</u>	<u>21,672</u>

4 Analysis of Total Expenditure

	Group 2022	NGS 2022	Group 2021	NGS 2021
	£000	£000	£000	£000
Staff Costs	15,069	15,069	14,521	14,521
Other Operating Costs	6,067	5,390	5,265	4,867
Depreciation & Amortisation	2,445	2,421	2,573	2,547
Total Expenditure	<u>23,581</u>	<u>22,880</u>	<u>22,359</u>	<u>21,935</u>

	Direct Costs	Support Costs	Group 2022	NGS 2022	Group 2021	NGS 2021
	£000	£000	£000	£000	£000	£000
Raising Funds						
Cost of fundraising	332	-	332	332	334	334
Cost of NGS Trading Company Ltd	1,329	-	1,329	-	1,092	-
Investment management costs	-	-	-	-	16	16
Total Expenditure on Raising Funds	<u>1,661</u>	<u>-</u>	<u>1,661</u>	<u>332</u>	<u>1,442</u>	<u>350</u>
Charitable Expenditure						
Exhibitions and education	5,617	2,096	7,713	7,713	7,147	7,147
Conserve and add to collections	4,882	1,975	6,857	6,857	6,188	6,188
Estates management	3,097	402	3,499	3,499	3,457	3,457
Audience development	2,010	1,386	3,396	4,024	2,487	3,155
Covid Expenditure	455	-	455	455	1,638	1,638
Total Charitable Expenditure	<u>16,061</u>	<u>5,859</u>	<u>21,920</u>	<u>22,548</u>	<u>20,917</u>	<u>21,585</u>
Total Expenditure	<u>17,722</u>	<u>5,859</u>	<u>23,581</u>	<u>22,880</u>	<u>22,359</u>	<u>21,935</u>

Total Expenditure on Raising Funds and Depreciation relate only to Unrestricted Funds in the current and prior year. Total Expenditure on Charitable Activities relates to £19,033k (2020-21 £18,043k) of Unrestricted and £442k (2020-21 £301k) of Restricted Funds.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

5 Allocation of Support Costs

	Charitable Activities				Total 2022	Total 2021
	Exhibition and Education	Conserve & Add to Collection	Estates Managem- ent	Audience Developm- ent		
	£000	£000	£000	£000		
Central and Finance	480	453	92	318	1,343	1,447
HR	234	220	45	154	653	460
Planning & Performance	148	139	28	99	414	356
IT	368	347	71	242	1,028	886
Depreciation (NGS)	866	816	166	573	2,421	2,547
Total	2,096	1,975	402	1,386	5,859	5,696

6 Trustee Remuneration and Staff Cost

	Group & NGS 2022	Group & NGS 2021
	£000	£000
Staff costs during the year		
Wages and Salaries	11,245	10,861
Social Security Costs	1,017	953
Other Pension Costs	2,807	2,707
Accounted for in grant aided activities	15,069	14,521

Capitalised staff costs during the financial year amounted to £326,540 (2020-21 £481,237).

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 2022	Group & NGS 2021
£60,000 - £69,999	6	6
£70,000 - £79,999	1	2
£80,000 - £89,999	5	2
£90,000 - £99,999	2	1
£100,000 – 109,999	1	2
£110,000 – 120,000	1	1

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

The total cost of remuneration to key management personnel in 2021-22 was £503,066 (2020-21 £485,071). The banded salary earned by key management personnel for the year to 31 March was as follows:

		2022	2021
		£000	£000
Sir John Leighton	Director General	115-120	115-120
Jacqueline Ridge	Director of Conservation & Collection Management	95-100	95-100
Line Clausen Pedersen	Director of Collection & Research	85-90	85-90
Bryan Robertson	Chief Operating Officer	100-105	100-105

One member of key management personnel left the organisation under voluntary exit in March 2022. They have not given consent for their salary details to be disclosed. Pensions data is not available from the scheme administrator for 2021/22.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

6 Trustee Remuneration and Staff Costs (continued)

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 2021-22, employers' contributions of £2,834,341 were payable to the PCSPS (2020-21 £2,736,942) at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2021-22 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 £38,4812 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 £1,237, 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 £4,309. Contributions prepaid at that date were £0.

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

	Group 2022 Permanent	Group 2022 Temporary	Group 2021 Permanent	Group 2021 Temporary
Security and Visitor Services	124	20	132	10
Gallery Curatorial and Administration	44	12	44	13
Service Departments	52	4	52	5
Central Administration	45	8	44	6
Revenue Earning Activities	28	3	31	2
	<u>293</u>	<u>47</u>	<u>303</u>	<u>36</u>

FTE staff numbers at 31st March 2022 by gender are included below:

	Key Management	Other Employees	Total FTE at 31 Mar
Male	2	136	138
Female	3	191	194
	<u>5</u>	<u>327</u>	<u>332</u>

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

6 Trustee Remuneration and Staff Costs (continued)

Pay Ratio Information

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 2021-22 was £115,000 (2020-21 £115,000 FTE). This was 4.88 times (2020-21 5.29) the median remuneration of the workforce which is £23,553 (2012-21 £21,753).

Year	25 th Percentile		Median		75 th Percentile	
	Pay Ratio	FTE Salary	Pay Ratio	FTE Salary	Pay Ratio	FTE Salary
2022	5.76	19,976	4.88	23,553	3.41	33,727

Trustee Remuneration

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

	NGS 2022 £000	NGS 2021 £000
Total amount of travel expenses reimbursed	0	0
Number of trustees receiving reimbursement	0	0

Compensation for Loss of Office & Settlement Agreements

In the year to 31 March 2022 42 staff left under a voluntary exit scheme (VES) (2020-21 0 staff). This was an outcome of two VES schemes offered in both 2020-21 and 2021-22. The staff numbers and scheme costs for the years the packages were agreed are noted below. One staff member will leave in 2022-23.

Exit Package Cost Band	Number of exit packages agreed in 2022	Number of exit packages agreed in 2021
< £10,000	4	9
£10,000 - £25,000	18	1
£25,000 - £50,000	4	4
£50,000 - £100,000	2	1
Total Number of Exit Packages	28	15
Total Cost (£)	587,974	267,184

Departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972.

Trade Union Facility Time

There were 10 employees of NGS who were relevant TU officials during 2021-22, all of whom spent 1-50% of their working hours on facility time. The cost of this time to NGS is estimated as 0.05% of the total salary bill. The number of hours spent by relevant union officials on paid trade union activities as a percentage of total paid facility time hours was 100%.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

7 Analysis of Other Operating Charges

	Group	NGS	Group	NGS
	2022	2022	2021	2021
	£000	£000	£000	£000
Repairs, renewals, and maintenance of buildings	1,672	1,672	1,562	1,537
Cost of sales	517	-	246	-
General expenses	768	632	634	527
Art transport, handling and storage	82	82	64	64
Rates and utilities	461	461	560	560
Printing and promotion	396	395	266	262
IT and communications	634	634	599	599
Legal, consultancy and other professional fees	193	181	247	237
Design and display	243	243	338	338
Education	231	231	101	101
Cleaning	283	283	226	226
Office costs and consumables	69	69	134	134
Travel, subsistence & hospitality	28	28	5	5
Conservation and restoration	167	167	39	39
Operating lease rentals	157	152	155	155
Training and recruitment	100	100	25	25
Internal and External Audit Fees	41	35	35	29
Vehicle costs	25	25	29	29
	6,067	5,390	5,265	4,867

Audit fees include £24,340 (2020-21 £23,880) for statutory audit payable to Audit Scotland.

Operating charges include costs relating to the exhibition programme and are not directly comparable year on year. In 2021-22, the galleries reopened for most of the year as Covid restrictions eased, therefore operating costs are in general higher than in 2020-21.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

8 Tangible Assets

Group	Land and Buildings £000	Assets Under Construction £000	Office Equipment and Computing £000	Fixtures and Fittings £000	Vehicles £000	Leasehold Improvements £000	IT Infrastructure £000	Total £000
Cost or Valuation								
At 1 April 2021	126,379	25,007	2,280	5,213	286	76	349	159,590
Additions during year	-	7,523	78	-	-	-	157	7,758
Disposals	-	-	(1)	(403)	-	-	-	(404)
Transfers	-	-	-	-	-	-	-	-
Revaluation	(12,479)	-	-	-	-	-	-	(12,479)
Indexation	-	-	-	-	-	-	-	-
At 31 March 2022	113,900	32,530	2,357	4,810	286	76	506	154,465
Accumulated Depreciation								
At 1 April 2021	7,587	-	2,143	4,682	286	30	141	14,869
Charge for year	1,909	-	77	204	-	15	127	2,332
Disposals	-	-	(1)	(403)	-	-	-	(404)
Transfers	-	-	-	-	-	-	-	-
Revaluation	(9,496)	-	-	-	-	-	-	(9,496)
Indexation	-	-	-	-	-	-	-	-
At 31 March 2022	-	-	2,219	4,483	286	45	268	7,301
Net Book Value								
At 31 March 2022	113,900	32,530	138	327	-	31	238	147,164
At 31 March 2021	118,792	25,007	137	531	-	46	208	144,721

Assets under construction include development expenditure for the SNG (£28.4m) and TAW (£4.1m) projects.

NATIONAL GALLERIES OF SCOTLAND
TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

8 Tangible Assets (continued)

NGS	Land and Buildings	Assets Under Construction	Office Equipment and Computing	Fixtures and Fittings	Vehicles	Leasehold Improvements	IT Infrastruc- -ture	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2021	126,379	25,007	2,280	5,057	273	76	349	159,421
Additions during year	-	7,523	78	-	-	-	157	7,758
Disposals	-	-	(1)	(403)	-	-	-	(404)
Transfers	-	-	-	-	-	-	-	-
Revaluation	(12,479)	-	-	-	-	-	-	(12,479)
Indexation	-	-	-	-	-	-	-	-
At 31 March 2022	113,900	32,530	2,357	4,654	273	76	506	154,296
Accumulated Depreciation								
At 1 April 2021	7,587	-	2,143	4,609	273	30	141	14,783
Charge for year	1,909	-	77	180	-	15	126	2,307
Disposals	-	-	(1)	(403)	-	-	-	(404)
Transfers	-	-	-	-	-	-	-	-
Revaluation	(9,496)	-	-	-	-	-	-	(9,496)
Indexation	-	-	-	-	-	-	-	-
At 31 March 2022	-	-	2,219	4,386	273	45	268	7,191
Net Book Value								
At 31 March 2022	113,900	32,530	138	268	-	31	238	147,105
At 31 March 2021	118,792	25,007	137	448	-	46	208	144,638

Assets under construction include development expenditure for the SNG (£28.4m) and TAW (£4.1m) projects.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

8 Tangible Assets (continued)

Land and buildings were valued by Graham and Sibbald at 31 March 2022. The valuations were undertaken in accordance with Royal Institute of Chartered Surveyors (RICS) Global Standards (UK supplement) - on a Depreciated Replacement Cost basis for buildings of a specialised nature and on the basis of existing use for other buildings.

As at the date of valuation the Scottish National Gallery is undergoing significant construction works involving alteration, extension, and refurbishment of the site and only the elements of the buildings that are in use have been valued.

Valuations provided by Graham and Sibbald at 31st March 2022 were as follows:

Scottish National Gallery	£16,600,000
Scottish National Portrait Gallery	£21,650,000
Scottish National Gallery of Modern Art (Modern One) and Lodges	£32,060,000
Scottish National Gallery of Modern Art (Modern Two) and Lodges	£18,690,000
Weston Link	£11,650,000
Royal Scottish Academy	£12,000,000
Granton Art Store	£1,250,000
Total	<u>£113,900,000</u>

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

9 Heritage Assets – Group and NGS

	Value at 1 Apr 2021 £000	Additions £000	Value at 31 Mar 2022 £000
Artworks at cost	3,902	354	4,256
Artworks at valuation	203,964	4,475	208,439
	<u>207,866</u>	<u>4,829</u>	<u>212,695</u>

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

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

Five Year Financial Summary of Acquisitions

	2022 £000	2021 £000	2021 £000	2019 £000	2018 £000
Donated assets and acquisitions funded by donations	4,746	1,789	1,043	3,974	2,095
Other acquisitions	84	182	208	298	375
Total cost/value of acquisitions	<u>4,830</u>	<u>1,971</u>	<u>1,251</u>	<u>4,272</u>	<u>2,470</u>

Significant acquisitions over the last five years include:

At the Edge of Town by Peter Doig which was accepted in lieu of tax by HM Government from the Kennedy Doig family and allocated to the SNGMA in 2021.

La Légende des siècles [The Legend of the Centuries] by René Magritte which was bequeathed to National Galleries of Scotland from Drue Heinz in 2018.

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

10 Intangible Assets – Group and NGS

	Computer Software £000	Website £000	Total £000
Cost or Valuation			
At 1 April 2021	308	1,175	1,483
Additions	32	19	51
Disposals	(37)	-	(37)
Transfers	-	-	-
At 31 March 2022	<u>303</u>	<u>1,194</u>	<u>1,497</u>
Accumulated Amortisation			
At 1 April 2021	247	1,011	1,258
Charge for the year	12	102	114
Disposals	(37)	-	(37)
At 31 March 2022	<u>222</u>	<u>1,113</u>	<u>1,335</u>
Net Book Value			
At 31 March 2022	<u>81</u>	<u>81</u>	<u>162</u>
At 31 March 2021	<u>61</u>	<u>164</u>	<u>225</u>

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

11 Investments

	Group & NGS 2022 £000	Group & NGS 2021 £000
Market value at 1 April	5,075	4,338
Sale of investments	-	(5,087)
Realised gain	-	749
Purchased investments	1,200	5,087
Change in market value – unrealised (loss)	<u>485</u>	<u>(12)</u>
Market value at 31 March	<u><u>6,760</u></u>	<u><u>5,075</u></u>
Investments at cost	<u><u>6,287</u></u>	<u><u>5,087</u></u>

Investments are managed by CCLA Investment Management Limited. Asset allocation as at 31 March 2022 is detailed below:

Asset Class	Percentage of Total Portfolio
Overseas Equities	64.21
UK Equities	8.96
Infrastructure & Operating Assets	8.03
Cash & Near Cash	9.07
Property	5.04
Contractual & Other Income	3.08
Private Equity & Other	1.61

12 Stocks

	Group 2022 £000	NGS 2022 £000	Group 2021 £000	NGS 2021 £000
Goods held for resale	<u>535</u>	<u>-</u>	<u>718</u>	<u>-</u>
Net book value of goods held for resale	<u><u>535</u></u>	<u><u>-</u></u>	<u><u>718</u></u>	<u><u>-</u></u>

NATIONAL GALLERIES OF SCOTLAND

TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

13 Debtors

	Group	NGS	Group	NGS
	2022	2022	2021	2021
	£000	£000	£000	£000
Amounts falling due within one year				
Trade Debtors	85	86	83	96
Amounts owed by Group undertakings	-	11	-	(2)
Other Debtors	219	166	411	374
VAT Debtor	704	704	755	755
Prepayments	65	65	107	107
	1,073	1,032	1,356	1,330
Amounts falling due after more than one year				
Amounts owed by Group undertakings	-	1,400	-	1,400

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

14 Cash at Bank and In Hand

	Group	NGS	Group	NGS
	2022	2022	2021	2021
	£000	£000	£000	£000
Cash at bank	7,093	6,639	5,608	5,442
Cash at bank and in hand	7,093	6,639	5,608	5,442

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15 Creditors: Amounts Falling Due Within One Year

	Group 2022	NGS 2022	Group 2021	NGS 2021
	£000	£000	£000	£000
Trade Creditors	2,641	2,609	1,525	1,517
Other Creditors	206	64	201	63
	2,847	2,673	1,726	1,580
Other Taxation and Social Security	324	324	-	-
Accruals	1,459	1,459	1,580	1,580
Deferred Income	2,243	2,243	1,316	1,316
	6,873	6,699	4,622	4,476

Analysis of Deferred Income:

	Group & NGS 2022	Group & NGS 2021
	£000	£000
As at 1 April	1,316	1,829
Charged in year	1,933	807
Released in year	(1,006)	(1,320)
Total as at 31 March	2,243	1,316

16 Provisions for Liabilities and Charges

	Group 2022	NGS 2022	Group 2021	NGS 2021
	£000	£000	£000	£000
As at 1 April	298	298	60	60
Charged in year	110	110	288	288
Released in year	(288)	(288)	(50)	(50)
Total as at 31 March	120	120	298	298

Provisions charged in the year represent a provision for costs associated with the voluntary exit scheme launched in Dec 2021. The provision represents the costs to be incurred for employee agreements signed prior to the end of March 2022.

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17 Consolidated Reserves

	Unrestricted					Restricted						Endowment	Total
	General Fund £000	Trust Funds Central £000	Purchase Funds £000	Capital Assets Fund £000	Total £000	General Fund £000	General Fund Revaluation Reserve £000	General Fund Capital Reserve £000	Donated Asset Reserve £000	Trust Funds £000	Total £000	Trust Funds Endowment £000	Total £000
Opening balance 1 April 2021	138	295	43	96,313	96,789	-	37,793	30,580	188,471	5,931	262,775	1,085	360,649
Government Grant in Aid	21,328	-	-	-	21,328	-	-	-	-	-	-	-	21,328
Other Income	3,308	-	-	-	3,308	442	-	-	8,642	6	9,090	-	12,398
Investment Income	1	5	-	-	6	-	-	-	-	157	157	31	194
Total Income	24,637	5	-	-	24,642	442	-	-	8,642	163	9,247	31	33,920
Expenditure in Year	(23,139)	-	-	-	(23,139)	(442)	-	-	-	-	(442)	-	(23,581)
Investment revaluation	-	12	-	-	12	-	-	-	-	389	389	84	485
Net (Exp)/Inc – SOFA	1,498	17	-	-	1,515	-	-	-	8,642	552	9,194	115	10,824
Buildings Revaluation	-	-	-	-	-	-	(2,984)	-	-	-	(2,984)	-	(2,984)
Depreciation release	2,422	-	-	(1,034)	1,388	-	-	-	(1,388)	-	(1,388)	-	-
Transfers between reserves	(3,860)	-	(27)	3,887	-	-	-	57	(28)	29	(29)	-	-
Net Movement in Funds (SOFA)	60	17	(27)	2,853	2,903	-	(2,984)	-	7,311	524	4,851	86	7,840
Closing balance 31 March 2022	198	312	16	99,166	99,692	-	34,809	30,580	195,782	6,455	267,626	1,171	368,489

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17 Consolidated Reserves (continued)

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

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

Designated funds

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

During the year the Audit and Risk Committee reviewed the reserves policy and agreed to maintain the level of funds not committed or invested in tangible fixed assets at a minimum holding £100,000 (2020-21 £100,000).

Restricted funds

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

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

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

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

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

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

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17 Consolidated Reserves (continued)

ARTIST ROOMS Fund For the purchase of works of art for the ARTIST ROOMS collection, and support of the Artist Rooms programme.

Endowment funds

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

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

AH Whittin Purchase Fund Income from the fund is restricted to purchase of portraits, with preference given to portraits of Queen Mary and other members of the Royal House of Stuart, for the Scottish National Portrait Gallery

Cowan Smith Fund Income available at the discretion of the Board for purchases of paintings, pictures and works of art for the Scottish National Gallery

Laird Fund Funds may only be used for maintenance of pictures

McDougall Fund Income shall be applied or accumulated and applied towards art, pictures or objects for the Scottish National Gallery

Michie Fund Income to be used for purchase of pictures of any British or other artist for NGS

Gray Bequest To be securely invested by the Board in order that the annual interest be applied to portraits of eminent deceased men and women born in Scotland, to be hung at the Scottish National Portrait Gallery

Scottish National Portrait Gallery Purchase Fund Income from the fund is restricted to purchases of portraits for the Scottish National Portrait Gallery

18 Group Net Assets by Fund

	Unrestricted	Restricted	Endowment	Total 2022	Total 2021
	£000	£000	£000	£000	£000
Fixed Assets	98,850	261,171	-	360,021	342,972
Investments	159	5,529	1,072	6,760	5,075
Cash	4,565	2,429	99	7,093	5,608
Current Assets (excluding cash)	1,608	-	-	1,608	2,074
Current Liabilities	(5,370)	(1,503)	-	(6,873)	4,622
Provisions	(120)	-	-	(120)	298
Total	99,692	267,626	1,171	368,489	360,649

NATIONAL GALLERIES OF SCOTLAND

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

19 Notes to the Statement of Cash Flows

	Group 2022 £000	NGS 2022 £000	Group 2021 £000	NGS 2021 £000
Net movement in funds (as per the Statement of Financial Activities)	7,840	7,771	8,232	8,468
Adjustments for:				
Depreciation charges	2,445	2,421	2,573	2,547
(Gains)/losses on revaluation of fixed assets	2,984	2,984	425	425
Losses/(gains) on investments	(485)	(485)	(737)	(737)
(Profit)/loss on sale of fixed assets	-	-	-	-
Dividends and interest shown in investing activities	(194)	(194)	(196)	(196)
Donations of artworks for the collection	(4,475)	(4,475)	(1,480)	(1,480)
(Decrease)/increase in provisions	(178)	(178)	238	238
Decrease/(increase) in stocks	183	-	119	-
Decrease/(increase) in debtors	284	298	535	342
(Decrease)/Increase in creditors	2,142	2,116	196	233
Net cash provided by (used in) operating activities	<u>10,546</u>	<u>10,258</u>	<u>9,905</u>	<u>9,840</u>

20 Financial Commitments – Group and NGS

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

	2022 £000	2021 £000
	Land & Buildings	Land & Buildings
Not later than one year	127	127
Leases expiring after one year but within five years	95	222
Leases expiring after five years	-	-
	<u>222</u>	<u>349</u>

At the end of 2021-22, 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 2022 was £4.2m.

NATIONAL GALLERIES OF SCOTLAND

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

21 Subsidiary Company

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

	2022 £000	2021 £000
Turnover	1,451	575
Cost of sales	(517)	(246)
Gross profit	934	329
Administrative costs	(841)	(542)
Other operating income	-	1
Operating (loss)/ profit	93	(212)
Interest income	-	-
Interest payable	(24)	(24)
Profit/ (loss) before taxation	69	(236)
Taxation	-	-
Profit/ (loss) after taxation	69	(236)

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

22 Related Party Transactions

NGS is a non-departmental public body of the Scottish Government which is a related party. During the year, NGS had various material transactions with the Scottish Government in the form of receipt of Grant in Aid which totalled £21.328m (2020-21 £21.672m). NGS also entered into 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 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 a loan facility of £1.4m and provision of a letter of support. Benny Higgins, Chairman, Sir John Leighton, Director-General, Jo Coomber, Director of Public Engagement and Chris Sibbald and Edward Green were also directors of NGS Trading Company Limited during the financial year to March 2022.

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

NGS recognised grant income of £1.5m (2020-21, £1.2m) from NGS Foundation for various projects. During the period to March 2022 administrative services were gifted to NGS Foundation by NGS under the terms of a service agreement. In March 2022 NGS Charity granted NGS Foundation £0.05m. Bryan Robertson, Chief Operating Officer NGS, and Willie Watt are directors of the NGS Foundation, but the majority of the NGS Foundation directors are unconnected to NGS Charity.

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

NATIONAL GALLERIES OF SCOTLAND

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

23 Taxation

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

24 Losses and Special Payments

Losses and special payments during the year amounted to £nil (2020-21 £nil). There were no individual losses or special payments of more than £250k.

25 Contingent Liabilities

There were no contingent liabilities as at March 31st 2022.

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

Appendix: Direction by the Scottish Ministers



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 (FRM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 12 March 2001 is hereby revoked.

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

Signed by the authority of the Scottish Ministers

Dated 31 March 2006