

**Museums Galleries Scotland**  
(a company limited by guarantee)

Directors' annual report and financial statements

For the year ended 31 March 2020

Registered number SC074264

Charity number SC015593

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## **Directors' Annual Report**

The Directors, who are also Trustees for the purposes of Charity Law, have pleasure in presenting their report for the year ended 31 March 2020.

Museums Galleries Scotland is a company limited by guarantee, registered in Scotland No. 74264, and recognised as a charity (No SC015593).

### **Directors**

The Directors who served during the year ended 31 March 2020 were as follows:

Ray Macfarlane  
Donna Heddle  
Sir John Leighton (resigned 19/11/19)  
William McDonald  
Diana Montador  
Ruth Gill  
Trish Botten  
John McLeish  
Mary Jane Brouwers  
Steph Scholten  
Veena Muthuraman (appointed 1/4/19)  
Rhona Arthur (appointed 1/9/19)

### **Structure, Governance and Management**

#### **Nature of governing document**

Museums Galleries Scotland (MGS), as a company limited by guarantee, is governed by its Memorandum and Articles of Association dated March 1981. Following publication of the Companies Act 2006, the Memorandum and Articles of Association were revised to ensure compliance with the new regulations and to reflect the change of name agreed at the Annual General Meeting in 2007. They have also been reviewed by our legal advisors to ensure that the structure of governance continues to meet the requirements of the Office of the Scottish Charity Regulator (OSCR). The Memorandum and Articles of Association were again revised in 2012 to ensure the organisation was fit for purpose as a National Development Body and were formally adopted on 22 May 2012.

The Members of the Company are the Directors.

#### **Recruitment and appointment of Board Members**

The minimum number of Directors is nine and the maximum is seventeen. Directors are elected for a fixed term of three years and can serve one further term of three years, unless special circumstances dictate that they should serve a third term of up to three years' duration. After that period a Director will stand down for at least two years before they can then be reappointed as a Director. New Directors other than those seeking re-election will be appointed by the Board. The majority of the Board of Directors must, at any given time, consist of individuals from the museum and cultural sector. The Board meets as required to discharge their responsibilities.

#### **Policies and procedures for induction and training of Directors**

Following appointment, Directors receive a copy of the Board Handbook which contains information on MGS, including copies of previous Board Minutes, corporate plan, publications, staff information (organisational structure, roles, etc.) and details of other Board Members as well as the Code of Conduct for Members of the Board of Directors which alerts them to their corporate responsibilities. Directors are invited to an induction programme which includes sessions with the Chair and members of the Leadership Team and also an opportunity to meet other members of staff.

**Directors' Annual Report** *(continued)*

**Decision making structure**

A Chief Executive Officer is appointed by the Board of Directors to manage the operations of the organisation. The Chief Executive and senior team members have delegated authority within the terms of a Scheme of Delegation which is reviewed and approved by the Audit and Risk Committee on a regular basis on behalf of the Board.

**MGS Board**

As the National Development Body, MGS continues to be an independent charitable organisation. It is supported by, but is entirely independent of, the Scottish Government. MGS has a skills-based Board with a mix of Directors representative of the whole museum and galleries sector as well as those with relevant professional qualifications and business experience for effective Board governance. The Board is supported by 2 subordinate committees made up of Directors that report to the Board. These are the Audit and Risk Committee whose responsibilities speak for themselves including the remit for terms and conditions (remuneration) and the Recruitment Committee which is responsible for the recruitment of Board Members and the Chief Executive Officer.

During the year Sir John Leighton resigned from the board and two new appointments were made Veena Muthuraman and Rhona Arthur.

The current Board continues to have a wealth of in-depth experience and knowledge of all aspects of business and a clear commitment to promoting the importance of the role of museums and galleries and to supporting the preservation and celebration of Scotland's cultural heritage.

Board members submitted skills and equalities monitoring forms during the year to inform future Board recruitment and development.

**Key Management Personnel and Remuneration**

During the year there were no changes to key personnel.

The remuneration of the key management personnel is based on broadly comparable rates of pay for similar levels of management responsibility and skills in Scottish Local Government and similar organisations.

## **Directors' Annual Report** *(continued)*

### **Reference and administrative details**

These details, including Directors who served in the year, are set out on page 1.

### **COVID19**

In response to the pandemic, MGS had to adapt quickly to manage the safety of the workforce and to continue to provide support and leadership to the sector. As a result of a number of digital infrastructure improvements to our network and phone system combined with the embedded flexible working culture of the MGS, we were able to quickly adopt an effective working from home model. This meant limited disruption of service to the sector and allowed the organisation to focus on immediate adaptation requirements and staff wellbeing.

On review of our Business Plan, our thematic areas and planned projects for the new financial year were valid and robust enough to withstand a COVID environment. This provided the foundations for the organisation to proceed operating with confidence. Our investment into an online Grants Processing System enabled us to react to potential changing funding requirements to respond to urgent sector needs as they were identified.

### **Principal risks and uncertainties**

MGS has a Risk Management Policy, updated in November 2019, that sets out the process by which risks are identified, the measures put in place to manage them and how the risks are monitored. The Risk Register describes identified risks and mitigations and assigns each risk an owner. It is regularly reviewed by the Senior Management Team is reported each quarter to the Audit and Risk Committee and the Board.

As mentioned, towards the end of the year Coronavirus had a major impact on our risk profile and has had a significant impact on our activity in the current financial year. In the year 2019-20 responding to the climate emergency was added to the risk register. In the course of the year principal risks monitored, managed and mitigated were in the following areas:

#### **Organisational**

Climate: Failure to provide leadership to the museums sector to enable positive action and behavioural change within the sector to reach net zero emissions by 2045

- Mitigation: ensure MGS participate at the front of Climate change discussions that will impact the sector and wider cultural landscape. Provide opportunities for climate adaptation and development through the next delivery plan DP3.

Failure of IT Systems (including hardware, software, website, licences and cyber resilience) and overreliance on one supplier for all IT support:

- Mitigation: Business Services Manager holds a Certificate in Data Compliance and attends regular external forum meetings and has a Data team in place which meets regularly; Policy updated and reviewed regularly by Business Services Manager. Tender for new IT support undertaken and additional support contracted.

Demand for services exceeds organisational capacity

- Mitigation: Effective programme management across multiple projects to enable resource allocation and avoid over-commitment

## **Directors' Annual Report** *(continued)*

### **Financial**

#### Pension Fund Deficit

- Mitigation; Ongoing exploration of future options by A&R sub-Committee. Legal and financial advice obtained and shared with Scottish Government. Options valuation commissioned from Lothian Pension Fund. New 3-year valuation due 2020.

### **Strategic**

Capacity to provide leadership across a breadth of challenges facing the sector (climate change, restitution, resource pressure emergency, and responding to the Covid-19 crisis at the end of the year)

- Mitigation; regular engagement with Scottish Government; Building relationships, demonstrating quality in all aspects of delivery.

### **Objectives and Activities**

MGS is the strategic development body for museums and galleries in Scotland.

MGS acts as the representative for the sector, promoting its work to the public, stakeholders and the Scottish Government. This involves speaking on behalf of the sector and showing that museums and galleries are not only custodians of Scotland's rich and diverse history but are also relevant in modern society.

The activities, strategies and performance of MGS are set out in more detail under "Key Achievements and Successes" below.

Details of MGS' policy with regard to grant-making are set out within the Financial Review section of this report.

The Delivery Plan 2 - *Realising the Vision*, was launched in July 2015. This plan set out the framework for the delivery of a clear set of actions for both MGS and the sector to deliver the National Strategy over four years ending in 2019. The development of Delivery Plan 3 began during the year and was published at the end of the year.

Towards the end of the year Coronavirus had a major impact on the organisation's priorities for the year. Thanks to continued investment into digital infrastructure during the year, the entire staff were able to move to home working at very short notice and the last day in the office was 17 March 2020. At the end of the year the Scottish Government awarded Museums Galleries Scotland an additional £83K which was used to support four museums in immediate danger of closing as a result of Coronavirus. Additional funding was also awarded to Museums Galleries Scotland for the following year (2020-21) and all funding programmes for 2020-21 were reallocated to supporting the sector through the crisis to reopening and building resilience.

**Directors' Annual Report** *(continued)*

**Key achievements and successes**

- 107 grants totalling £1,220,658 were distributed to 68 organisations
- Launch of a network of geographic forums throughout Scotland each with an MGS representative and supported by a networks coordinator
- MGS Delivery Plan 2020-2022 was launched
- A Parliamentary Reception in May for the museums and galleries sector
- MGS secured National Lottery Heritage Funding support for a Business Support programme to be launched in 2020-21
- MGS commissioned DC Research to undertake some research into the current context the Scottish museum sector is operating in and future issues. MGS also collaborated with VOCAL to commission a supplementary review of the civic museum sector through EKOS Research
- MGS was approved as an SQA Assessment Centre
- MGS produced an environmental policy and forged a partnership with Creative Carbon Scotland which will lead to a suite of support for the sector to respond to the climate crisis
- MGS launched a new CRM, and started working towards CyberEssentials+ Accreditation. We also implemented a new cloud based telephone system and remote working facility to enable more flexible working.
- A review was undertaken of staff terms and conditions as part of a wider exercise around reward and recognition.
- In late March 2020 the Coronavirus pandemic and subsequent lockdowns led to funding being diverted to supporting museums in the immediate crisis at the end of the year and to all staff working from home

**AIM 1: Maximise the potential of our collections and culture for future generations**

The revised 2018 Accreditation Standard has been implemented with the first returns being submitted and awarded full Accreditation. By the end of 2019/20 the total number of Accredited Museums was 257. During the year we implemented a new support system for applicants including an expansion of our mentoring support and an online chatroom for peer support.

MGS continues to manage Scotland's Recognition Scheme. There are currently 50 collections recognised as Nationally Significant Collections in areas throughout Scotland. A review of the Recognition Scheme was undertaken to inform alterations to the scheme guidelines in future.

MGS hosted four collections workshops and three peer support meetings which included managing backlogs, object handling and decolonization as well as curating the human body.

**AIM 2: Strengthen connections between museums, people and places to inspire greater public participation, learning and wellbeing**

MGS held a sell out symposium at the Engine Shed in Stirling on Formal Learning in Museums. 66 participants took part and a follow on training programme was delivered in August 2019 building on the themes identified during the symposium.

The Strategic Learning Forum continues to be a platform for knowledge exchange and sharing best practice including peer to peer support for practitioners across the museums and heritage sector.

20 grants from the new Festivals Fund totaling £24,372 were awarded during the year.

**Key achievements and successes** *(continued)*

MGS launched the #MuseumsSparkJoy campaign to coincide with International Museums Day. This was marked with a Parliamentary Reception for the sector sponsored by Colin Beattie MSP and supported by the Cabinet Secretary Fiona Hyslop MSP

MGS joined Arts Culture Health and Wellbeing Scotland, a new partnership sharing good practice and raising understanding of the health and wellbeing benefits of cultural activity.

**AIM 3: Empower a diverse workforce to increase their potential for the benefit of the sector and society**

MGS was approved as an SQA Assessment Centre following a successful SQA audit in June 2019.

MGS launched a Digital Marketing Apprenticeship and by the end of the year apprenticeships had been secured at 5 sites.

During the year MGS continued to develop a framework of vocational qualifications relevant to the sector, in partnership with The Hunterian Museum, National Museums of Scotland, Glasgow Life and City of Glasgow College.

Under the Culture Strategy MGS was awarded funding for two pilot projects with the objective of diversifying the sector workforce focussing on volunteers and the workforce of the future.

**AIM 4: Forge a sustainable future for sector organisations and encourage a culture of enterprise**

Our funding programmes support the sector to run projects that help them develop their activities in sustainable ways and encourage enterprising approaches.

At the end of the year, when the Coronavirus pandemic led to museums being closed, MGS secured additional funding from the Scottish Government to support four organisations most at risk of immediate insolvency.

The Board Development Programme delivered in partnership with the Social Enterprise Academy supported 10 museums focusing on corporate governance and sustainability. At the end of the year MGS secured National Lottery Heritage Funding for a major two year business development programme to be delivered in collaboration with Greenspace and BEFS.

Environmental working and responding to the climate crisis became an increasing priority for MGS. An environment group was set up by MGS staff and a new policy was issued to all staff and Board to underpin ongoing engagement with the sector to identify and facilitate opportunities for the sector.

Consultation on Delivery Plan 3 involved 32 online consultation respondents and 4 events across Scotland to ensure that the plan supported museums to focus on sustainability and enterprise.



## **Directors' Annual Report** *(continued)*

### **Key achievements and successes** *(continued)*

#### **AIM 5: Foster a culture of collaboration, innovation and ambition**

MGS engaged with the sector through online and face to face events, through regular MGS Stakeholder Group meetings and other forums.

A coherent year round advocacy campaign was launched including a parliamentary reception preceding a Scottish Parliament debate around International Museums Day which referenced 25 museums, a programme of targeted conversations with MSPs to support the sector to engage with the wider community, #MuseumsSparkJoy which also sparked press interest as well as increased social media engagement within the sector, and the publication of *Realising the Vision Together* which marks the achievements of the sector against the National Strategy Delivery Plan (2015-19)

A piece of research took place, commissioned from DC research, to give a clearer understanding of the current context under which the sector is operating. The work will be complemented by a separate review into LA and ALEO museums commissioned by VOCAL.

MGS continued to work in partnership with National Lottery Heritage Fund, VisitScotland and HES and developed collaborations with organisations such as Creative Carbon Scotland and Greenspace.

The network of Geographic Forums supports closer collaboration. At the end of the year MGS had 12 Geographic Forums operating throughout Scotland having secured National Lottery Heritage funding over 4 years to support these. Two new Forums were created during the year.

MGS held two Subject Specialist Network meetings and supported attendance at training events through a small bursary fund.

#### **AIM 6: Develop a global perspective using Scotland's collections and culture**

MGS Chief Executive continued to represent MGS on the steering group for the Year of Coasts and Waters which has been postponed due to the Coronavirus pandemic.

MGS maintained UNESCO NGO Accreditation for Intangible Cultural Heritage and during the year engaged with TRACS, HES and Creative Scotland to develop a partnership approach to reigniting a record of ICH throughout Scotland. A mapping exercise was begun to understand the extent of ICH recording in Scotland as a foundation for further projects.

MGS met with UK partners to address the need for updated guidance around restitution and repatriation, also attending a consultation around this issue at The British Library, hosted by ICOM. We also held a roundtable in Scotland for sector experts and interested parties to further explore the need of Scotland's museums and galleries around this area. This was followed by an event on decolonization for the sector. Work around this issue continues.

The 50 Recognised Collections demonstrate at an international level the significance of what our museums in Scotland have to offer.

MGS supported a number of initiatives to support the sector to operate digitally including enhancing their on line presence. This work was timely in the context of the Coronavirus pandemic and subsequent lockdown at the end of the year.

**Directors' Annual Report** *(continued)***Future Activity**

MGS' future activity continues to be driven by the delivery of the National Strategy and Museums Galleries Scotland's Delivery Plan 3 covering the period from 2020 to 2022, and will be informed by findings from the two sector surveys undertaken towards the end of 2019-20 by MGS (DC Research) into the independent sector and in partnership with VOCAL (EKOS) into the civic sector.

Planned activity has been adjusted to accommodate the needs of the sector in response to the 2020 Coronavirus pandemic.

- Repurposing MGS grants programmes to support the sector through the crisis and establishing the following funds:
  - Covid-19 Digital Resilience fund (to support digital working)
  - Covid-19 Urgent Response fund (to address urgent cashflow issues)
  - Covid-19 Adaptation fund (to support the costs of essential supplies to enable safe reopening).
- Distributing an additional £4m allocated to the museums and galleries sector by the Scottish Government to support longer term recovery and resilience for organisations.
- Further roll out of MGS Advocacy and Comms functions to highlight the value and impact of the museum sector amongst key audiences
- Implementation of National Lottery Heritage Fund Business Support programme
- Development and maintenance of Geographic Forums Network
- Responding to the climate emergency
- A continuing focus on Equalities to include the development of further resources for staff, Board and sector.

**Financial Review**

The results for the period are set out in the Statement of Financial Activities on page 16.

**Income**

In 2019/20, MGS' total income was £2,973,767 (2019: £2,871,861).

**Expenditure**

In the course of the year MGS awarded grants in line with the key schemes outlined below and these are listed by grant type and recipient on MGS' website:

<https://www.museumsgalleriescotland.org.uk/funding/funding-overview/>

The grant schemes delivered in the year were:

1. **Development Fund – £5,000 to £40,000:** This fund supports museums to undertake larger projects. We will fund projects that help museums to take a strategic step forward in relation to the areas listed in 'Project Funding' and in ways that will add to their resilience.

Ring-fenced funding for **Recognised Collection** holders is distributed through the Museum Development Fund, **up to £60,000**.

2. **Small Project Fund – £500 to £10,000:** This fund supports museums to deliver discrete small projects that help them improve the way they work and/or try something new, in relation to the areas listed in 'Project Funding'.

3. **Achieving Accreditation Fund - £300 - £1,500**

Small amounts of funding are available to museums that are working towards Accreditation, to support them achieve Accreditation. To be eligible museums must have completed the Accreditation [eligibility questionnaire](#) and been awarded a temporary Accreditation number.

## Directors' Annual Report *(continued)*

**4. Festival Fund - £300 to £1,500:** This fund supports museums to participate in local or regional events or festivals, enabling them to develop connections and relationships which will help them to reach wider audiences.

**5. Subject Specialist Network Travel Bursaries - £30 - £500:** This fund supports museums to benefit from participating in Subject Specialist Networks and events taking place within the UK and to support the costs of bringing speakers to events taking place in Scotland.

**6. Covid-19 Emergency Response Fund:** Funding was made available to four museums in Scotland facing immediate insolvency as a direct result of the Covid-19 pandemic and subsequent lockdown.

All the information on how to apply for a grant is available on the MGS website (<http://www.museumsgalleriescotland.org.uk/funding>).

## Financial Results

The Statement of Financial Activities shows a year-end balance on Unrestricted Funds of £927,808. This is before taking into account the pension deficit of £904,000, resulting in a net surplus balance of £23,808 after pension obligations. This decrease in the level of the defined benefit pension scheme deficit has contributed to a change from a net liability in the balance sheet of £184,586 to a net asset of £470,533. This significant change in the level of net assets is covered in more detail below.

The second year of Phase 2 of HLF Skills for Success shows £214,148 in restricted income, a decrease of £70,990 on the prior year which showed £285,138 for the activity undertaken in the first year of Phase 2 of the project. Other restricted fund balances at 31 March 2020, including the Scottish Government Grants Programme amounted to £356,561.

Income received during the year was largely in line with what was anticipated with core grants and restricted grant income being confirmed by the Scottish Government in advance. The amount received as restricted grant income has risen this year by £88,000 following one-off additional funding received in the year of £20,000 for Culture Strategy Grant, £83,000 received for Covid-19 Urgent Response Funding and £55,000 received for Covid-19 Digital Resilience Funding. This increase is partially offset by the decrease in the income from the Heritage Lottery Fund of £71,000 as discussed above.

As in the prior year there were small amounts of other income received relating to activities such as training, consulting and events held. Following the work carried out into where cash funds were held, interest income has risen in the year as funds are now being held on deposits with more favourable interest terms.

Overall charitable expenditure has increased from the prior year by approximately £5,000.

Support costs of the charity have remained fairly in line with the prior year, with lower costs in recruitment, depreciation and non-reclaimable VAT. This was due to less significant staffing movements this year as well as assets being fully depreciated part way through the year resulting. Property costs have increased due to the notice provided that there is expected to be a rent increase backdated to February 2017. This has been accounted for this year for the expected amount from February 2017 to the balance sheet date. Supplies and services costs have also increased from the prior year due to increased marketing and advocacy spend. IT costs have increased following increased online costs for the grants system.

It should be noted that included within total expenditure is £190,000 (2019: £139,000) of defined benefit pension scheme service cost adjustments. Excluding these adjustments, the charity would have reported net income before actuarial pension scheme adjustments in unrestricted non-designated funds of £47,313 (2019: £92,522).

## **Directors' Annual Report** *(continued)*

### **Financial Results** *(continued)*

The unrestricted reserves at 31 March 2020, excluding Designated Funds and the Pension Fund deficit, were £927,808 (2019: £880,495).

As this pension scheme liability is not immediately repayable the directors are satisfied that the charity is in a position to meet its commitments as they fall due. The pension scheme liability can be subject to large movements from year to year as a result of actuarial calculations, changes in assumptions, and asset valuations and the directors will monitor this on a continuing basis to assess the impact upon the financial position of the charity.

Although any valuation is only a "point in time", the level of the pension fund deficit decreased in the year from £1,369,000 to £904,000. As a result, the net asset position in the Balance Sheet has changed from a net deficit versus the prior year and serves to further emphasise the volatility of the performance of the fund. The Triennial valuation of December 2017 has set the future contributions for the next year at 23.2%. The Board is fully aware that this is an ongoing matter for concern and have it under active review.

### **Going concern**

While core Scottish Government funding has been confirmed until 31 March 2021, the directors are aware that uncertainty exists over the extent of this funding for 2021-22. This funding is yet to be confirmed, and it is recognised that Covid-19 is likely to have an impact on funds derived from the public sector leading to reduced certainty for future years than previously. Financial scenario planning has been undertaken to assess and monitor income and funding on a regular basis and to allow reviews of costs to be undertaken promptly if required. Having taken the above into account, together with existing reserves and available cash funds, the directors remain satisfied that the charity is able to continue to operate for at least 12 months from the point these financial statements are approved and that it is appropriate that the accounts are prepared on a going concern basis.

### **Reserves Policy**

MGS is restricted by the terms and conditions of its main funding body (Scottish Government) from building up reserves. MGS has assured funding up to March 2021 from the Scottish Government and any unplanned expenditure or loss of income will have to be met, either from additional funds from the Scottish Government or a reduction in the services provided by the organisation.

### **Restricted and Designated Funds**

MGS holds a number of Restricted and Designated funds as detailed in Note 16.

The Restricted Funds are largely made up of Grants to the sector as detailed in Note 16 and in Note 9. These are financed by direct grants from Scottish Government, Heritage Lottery Fund, and the Big Lottery Fund and for specified, restricted purposes as detailed in agreements with funders.

Several Designated Funds have been established over time to facilitate the meeting of Strategic Aims and to develop the necessary infrastructure to support the organisations activities.

There are 4 main Designated Funds as follows:

#### **Discretionary Fund; Balance £54,541**

- The only spending from this fund in this financial year is pension advice.

#### **Web Site Development Fund; Balance £Nil**

A sum of £70,000 was set aside previously for the development of a new Web Site. The balance brought forward of £771 was spent in the year.

## **Directors' Annual Report** *(continued)*

### **Restricted and Designated Funds** *(continued)*

#### **Festival of Museums website; Balance £Nil**

- A sum of £25,000 had been set aside for the Festival of Museums website and it was completed and launched successfully in April 2018. The total cost in 2018-19 was £16,000 and the balance of £5,600 was spent in the year.

#### **ICH Fund; Balance £27,207**

- The ICH Fund is for the research, promotion and support of Intangible Cultural Heritage in Scotland and to participate and connect in regard to ICH internationally. Following discussions with the Big Lottery Fund Project, an unspent restricted fund balance of £30,532 was permitted to be transferred to designated funds, and £3,325 was spent in the year.

### **Future Plans**

A new 3-year Business Plan has been created for 2020-2023. This sets out the organisational priorities the priorities for the period:

- Developing Sector Resilience;
- Workforce Development;
- Responding to the Climate Emergency; and,
- Increasing Digital Capacity, and the core areas of activity:
- Funding;
- Impact and Advocacy;
- Partnerships; and,
- Advising and Knowledge Sharing.

In meeting the Aims and objectives of the National Strategy, and focusing on the key strategic priorities of skills, advocacy and enterprise, MGS has supported the museums sector in Scotland to rise to the challenge presented by ongoing austerity. MGS has been aware for some time that some Local Authorities were planning to make significant reductions to museum budgets in the years ahead. This has been exacerbated by the Coronavirus pandemic and subsequent lock downs.

New income streams have been explored including funds for specific programmes and from the Scottish Government.

In 2020/21 the now established geographical forums will allow for a more informed approach across a wider network

Delivery Plan 3 will also provide invaluable information on the current issues in the sector and will provide a basis for future business plans.

The organization continues to respond proactively to supporting the sector through the challenges arising from the pandemic, including addressing longer term resilience.

MGS continues to collaborate with partners in developing approaches to responding to the climate emergency.

### **Related Parties**

Certain directors are involved with organisations which benefit from grant funding, the details of which are set out in note 21. The directors do not take part in decisions relating to grants awarded to these organisations.

## **Directors' Annual Report** *(continued)*

### **Statement of Directors' Responsibilities**

The Directors (who are also the directors of Museum Galleries Scotland for the purposes of company law) are responsible for preparing the Directors' report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure of the charitable company for that period.

In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Observe the methods and principles in the Charities SORP (FRS102) (second edition – October 2019)
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company, and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware; and
- The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that no auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included in the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Auditors**

A resolution for the re- appointment of auditors is to be proposed at the annual general meeting.

### **Approval of the Directors' annual report**

So far as each Director is aware, there is no relevant audit information of which the auditors are unaware. Each Director has taken the appropriate steps as a Director to make themselves aware of such information and to establish that the auditors are aware of it.

By order of the Board



**Ray Macfarlane**  
**Chair**

30 September 2020



### **Opinion**

We have audited the financial statements of Museums Galleries Scotland for the year ended 31 March 2020 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2020 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006; the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

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

### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Directors' Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

**Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charity Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the charitable company has not kept proper and adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption from the requirement to prepare a strategic report.

**Responsibilities of Directors**

As explained more fully in the statement of Directors' responsibilities set out on page 12 the Directors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 Directors are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

We have been appointed auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report to you in accordance with regulations made under those Acts.

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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



**Use of our report**

This report is made exclusively to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's directors, as a body, in accordance with Section 44(1)(c) of the Charities and Trustees Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the charitable company's members and its directors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, its members as a body and its directors as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads 'Malcolm Beveridge'.

MALCOLM BEVERIDGE (Statutory Auditor)  
For and on behalf of  
CHIENE + TAIT LLP  
Chartered Accountants & Statutory Auditor

61 Dublin Street  
Edinburgh  
EH3 6NL

1 October 2020

**Statement of financial activities (incorporating income and expenditure account)**  
for the year ended 31 March 2020

	Note	Unrestricted funds £	Unrestricted designated funds £	Restricted funds £	Total 2020 £	Total 2019 £
<b>Income from:</b>						
Donations and core grants	3	1,450,000	-	-	1,450,000	1,450,000
Charitable activities	4	7,403	-	1,473,566	1,480,969	1,393,216
Other trading activities		9,569	-	-	9,569	2,920
Investments	5	33,229	-	-	33,229	25,725
<b>Total income</b>		<b>1,500,201</b>	<b>-</b>	<b>1,473,566</b>	<b>2,973,767</b>	<b>2,871,861</b>
<b>Expenditure on:</b>						
Charitable activities	6	1,452,888	17,926	1,312,834	2,783,648	2,778,330
<b>Total expenditure excluding pension scheme adjustments</b>		<b>1,452,888</b>	<b>17,926</b>	<b>1,312,834</b>	<b>2,783,648</b>	<b>2,778,330</b>
<b>Net income / (expenditure) before pension scheme adjustments</b>	11	<b>47,313</b>	<b>(17,926)</b>	<b>160,732</b>	<b>190,119</b>	<b>93,531</b>
<b>Pension scheme adjustments</b>	6	<b>(190,000)</b>	<b>-</b>	<b>-</b>	<b>(190,000)</b>	<b>(139,000)</b>
<b>Net (expenditure)/ income</b>		<b>(142,687)</b>	<b>(17,926)</b>	<b>160,732</b>	<b>119</b>	<b>(45,469)</b>
Transfers between funds	16	-	30,532	(30,532)	-	-
Actuarial gain/(loss) on defined benefit pension scheme	18	655,000	-	-	655,000	(317,000)
<b>Net movement in funds</b>		<b>512,313</b>	<b>12,606</b>	<b>130,200</b>	<b>655,119</b>	<b>(362,469)</b>
<b>Funds reconciliation</b>						
Total funds at 1 April 2019	16	(488,505)	69,142	234,777	(184,586)	177,883
<b>Fund balance carried forward at 31 March 2020</b>	16	<b>23,808</b>	<b>81,748</b>	<b>364,977</b>	<b>470,533</b>	<b>(184,586)</b>

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The notes on pages 19 to 37 form part of these financial statements.

**Balance sheet**

*As at 31 March 2020*

	<i>Notes</i>	<b>2020</b>	<b>2020</b>	2019	2019
		£	£	£	£
<b>Fixed assets</b>	<i>12</i>		30,001		40,445
<b>Current assets</b>					
Debtors	<i>13</i>	189,672		201,876	
Cash at bank and in hand		3,425,718		3,391,512	
		-----		-----	
		3,615,390		3,593,388	
<b>Creditors:</b> amounts falling due within one year	<i>14</i>	(2,270,858)		(2,449,419)	
		-----		-----	
<b>Net current assets</b>			1,344,532		1,143,969
			-----		-----
<b>Total assets less current liabilities</b>			1,374,533		1,184,414
<b>Defined benefit pension liability</b>	<i>18</i>		(904,000)		(1,369,000)
			-----		-----
<b>Net assets</b>			470,533		(184,586)
			=====		=====
<b>The funds of the charity</b>					
Restricted funds	<i>16</i>		364,977		234,777
Designated funds	<i>16</i>		81,748		69,142
Unrestricted funds – excluding defined benefit pension reserve	<i>16</i>		927,808		880,495
Defined benefit pension reserve	<i>16</i>		(904,000)		(1,369,000)
			-----		-----
<b>Total funds after defined benefit pension reserve</b>			470,533		(184,586)
			=====		=====

The audited financial statements on pages 16 to 35 were approved and authorised for issue by the board of directors on and signed on its behalf by:



**Ray Macfarlane**  
**Chair**

30 September 2020

Company number SC074264

The notes on pages 19 to 37 form part of these financial statements.

**Statement of Cash Flows**  
for the year ended 31 March 2019

	<i>Notes</i>	<b>2020</b> £	<b>2020</b> £	2019 £	2019 £
<b>Net cash used in/ (provided by) operating activities</b>	<i>(see below)</i>		14,262		(378,748)
<b>Cash flows from investing activities</b>					
Interest income		33,229		25,725	
Purchase of office and computer equipment		(13,285)		(1,330)	
		-----		-----	
<b>Net cash used in investing activities</b>			19,944		24,395
			-----		-----
<b>Change in cash and cash equivalents in the year</b>			34,206		(354,353)
<b>Cash and cash equivalents brought forward</b>			3,391,512		3,745,865
			-----		-----
<b>Cash and cash equivalents carried forward</b>	<i>(see below)</i>		3,425,718		3,391,512
			=====		=====
<b>Reconciliation of net expenditure to cash flow from operating activities</b>				<b>2020</b> £	2019 £
<b>Net income/(expenditure) for the year</b>				119	(45,469)
<b>Adjustments for:</b>					
Defined benefit pension scheme adjustments				190,000	139,000
Depreciation charges				23,729	61,445
Deduct interest income shown in investing activities				(33,229)	(25,725)
Decrease/(increase) in debtors				12,204	(159,287)
(Decrease) in creditors				(178,561)	(348,712)
				-----	-----
<b>Net cash (provided by) / used in operating activities</b>				14,262	(378,748)
				=====	=====
<b>Analysis of cash and cash equivalents</b>				<b>2020</b> £	2019 £
Cash in hand				532,232	401,259
Deposits				2,893,486	2,990,253
				-----	-----
<b>Total cash and cash equivalents</b>				3,425,718	3,391,512
				=====	=====
<b>Analysis of changes in net debt</b>			<b>2019</b> £	<b>Cash-flows</b> £	<b>2020</b> £
Cash and cash equivalents		3,391,512		34,206	3,425,718
		-----		-----	-----
Total net debt		3,391,512		34,206	3,425,718
		=====		=====	=====

The notes on pages 19 to 37 form part of these financial statements.

## Notes to the financial statements

for the year ended 31 March 2020

### 1 Company information

Museum Galleries Scotland is a company limited by guarantee incorporated and domiciled in Scotland with registered company number SC074264. The registered office and principal place of business is Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG. The financial statements have been presented in Pounds Sterling as this is the functional and presentational currency of the charitable company.

Museum Galleries Scotland meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

### 2 Accounting policies

The following accounting policies have been applied consistently in dealing with items considered material in relation to Museums Galleries Scotland's Financial Statements.

#### (a) **Basis of accounting**

The financial statements have been prepared under the historical cost accounting rules and in accordance with the Companies Act 2006, Accounting and Reporting by Charities: 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) (second edition – October 2019) - (Charities SORP (FRS 102)) and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

The financial statements are prepared on the going concern basis. The Board has considered the funding available and the charity's current reserves and cash position, including the impact of Covid-19, and on this basis the board believes that the going concern basis of preparation is appropriate. Additional information is set out in note 22 to the financial statements.

#### (b) **Significant judgements and estimation uncertainty**

In the application of the charitable company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. As the estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### (i) **Useful economic lives of tangible assets**

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for carrying amounts of tangible assets.

**Notes to the financial statements** *(continued)*  
*for the year ended 31 March 2020*

**2 Accounting policies** *(continued)*

(e) **Income**

All income is accounted for on a receivable basis, when the charity is legally entitled to the income and it can be quantified with reasonable accuracy. All income is in respect of the furtherance of the Museums Galleries Scotland's aims.

*Donations, legacies and similar income* is included in the year in which it is receivable, which is when the charity becomes entitled to the income, it is probable that it will be received, and the amount can be measured reliably.

*Interest income* is included in the year in which it is receivable.

*Grants receivable* are reflected in the Statement of Financial Activities when relevant conditions for entitlement have been met, it is probable they will be received, and the amounts can be quantified with sufficient reliability. Where donors specify that grants are for particular purposes, this income is included in incoming resources within restricted funds when receivable. Grants of a revenue nature are credited to the SoFA in the period to which they relate.

The grant from the Scottish Government allocated to general purposes is taken to the income and expenditure account in the year to which it relates.

(f) **Expenditure**

All expenditure is accounted for on an accruals basis, where there is legal and constructive obligation. Expenditure is classified under the principal categories of charitable and other expenditure rather than the type of expense, in order to provide more useful information to users of the financial statements. Expenditure is accounted for net of VAT and irrecoverable amounts are accounted for separately.

*Charitable expenditure* comprises grants payable and direct expenditure including direct staff costs attributable to the activity. Where costs cannot be directly attributed, they have been allocated on the basis of grants awarded.

*Grants payable* are payments made to third parties in the furtherance of the charitable objects of the charity. In the case of an unconditional grant offer this is accrued once the recipient has been notified of the grant award. The notification gives the recipient a reasonable expectation that they will receive the grant. Grants awards that are subject to the recipient fulfilling performance conditions are only accrued when the recipient has been notified of the grant and any remaining unfulfilled condition attaching to that grant is outside of the control of the charity.

Provisions for grants are made when the intention to make a grant has been communicated to the recipient but there is uncertainty as to the timing of the grant or the amount of grant payable. The charity does not normally make multi-year grants, but should these occur, a provision for the grant is recognised at its present value where settlement is due over more than one year from the date of the award, there are no unfulfilled performance conditions under the control of the charity that would permit the charity to avoid making the future payment(s), settlement is probable and the effect of discounting is material. The discount rate used is the average rate of return on bank deposits in the year in which the grant award is made. This discount rate is regarded by the Directors as providing the most current available estimate of the opportunity cost of money reflecting the time value of money to the charity.

**Notes to the financial statements** *(continued)*  
*for the year ended 31 March 2020*

**2 Accounting policies** *(continued)*

(f) **Expenditure** *(continued)*

*Support costs* are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include back office costs, finance, personnel and payroll costs which support the charitable activities and *Governance costs*.

*Governance costs* are those incurred in connection with the management of the organisation's structure, including directors' costs, and compliance with constitutional and statutory requirements.

(g) **Fund accounting**

Unrestricted funds are available for use at the discretion of the directors in furtherance of the general objectives of Museums Galleries Scotland.

Restricted funds are funds subject to specific restriction imposed by donors or by the purpose of the appeal by which the funds are raised.

Designated funds are funds which have been set aside for a specific purpose. Museums Galleries Scotland currently holds four such funds; one which is used to fund additional grants or strategic development at their discretion; one for funding systems to make more effective use of resources; one for a public-facing advocacy website; and a final one to fund a sector-facing website.

(h) **Tangible fixed assets**

All fixed assets over £1,000 are initially capitalised at cost, plus any incidental costs of acquisition. Depreciation is provided on all tangible assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Office and computer equipment	over 4 years
Furniture and fittings	over 10 years
Leasehold improvements	over 5 years

Depreciation on assets commences once an asset is brought into use.

(i) **Debtors**

Trade and other debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid net of any discounts due.

(j) **Cash at bank and in hand**

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity between three and twelve months from the date of acquisition or opening of the deposit or similar account.

(k) **Creditors**

Creditors are recognised where the company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

**Notes to the financial statements** *(continued)*  
*for the year ended 31 March 2020*

**2 Accounting policies** *(continued)*

(l) **Financial instruments**

The charitable company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

(m) **Leases**

Museums Galleries Scotland has no material finance leases. Costs in relation to operating leases are charged on a straight line basis to the statement of financial activities over the life of the lease.

(n) **Foreign currencies**

Asset and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the time of the transaction. All exchange differences are taken to the statement of financial activities.

(o) **Pension costs**

Museums Galleries Scotland is a member of The Lothian Pension Fund, which provides benefits based on final pensionable pay. Contributions to the scheme are charged to expenditure so as to spread the costs of pensions over the working lives of the employees. These contributions are invested separately from the organisation's assets.

**3 Donations and grants**

	<b>2020</b>	2019
	<b>£</b>	£
Scottish Government – Core activities grant	1,450,000	1,450,000
	=====	=====



**Notes to the financial statements** *(continued)*  
*for the year ended 31 March 2019*

**4 Charitable activities**

	<b>2020</b>	2019
	<b>£</b>	£
<b>Grant income - restricted</b>		
Scottish Government – Recognition Scheme	470,000	470,000
Scottish Government – Capital	200,000	200,000
Scottish Government – Grants Programme	430,918	430,000
Heritage Lottery Fund – Skills for Success	214,148	285,138
Scottish Government – Culture Strategy Grant	20,000	-
Scottish Government – Covid-19 Urgent Response Funding	83,000	-
Scottish Government – Covid-19 Digital Resilience Funding	55,000	-
SCVO Cyber Essentials Grant	500	-
	-----	-----
	1,473,566	1,385,138
	-----	-----
<b>Income from services provided to beneficiaries – Unrestricted - general</b>		
Workforce development - training	6,215	2,583
Consulting Fees Income	-	1,500
Contribution towards Accreditation costs	1,188	3,995
	-----	-----
	7,403	8,078
	-----	-----
<b>Total income from charitable activities</b>	-----	-----
	1,480,969	1,393,216
	=====	=====

**5 Investment income**

	<b>2020</b>	2019
	<b>£</b>	£
Interest receivable	33,229	25,725
	=====	=====

The company's investment income relates to unrestricted funds in both 2020 and 2019.

**Notes to the financial statements** *(continued)*  
for the year ended 31 March 2020

**6 Charitable expenditure**

	Charitable activity staff costs £	(Note 10) Governance costs £	Grants Awarded £	Programme Direct Costs £	Support Costs £	Total 2020 £	Total 2019 £
Aim 1- Maximising the Potential	144,148	19,797	387,487	24,426	181,645	757,503	721,924
Aim 2- Strengthening Connections	164,740	9,050	177,136	7,683	83,038	441,647	584,402
Aim 3- Empowering a Diverse Workforce	164,740	5,657	110,710	210,532	51,899	543,538	723,571
Aim 4- Forging a Sustainable Future	247,110	5,657	110,710	4,802	51,899	420,178	396,762
Aim 5- Fostering a Culture of Collaboration	226,518	10,181	199,278	8,643	93,418	538,038	370,667
Aim 6- Developing a Global Perspective	82,370	6,222	121,781	5,282	57,089	272,744	120,004
Total expenditure including pension scheme service cost adjustments	1,029,626	56,564	1,107,102	261,368	518,988	2,973,648	2,917,330
Pension scheme service cost and interest adjustments	(155,000)	-	-	-	(35,000)	(190,000)	(139,000)
Total charitable expenditure per Statement of Financial Activities	874,626	56,564	1,107,102	261,368	483,988	2,783,648	2,778,330

In 2020, of the total expenditure of £2,973,648 (2019: £2,917,330), £1,642,888 (2019: £1,533,201) was expenditure from unrestricted funds and £17,926 (2019: £89,624) was expenditure from unrestricted designated funds, and £1,312,834 (2019: £1,294,505) was expenditure from restricted funds.

Of the net grants awarded of £1,107,102 (2019: £999,298), grants awarded during the year were £1,259,417 (2019: £1,736,767) offset by underutilised grants previously awarded of £117,965 (2019: £154,500).

Staff costs have been allocated on the basis of an estimate of time spent. Support costs and governance costs are allocated on the basis of grants awarded by Aim and this is believed to reflect the priorities of the organisation and the sector.

**Notes to the financial statements** *(continued)*  
for the year ended 31 March 2020

**7 Support costs**

	<b>2020</b>	2019
	<b>£</b>	£
Recruitment	1,175	26,517
Staff development	12,713	9,796
Property	206,936	144,263
Admin	13,612	13,598
Transport, travel and subsistence	8,041	8,657
Supplies and Services	46,305	18,936
IT	102,389	56,607
Events and conference costs	8,362	9,172
Other Costs	701	518
Depreciation	23,729	61,446
Finance costs relating to defined benefit pension scheme (Note 18)	35,000	26,000
Bank charges	1,269	1,585
Non-Reclaimable VAT	58,756	68,307
	-----	-----
	518,988	445,402
	=====	=====

**8 Staff costs and remuneration of key management personnel**

	<b>2020</b>	2019
	<b>£</b>	£
Wages and salaries	682,968	713,829
Social Security costs	63,158	65,649
Pension costs – standard contributions	154,343	144,609
Pension costs – service cost adjustments (Note 18)	155,000	113,000
	-----	-----
	1,055,469	1,037,087
Temporary/seconded staff	-	38,539
Childcare vouchers	1,207	3,069
	-----	-----
	1,056,676	1,078,695
	=====	=====

	<b>No</b>	No
The average number of employees during the year were:	24	24
	=====	=====

One employee earned between £60,000 and £70,000 in the year and was a member of the defined benefit pension scheme *(2019: One Employee who earned between £60,000 and £70,000 in the year and was also a member of the defined benefit pension scheme).*

Included in wages and salary costs in 2019 were settlements made to staff in respect of restructuring during the year amounting to £23,000. There were no such payments in 2020.

**Notes to the financial statements** *(continued)*  
for the year ended 31 March 2020

**8 Staff costs and remuneration of key management personnel** *(continued)*

**Directors**

The directors neither received nor waived any emoluments during the year (2019: Nil). Expenses amounting to £3,129 were reimbursed to 5 directors (2019: £2,084 to 3 Directors).

In addition to the Board, the directors consider the Chief Executive and the three Heads of Department as being the key management personnel. The total remuneration and employee benefits of the key management personnel of the charity during the year were £254,861 (2019: £280,159).

**9 Grants expenditure**

During the year total grants were committed to by the charity as follows:

	<b>2020</b>	2019
	<b>£</b>	£
<b>Aims</b>		
1 - Maximising the Potential	387,487	319,775
2 - Strengthening Connections	177,136	239,831
3 - Empowering a Diverse Workforce	110,710	119,916
4 - Forging a Sustainable Future	110,710	139,902
5 - Fostering a Culture of Collaboration	199,278	129,909
6 - Developing a Global Perspective	121,781	49,965
	-----	-----
	1,107,102	999,298
	=====	=====

All grants were made to institutions and further information is available on the charity's website at:  
<http://www.museumsgalleriesscotland.org.uk/funding>

**10 Governance costs**

	<b>2020</b>	2019
	<b>£</b>	£
Audit fee	4,275	5,050
Directors' travel	3,129	2,084
Legal and professional advice	21,017	18,114
Board meetings and governance	1,093	1,345
Staff costs	27,050	31,295
	-----	-----
	56,564	57,888
	=====	=====

**Notes to the financial statements** (continued)  
for the year ended 31 March 2020

**11 Net income before transfers**

Net income is stated after charging:

	<b>2020</b>	2019
	<b>£</b>	£
Auditors' remuneration – audit	4,275	5,050
Auditors' remuneration – accounting assistance, payroll services, VAT advice	16,995	13,702
Depreciation	23,729	61,446
Operating lease charges – building	130,122	83,079
	=====	=====

**12 Tangible fixed assets**

	<b>Leasehold Improvements</b>	<b>Office and computer equipment</b>	<b>Furniture and fittings</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>				
At beginning of year	224,242	230,046	41,633	495,921
Additions	-	13,285	-	13,285
Disposal	-	-	-	-
	-----	-----	-----	-----
At end of year	224,242	243,331	41,633	509,206
	-----	-----	-----	-----
<b>Depreciation</b>				
At beginning of year	224,242	202,155	29,079	455,476
Charge for the year	-	19,567	4,162	23,729
Disposal for the year	-	-	-	-
	-----	-----	-----	-----
At end of year	224,242	221,722	33,241	479,205
	-----	-----	-----	-----
<b>Net book value</b>				
<b>At 31 March 2020</b>	-	21,609	8,392	30,001
	=====	=====	=====	=====
At 31 March 2019	-	27,891	12,554	40,445
	=====	=====	=====	=====

**13 Debtors**

	<b>2020</b>	2019
	<b>£</b>	£
Business debtors	3,636	2,652
Prepayments and accrued income	184,909	199,224
Other debtors	1,127	-
	-----	-----
	189,672	201,876
	=====	=====

**Notes to the financial statements** *(continued)*  
for the year ended 31 March 2020

**14 Creditors:** amounts falling due within one year

	<b>2020</b>	2019
	<b>£</b>	£
Business creditors	52,031	12,098
Accruals and deferred income	99,878	201,787
Grants payable	2,084,895	2,170,856
Taxation and social security	33,259	63,421
Other creditors	795	1,257
	-----	-----
	2,270,858	2,449,419
	=====	=====

**15 Total future minimum lease payments under non-cancellable operating leases**

	<b>2020</b>	2019
	<b>£</b>	£
Within 1 year	101,683	84,000
Within 2 to 5 years	93,205	159,715
	-----	-----
	194,888	243,715
	=====	=====

**Notes to the financial statements** (continued)  
for the year ended 31 March 2020

**16 Statement of funds 2020**

	At 1 April 2019 £	Income £	Expenditure £	Transfers £	Gains and Losses £	At 31 March 2020 £
<b>Restricted income funds</b>						
Scottish Government (Grants Programme)	177,732	1,238,918	(1,102,692)	26,513	-	340,471
Scottish Government (Skills Development)	3,988	-	-	(3,988)	-	-
Scottish Government (WW1 Commemorations)	6,853	-	-	(6,853)	-	-
Network and partnership fund	15,672	-	-	(15,672)	-	-
Big Lottery Fund Project (TPYF 2)	30,532	-	-	(30,532)	-	-
Scottish Government (Culture Strategy Grant)	-	20,000	(1,740)	-	-	18,260
SCVO Cyber Essentials Grant	-	500	(600)	-	-	(100)
National Lottery Heritage Fund Forum Connections	-	-	(1,150)	-	-	(1,150)
National Lottery Heritage Fund Business Support	-	-	(920)	-	-	(920)
Heritage Lottery Fund Skills for Success	-	214,148	(205,732)	-	-	8,416
<b>Total restricted income funds</b>	234,777	1,473,566	(1,312,834)	(30,532)	-	364,977
<b>Unrestricted income funds</b>						
Unrestricted income fund	880,495	1,500,201	(1,452,888)	-	-	927,808
Pension reserve	(1,369,000)	-	(190,000)	-	655,000	(904,000)
<b>Total unrestricted income funds</b>	(488,505)	1,500,201	(1,642,888)	-	655,000	23,808
<b>Designated funds</b>						
Discretionary fund	62,771	-	(8,230)	-	-	54,541
Website development fund	771	-	(771)	-	-	-
Festival of Museums website	5,600	-	(5,600)	-	-	-
ICH Fund	-	-	(3,325)	30,532	-	27,207
<b>Total designated funds</b>	69,142	-	(17,926)	30,532	-	81,748
<b>Total funds</b>	(184,586)	2,973,767	(2,973,648)	-	655,000	470,533

**Notes to the financial statements** *(continued)*  
for the year ended 31 March 2020

**16 Statement of funds 2019**

	<b>At 1 April 2018</b>	<b>Income</b>	<b>Expenditure</b>	<b>Transfers</b>	<b>Gains and Losses</b>	<b>At 31 March 2019</b>
	£	£	£	£	£	£
<b>Restricted income funds</b>						
Scottish Government (Grants Programme)	85,632	1,100,000	(1,007,900)	-	-	177,732
Scottish Government (Skills Development)	726	-	3,262	-	-	3,988
Scottish Government (WW1 Commemorations)	6,866	-	(13)	-	-	6,853
Network and partnership fund	10,239	-	5,433	-	-	15,672
Big Lottery Fund Project (TPYF 2)	30,612	-	(80)	-	-	30,532
Heritage Lottery Fund Skills for Success	-	285,138	(295,207)	10,069	-	-
	-----	-----	-----	-----	-----	-----
<b>Total restricted income funds</b>	<b>134,075</b>	<b>1,385,138</b>	<b>(1,294,505)</b>	<b>10,069</b>	<b>-</b>	<b>234,777</b>
	-----	-----	-----	-----	-----	-----
<b>Unrestricted income funds</b>						
Unrestricted income fund	798,042	1,486,723	(1,394,201)	(10,069)	-	880,495
Pension reserve	(913,000)	-	(139,000)	-	(317,000)	(1,369,000)
	-----	-----	-----	-----	-----	-----
<b>Total unrestricted income funds</b>	<b>(114,958)</b>	<b>1,486,723</b>	<b>(1,533,201)</b>	<b>(10,069)</b>	<b>(317,000)</b>	<b>(488,505)</b>
	-----	-----	-----	-----	-----	-----
<b>Designated funds</b>						
Discretionary fund	88,861	-	(26,090)	-	-	62,771
Systems development fund	55,976	-	(55,976)	-	-	-
Website development fund	4,929	-	(4,158)	-	-	771
Festival of Museums website	9,000	-	(3,400)	-	-	5,600
	-----	-----	-----	-----	-----	-----
<b>Total designated funds</b>	<b>158,766</b>	<b>-</b>	<b>(89,624)</b>	<b>-</b>	<b>-</b>	<b>69,142</b>
	-----	-----	-----	-----	-----	-----
<b>Total funds</b>	<b>177,883</b>	<b>2,871,861</b>	<b>(2,917,330)</b>	<b>-</b>	<b>(317,000)</b>	<b>(184,586)</b>
	=====	=====	=====	=====	=====	=====



**Notes to the financial statements** *(continued)*  
*for the year ended 31 March 2020*

**16 Statement of funds** *(continued)*

No expenditure is committed unless sufficient funds are held to meet that expenditure.

The purpose of each of the restricted funds is as follows:

**Grants Programme:** funding from the Scottish Government for providing grants.

**Skills Development:** funded by the Scottish Government, the fund offers grants of up to 100% of funding ranging from £1,000-£20,000 to support museums to work in partnership to run collaborative training courses and skills development programmes.

**WW1 Commemoration:** funding from the Scottish Government for the sector to commemorate WW1.

**Network and partnership fund:** funding from the Scottish Government to promote networks and partnership amongst the museum and gallery sector.

**TPYF:** funding from the Big Lottery Fund towards event in connection with WWII – “Their Past Your Future”, a programme based on intergenerational learning between Veterans and young people.

**Culture Strategy Grant:** his grant is awarded from the Scottish Government initiative A Culture Strategy for Scotland to transform lives and empower people through culture. For MGS, this involves two separate projects. The first is a project to recruit volunteers from diverse backgrounds and help them achieve an SQA accredited qualification. The second project works in partnership with Developing the Young Workforce to deliver interactive workshops to a range of school age groups in low socio-economic areas, to show development opportunities and diverse routes into the museum sector.

**SCVO Cyber Essentials Grant:** the Cyber Essentials Scheme is a Government backed standard in cyber security enabling businesses to demonstrate that they have taken action to protect themselves against the most common cyber risks.

**Heritage Lottery Fund Skills for Success :** funding to address a lack of diversity and accessible entry routes in the museum workforce by supporting and training 22 non-graduates from diverse backgrounds in one-year paid placements in museums across Scotland while they work towards the SVQ3 in Museums and Galleries Practice.

**Covid-19 Urgent Response Funding:** Independent Accredited museums can apply for up to £60,000 to cover up to 3 months of core costs if critically affected by the loss of income as a result of the Covid-19 pandemic, with priority given to those holding Recognised Collections.

**Covid-19 Digital Resilience Funding:** museums can apply for up to £,3000 to purchase equipment and software that will enable them to adapt to more digital working during the period of closures brought about by Covid-19 and the associated restrictions.

**Notes to the financial statements** *(continued)*  
for the year ended 31 March 2020

**16 Statement of funds** *(continued)*

The purpose of each of the designated funds is as follows:

**Pension fund:** to help fund the deficit on the final salary pension scheme.

**Discretionary fund:** to be used to make grants at the organisation's discretion and fund exceptional development costs.

**Systems Development Fund:** funding for systems to make more effective use of existing resources.

**MGS Conference Fund:** funding for the MGS conference held alternate years.

**Website development fund:** funding for the development of the new MGS website.

**Festival of Museums website:** funding for the development of a dedicated Festival of Museums website.

**ICH Fund:** funding for the research, promotion and support of Intangible Cultural Heritage in Scotland and to participate and connect in regard to ICH internationally.

The Scottish Government allows transfers to be made between the different categories of grant programmes it funds. Transfers from unrestricted funds have been made to meet the deficits arising on any restricted fund.

**17 Analysis of net assets between funds 2020**

	<b>Unrestricted income funds £</b>	<b>Designated funds £</b>	<b>Other unrestricted funds £</b>	<b>Restricted income funds £</b>	<b>Total 2020 £</b>
<b>Fund balances at 31 March 2020 are represented by:</b>					
Tangible fixed assets	30,001	-	-	-	30,001
Current assets	3,168,665	81,748	-	364,977	3,615,390
Current liabilities	(2,270,858)	-	-	-	(2,270,858)
Defined Benefit Pension provision	-	-	(904,000)	-	(904,000)
<b>Total net assets</b>	----- 927,808 =====	----- 81,748 =====	----- (904,000) =====	----- 364,977 =====	----- 470,533 =====

**Notes to the financial statements** *(continued)*  
for the year ended 31 March 2020

**17 Analysis of net assets between funds** *(continued)*

**Analysis of net assets between funds 2019**

	<b>Unrestricted income funds</b>	<b>Designated funds</b>	<b>Other unrestricted funds</b>	<b>Restricted income funds</b>	<b>Total 2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Fund balances at 31 March 2019 are represented by:</b>					
Tangible fixed assets	40,445	-	-	-	40,445
Current assets	3,289,469	69,142	-	234,777	3,593,388
Current liabilities	(2,449,419)	-	-	-	(2,449,419)
Defined Benefit Pension provision	-	-	(1,369,000)	-	(1,369,000)
	-----	-----	-----	-----	-----
<b>Total net assets</b>	<b>880,495</b>	<b>69,142</b>	<b>(1,369,000)</b>	<b>234,777</b>	<b>(184,586)</b>
	=====	=====	=====	=====	=====

**18 Pension costs**

Museums Galleries Scotland belongs to the Lothian Pension Fund, a defined benefits pension scheme into which employees' and employers' contributions, and interest and dividends from investments are paid and from which pensions, lump sums and superannuation benefits are paid out. Employees' contributions are on a tiered scale between 5.7% and 9.0% and employers' basic contributions are assessed every three years by an actuary and are fixed to ensure the fund remains solvent and in a position to meet its future liabilities. Employers' contributions paid for the year to 31 March 2020 amount to £154,343 (2019: £144,609). In the financial year to 31 March 2020 the employer contribution rate was 22%.

The fund is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years the actuaries review the progress of the scheme and prepare an interim valuation for the purposes of reporting under FRS 102, based on the estimates available at that time.

The performance of the scheme has been reported under FRS 102 as amended, and is based on the latest available report dated 28<sup>th</sup> May 2020.

**Notes to the financial statements** *(continued)*  
for the year ended 31 March 2020

**18 Pension costs** *(continued)*

Employee benefit obligations

The amounts relating to the assets and liabilities of the scheme are as follows:

	Assets £	Obligations £	Year ended 31 March 2020 Net liability £	Year ended 31 March 2019 Net liability £
Fair value of employer assets	9,206,000	-	9,206,000	8,377,000
Present value of funded liabilities	-	(10,575,000)	(10,575,000)	(9,290,000)
	-----	-----	-----	-----
<b>Opening Position as at 31 March 2019</b>	<b>9,206,000</b>	<b>(10,575,000)</b>	<b>(1,369,000)</b>	<b>(913,000)</b>
	-----	-----	-----	-----
Service cost				
Current service cost	-	(315,000)	(315,000)	(264,000)
	-----	-----	-----	-----
<b>Total Service Cost</b>	<b>-</b>	<b>(315,000)</b>	<b>(315,000)</b>	<b>(264,000)</b>
	-----	-----	-----	-----
Net Interest				
Interest income on plan assets	221,000	-	221,000	227,000
Interest cost on defined benefit obligation	-	(256,000)	(256,000)	(253,000)
	-----	-----	-----	-----
<b>Total net interest</b>	<b>221,000</b>	<b>(256,000)</b>	<b>(35,000)</b>	<b>(26,000)</b>
	-----	-----	-----	-----
<b>Total defined benefit cost recognised in income and expenditure</b>	<b>221,000</b>	<b>(571,000)</b>	<b>(350,000)</b>	<b>(290,000)</b>
	-----	-----	-----	-----
Cashflows				
Plan participants contributions	45,000	(45,000)	-	-
Employer contributions	160,000	-	160,000	151,000
Benefits paid	(164,000)	164,000	-	-
	-----	-----	-----	-----
<b>Expected closing position</b>	<b>9,468,000</b>	<b>(11,027,000)</b>	<b>(1,559,000)</b>	<b>(1,052,000)</b>
	-----	-----	-----	-----
Re-measurements (actuarial gains/(losses))				
Changes in demographic assumptions	-	-	-	-
Changes in financial assumptions	-	1,198,000	1,198,000	(883,000)
Other experience	-	65,000	65,000	-
Return on assets excluding amounts included in net interest	(608,000)	-	(608,000)	566,000
	-----	-----	-----	-----
<b>Total re-measurements recognised in Statement of Financial Activities</b>	<b>(608,000)</b>	<b>1,263,000</b>	<b>655,000</b>	<b>(317,000)</b>
	=====	=====	=====	=====
Fair value of plan assets	8,860,000	-	8,860,000	9,206,000
Present value of funded liabilities	-	(9,764,000)	(9,764,000)	(10,575,000)
	-----	-----	-----	-----
<b>Closing position as at 31 March 2020</b>	<b>8,860,000</b>	<b>(9,764,000)</b>	<b>(904,000)</b>	<b>(1,369,000)</b>
	=====	=====	=====	=====

**Notes to the financial statements** *(continued)*  
for the year ended 31 March 2020

**18 Pension costs** *(continued)*

FRS 102

The performance of the scheme has been reported under FRS 102 as amended.

The total amount recognised in the statement of financial activities in respect of actuarial gains and losses is a gain of £655,000 (2019: a loss of £317,000).

The fair value of the employer assets and the return on these assets is as follows:

	<b>Value 2020 £000</b>	Value 2019 £000
Equities	6,645	6,813
Bonds	974	1,105
Property	709	644
Cash	532	644
	-----	-----
<b>Total</b>	<b>8,860</b>	<b>9,206</b>
	=====	=====

The expected rates of return on employer assets are determined by reference to relevant indices. The overall expected return is calculated by weighting the individual rates in accordance with the anticipated balance in the Plan's investment portfolio.

Principal actuarial assumptions (expressed on weighted averages) at the year-end were as follows:

	<b>2020 %</b>	2019 %
Inflation/pension increase rate	1.9	2.5
Salary increase rate	3.5	4.2
Discount rates	2.3	2.4
	=====	=====

The assumptions relating to the longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial marketing tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year-old to live for a number of years as follows:

	<b>Males</b>	<b>Females</b>
Current pensioners	21.7 years	24.3 years
Future pensioners	24.7 years	27.5 years

The charity expects to contribute approximately £169,000 to its defined benefit pension scheme in the next financial year.

**Notes to the financial statements** *(continued)*  
*for the year ended 31 March 2020*

**19 Commitments**

Museums Galleries Scotland has a leasing commitment in respect of its offices at Waverley Gate, Edinburgh until 23 February 2022. The annual rental payable is £101,683.

**20 Ultimate controlling party**

The charitable company is constituted under its Memorandum and Articles of Association and is managed by its appointed directors.

**21 Related parties**

In the current year, £36,515 (2019: nil) was awarded to National Trust Scotland where Ruth Gill is a Strategy Advisor.

In the current year, £2,100 (2019: nil) was awarded to the University of Edinburgh. Diana Montador acts as a virtual board member for the University of Edinburgh Research and Innovation Team.

In the current year, £44,851 (2019: nil) was awarded to Comhairle nan Eilean Siar (Western Isles Council). Trish Botten was formerly Principal Officer at Cultural and Information Services for Comhairle nan Eilean Siar (Western Isles Council).

In the current year, £600 (2019: £4,977) was awarded to Clan Donald Lands Trust. Trish Botten is a Museum Mentor for the Museum of the Isles, Armadale Castle.

In the current year, £52,500 (2019: £30,000) was awarded to University of Glasgow. Steph Scholten is a Director of The Hunterian museum. As with other directors, Steph Scholten was not involved in decision-making where organisation he is involved with have applied to MGS for funding.

Ray Macfarlane (Chair) is also a trustee of the National Lottery Heritage Fund from whom Museums Galleries Scotland ('MGS') receives funding, but takes no part in the decision-making related to funding applied for by MGS.

**22 Going concern and post balance sheet events – Covid-19**

As at 31 March 2020 total reserves show a surplus of £470,533, with undesignated unrestricted reserves showing a surplus of £23,808. The surplus at the year end results primarily from actuarial gains in the defined benefit pension scheme in the year to 31 March 2020 that have reversed part of the overall pension scheme liability. The pension scheme liability at the year end amounted to £904,000 and as this is not immediately repayable the directors are satisfied that the charity is in a position to meet its commitments as they fall due. The pension scheme liability can be subject to large movements from year to year as a result of actuarial calculations, changes in assumptions, and asset valuations and the directors will monitor this on a continuing basis to assess the impact upon the financial position of the charity.

**Notes to the financial statements** *(continued)*  
*for the year ended 31 March 2020*

**22 Going concern and post balance sheet events – Covid-19** *(continued)*

Subsequent to the year end the impact of the pandemic on the general economy and working environment has increased significantly. The potential effect on the finances and operational activities of the charity has been assessed by management and the board, and steps have been taken to mitigate these risks as set out in more detail in the Directors' Report. At this stage, while significant elements of grant funding forecast in respect of 2020-21 has been confirmed, uncertainty remains in terms of grant income for 2021-22, and associated costs. The Directors are satisfied that confirmed funding and existing reserves, as well as mitigation taken to date, provides reasonable assurance that the charity can continue to operate for at least 12 months from the approval of these financial statements.