

Charity Registration No. SC015593 (Scotland)

Company Registration No. SC074264 (Scotland)

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

**MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
LEGAL AND ADMINISTRATIVE INFORMATION**

Directors	R MacFarlane D Montador R Gill T Botten J McLeish M Brouwers S Scholten V Muthuraman R Arthur S Jamieson S Robertson N Dinkpa M B Moran P Convery	(Appointed 19 April 2021) (Appointed 19 April 2021) (Appointed 1 January 2022) (Appointed 1 January 2022) (Appointed 1 January 2022)
------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------

CEO L Casot

Secretary L Casot

**Charity number
(Scotland)** SC015593

Company number SC074264

Registered office 33 Castle Street
Edinburgh
EH2 3DN
Tel: 0131 550 4100
www.museumgalleriesscotland.org.uk

Auditor Chiene + Tait
61 Dublin Street
Edinburgh
EH3 6NL

**MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
CONTENTS**

	Page
Directors' report	1 - 13
Independent auditor's report	14 - 16
Statement of financial activities	17 - 18
Balance sheet	19
Statement of cash flows	20
Notes to the financial statements	21 - 41

MUSEUMS GALLERIES SCOTLAND (A COMPANY LIMITED BY GUARANTEE) DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The Directors, who are also Trustees for the purposes of Charity Law, have pleasure in presenting their annual report and financial statements for the year ended 31 March 2022.

Museums Galleries Scotland (MGS) 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 the year ended 31 March 2022 and up to the point the financial statements were approved were as follows:

Ray MacFarlane (Chair)
Donna Heddle (resigned 4/2/22)
Diana Montador
Ruth Gill
Trish Botten
John McLeish
Mary Jane Brouwers
Steph Scholten
Veena Muthuraman
Rhona Arthur
Susan Jamieson (appointed 19/4/21)
Stuart Robertson (appointed 19/4/21)
Nkechinyere Edith Dinkpa (appointed 1/1/22)
Matthew Bellhouse Moran (appointed 1/1/22)
Patricia Convery (appointed 1/1/22)

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.

MUSEUMS GALLERIES SCOTLAND (A COMPANY LIMITED BY GUARANTEE) DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

Policies and procedures for induction and training of Directors

Following appointment, Directors receive a copy of the Board Handbook which alerts them to expected conduct and corporate responsibilities and contains information on MGS, including copies of previous board minutes, memorandum and articles of association, scheme of delegation, corporate plan, publications, staff information (organisational structure, roles, etc.) and details of other Board Members. Directors are invited to an induction programme with the Executive Team.

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 Executive 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 is involved in the recruitment of the Chief Executive Officer.

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.

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.

COVID19

In response to the Covid19 pandemic MGS staff continued to work from home throughout the 2021-22 financial year responding to the needs of the sector in the pandemic, with the Omicron variant towards the end of the year bringing about further restrictions.

MUSEUMS GALLERIES SCOTLAND (A COMPANY LIMITED BY GUARANTEE) DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

Principal risks and uncertainties

MGS has a Risk Management Policy, updated in November 2021, 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 Executive Team and is reported on each quarter to the Audit and Risk Committee and the Board.

Strategic

Risk: Level of MGS income insufficient to address sector needs and responsibilities.

Mitigation:

Maintain positive relationships and dialogue with the Scottish Government. Proactive briefing of new Ministerial team, new Culture Committee Chair and new MSPs.

Understand and articulate sector needs, developing a strong narrative regarding the impact of the sector and of MGS, engaging with stakeholders and promoting advocacy campaigns.

Be innovative and proactive in seeking opportunities for alternative funding streams and partnerships.

Financial

Risk: Lothian Pension Fund - MGS is vulnerable to the uncertainties of actuarial valuations, both in terms of annual contributions and net liability on the balance sheet.

Mitigation:

Engagement with Lothian Pension fund continues. Scottish Government, as our core funder, kept informed of the deficit position. The Board will review again early 2024.

Organisational

Risk: The reputational risk arising from the Empire Slavery and Scotland Museums (ESSM) Project resulting from widely divergent views and sometimes heated debate.

Mitigation:

Ensuring that the consultation is fair, representative, open and inclusive.

Ensure clarity in communications, that the recommendations are authored by the ESSM Steering Group and not by MGS, noting multiple recommendations regarding MGS's role in delivering change.

Updating MGS' own processes and provide training to protect staff from online negativity and harassment. Introduction of a register of negative online behaviours, abuse and harassment and monitor.

MUSEUMS GALLERIES SCOTLAND (A COMPANY LIMITED BY GUARANTEE) DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

Objectives and activities

Museums Galleries Scotland (MGS) is the National Development Body for the Scottish museums sector. We support 442 museums and galleries, through strategic investment, advice, advocacy, skills development and other means.

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

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

MGS leads the delivery of Going Further, the National Strategy for Scotland's Museums and Galleries. The third and final sector Delivery Plan for 2020-23 was published in March 2020. Towards the end of the year work started on a new National Strategy for the Museums and Galleries Sector to be launched in early 2023.

The Business Plan identifies the organisation's core work and four thematic priority areas. These areas are interlinked and mutually supportive and the work to deliver them is led by cross organisational and cross sector teams. MGS' core work of funding; impact and advocacy; advice and knowledge sharing, and partnerships are at the heart of how the four priority areas are delivered. These are: develop sector resilience; workforce development; respond to the climate emergency; and increase digital capacity.

MUSEUMS GALLERIES SCOTLAND (A COMPANY LIMITED BY GUARANTEE) DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

Achievements and performance

Key Achievements in our Priority Areas

▯ Develop Sector Resilience

During 2021/22 MGS continued to respond to the needs of the museums and galleries sector through additional Scottish Government funding and existing MGS funds and developing and establishing deeper relationships with partners. MGS reviewed the impact of its grants programmes and continued to be in direct contact with all of Scotland's 442 museums and galleries to ensure their needs were accounted for in funding programmes and advocacy activity.

From April 2021 to March 2022, MGS distributed a total of £4,442,004 to museums and galleries across Scotland as compared to the £8,927,932 distributed in 2020/21. This included COVID response funds made available by the Scottish Government, special funds including summer programming and Climate Beacons funds, partnership funds for COP26 community projects and with VisitScotland for Scotland's Year of Stories community projects, and MGS regular funding programmes. This funding was channelled through 9 funding streams supporting 228 organisations.

MGS met with MSPs and local authority representatives to promote the impact of the museums and galleries sector on health and wellbeing and education in Scotland. This included providing evidence to the Culture Committee, maintaining close relationships with local authorities, CoSLA and VOCAL to advocate for the civic museums and galleries sector, and leading on the development of joint manifesto for culture ahead of the local government elections.

Throughout the year MGS consulted with organisations outside the museums and galleries sector as part of an inclusive approach to preparing a new National Strategy to be published in 2023. In 2021/22 MGS engaged with the National Partnership for Culture's work to inform the delivery of the Culture Strategy, advocating strongly on the impact and contribution Scotland's museums and galleries make to the nation and national life.

MGS partnered with VisitScotland during the year to secure funding from the National Lottery Heritage Fund and Scottish Government to develop a new Community Stories Fund, dramatically broadening the value and impact of the Year of Stories themed year on communities across the country.

During the year MGS staff continued to support the work of the Empire Slavery and Scotland's Museums Steering Group including coordinating research to support the Steering Group in their work to develop recommendations to the Scottish Government. This included commissioning a major consultation on public attitudes to museums (with nearly 5000 people), and extensive research with the museum workforce around anti-racism and the legacies of historic chattel slavery, empire, and colonialism.

In 2021/22 MGS developed and delivered a sector wide marketing and PR campaign to promote museums reopening.

MGS developed the geographic forums, supporting museums and galleries to sustain local peer support networks and continued to develop and support partnerships with Highlands and Islands Enterprise through XpoNorth, reinforcing the resilience of museums and galleries in the Highlands through training and networking internationally with creative businesses.

MUSEUMS GALLERIES SCOTLAND (A COMPANY LIMITED BY GUARANTEE) DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

▮ Workforce Development

Throughout 2021/22, MGS continued to support the workforce of the museums and galleries sector, and the wider culture sector. The MGS Skills Academy continued to flourish with its programme of vocational qualifications reaching new audiences and through work with SQA and Creative and Cultural Skills, MGS was able to convert the SVQ in Museums Galleries Practice into a Modern Apprenticeship Framework in its own right and attendance and demand grew for the online MGS Knowledge Exchange events, sharing best practice throughout the Scottish sector and beyond.

As a Kickstart gateway organisation MGS successfully coordinated placements in museums and galleries across Scotland during the year, supporting 48 Kickstart placements in museums and galleries throughout Scotland, augmenting all placements to Real Living Wage, administering the scheme for the Department of Work and Pensions and providing career advice and support for placements.

MGS' NLHF supported Surviving to Thriving project continued to deliver to over forty organisations throughout Scotland, including to greenspace and built heritage organisations. This successful programme will be continued into 2022/23. The partnership with City of Glasgow College provided training on a wide range of topics relevant to the sector ranging from negotiating skills to VAT as part of the project.

In 2021/22 MGS' ILM accredited leadership programme delivered a further 28 places to further develop leadership throughout Scotland's museums and galleries and in the wider culture sector, and the organisation delivered two Culture Strategy projects: Upskilling Volunteers; and partnering with Developing the Young Workforce to highlight the possibility of creative career pathways for young people in schools high on the Social Index of Multiple Deprivation.

MGS continued to deliver the Digital Marketing Modern Apprenticeships programme to develop and increase digital skills throughout the museums and galleries sector and led with showcasing inclusive employment practices, such as creating two Modern Apprenticeship opportunities within MGS - a Digital Marketing Modern Apprentice and a Business Administration Modern Apprentice.

MGS initiated discussions throughout the sector around Fair Work, created a new fair work job opportunities page.

MUSEUMS GALLERIES SCOTLAND (A COMPANY LIMITED BY GUARANTEE) DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

▮ Responding to the Climate Emergency

During 2021/22 MGS continued to develop awareness of the role of culture and museums in responding to the climate emergency and was involved in several initiatives and partnerships arising from COP26. These included:

- ▮ supporting climate related projects around COP26 through advice and funding including:
 - Climate Beacons for COP26 in partnership with Creative Carbon Scotland and Creative Scotland
 - MGS' Climate Beacons Ideas Fund
 - A COP26 Conversations fund aimed at community events in partnership with the Scottish Library and Information Council and Historic Environment Scotland
- ▮ the production of a 10-minute film Climate Action needs Culture in partnership with Historic Environment Scotland, Creative Scotland, Scottish Libraries Information Council, National Galleries Scotland, National Libraries of Scotland, and Creative Carbon Scotland.
- ▮ the development of the Culture at COP website in partnership with the Climate Heritage Network (CHN) and Historic Environment Scotland) showcasing cultural and heritage events taking place around COP

In July 2021 MGS appointed a dedicated Climate Officer and, shortly afterwards a Climate Kickstart Placement and developed our climate commitment.

Through MGS' climate activity the organization consolidated existing partnerships and created collaborations with new partners. For example, MGS worked with Historic Environment Scotland, Creative Scotland, Scottish Libraries Information Council, National Galleries Scotland, National Libraries of Scotland, and Creative Carbon Scotland on climate activity and this group evolved into the Scottish National Culture for Climate Group (SNaCC) which will continue to collaborate across cultural and climate agendas.

Within MGS, there were increased efforts around carbon measurement and reduction and the organisation began reporting to Sustainable Scotland Network.

MGS' grants criteria around climate and sustainability criteria were strengthened – including prioritising environmental sustainability projects through the Capital Resilience grants programme.

The MGS website now includes a section on climate action providing resources and case study information and the regular Connect newsletter includes a section on climate.

MGS presented at a number of events including the Carbon Literacy session at COP26 and a session at the Museums Association conference in Liverpool in November 2021 and participated in Scottish Government Climate Week 13 - 19 September.

During the year, MGS undertook a carbon management survey for museums and galleries in Scotland, for the first time, to gather baseline data on climate related activity.

MUSEUMS GALLERIES SCOTLAND (A COMPANY LIMITED BY GUARANTEE) DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

▮ Increasing Digital Capacity

During the year MGS continued to rely on digital technology to keep connected while staff worked from home. MGS inhouse expertise supported the sector as well as MGS staff to become more confident in using technology. Programmes were developed and activity targeted at responding to gaps within the museums and galleries sector in digital skills and confidence. Examples included a programme of 1-2-1 digital mentoring for a small number of museum professionals and the development of MGS digital advice guides, published on the website.

In 2021/22 MGS developed a Digital Literacy for Leadership programme with support from the Art Fund. The programme will be delivered in 2022/23.

MGS contributed to the National Lottery Heritage Fund's Digital Attitudes and Skills for Heritage Survey (DASH) the results of which will help identify future priorities for digital development in 2022/23 and fed into UK wide digital programmes such as Towards a National Collection, to ensure that the needs of Scottish museums are met.

Throughout 2021/22, MGS undertook the initial scoping work for the development a new MGS website, consulting widely with stakeholders to ensure it meets the needs of all stakeholders and will align with the new National Strategy for the Museums and Galleries sector launching in 2023.

To reflect new partnerships in grant making during the year, MGS developed the MGSONline portal to support partnership working, and invested in inhouse digital resilience by upgrading our network security and moving to an improved, cloud based financial software product.

▮ Organisational Activity

MGS received additional funding from the Scottish Government to support sector resilience as a result of the pandemic.

During the year, MGS increased its staff team from 30 to 38 and retained Gold status from Investors in People. In January 2022 MGS moved from Waverley Gate to new premises in Castle Street Edinburgh, maximizing our opportunity to re-evaluate our space requirements and adopt a hybrid working approach. Video conferencing technology to enhance hybrid meetings has been installed into our meeting rooms as we continue to support the workforce transition into new ways of working.

Staff development and wellbeing remained a high priority for the leadership team. We hosted 43 mental health drop-in sessions for staff, and coaching sessions were available to staff.

Financial Review

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

Income

In 2021/22, MGS' total income was £10,002,226 (2020/21: £11,161,236)

Expenditure

In 2021/22 MGS' total expenditure was £6,896,357 (2020 : £10,612,010).

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.museumsqalleriesscotland.org.uk/funding/funding-overview/>

MUSEUMS GALLERIES SCOTLAND (A COMPANY LIMITED BY GUARANTEE) DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The grant schemes delivered in the year were:

1. Small Project Fund – (£500 - £10,000): This fund supported museums to deliver discrete small projects that help them improve the way they work and/or try something new. Three rounds were offered in 2021/22.
2. Museum Development Fund – (£15,000 - £60,000): This fund is designed to support Accredited museums to make strategic steps towards becoming more resilient organisations in line with the aims of the National Strategy. It is open to local authority, ALEO and independent accredited museums.
3. Covid Adaptation Fund (£150 - £7,500): This fund was set up to support museums to meet the basic and essential costs of reopening safely and in line with government guidelines.
4. Capital Resilience Fund (£3,000 - £75,000): This fund, launched in January 2022, supported capital costs that directly increase the resilience of museums, either by increasing income, reducing costs or both. Non-accredited museum applicants were capped at £20,000.

Special Funds

5. Summer Programme (£5,000 - £50,000): This fund launched in June with the aim of delivering fun, inclusive activities for children and young people following lockdown. The fund was able to support staffing costs, materials and equipment.
6. Climate Beacons Ideas Fund (£1,000 - £5,000): Launched in July, this fund was offered on an invitation only basis to museums which had expressed an interest in the Climate Beacons fund associated with COP26. The fund focused on activity that stimulated wide public engagement with COP26 themes and climate action and collaboration between museums and climate change or environmental organisations.
7. Discretionary Funds (grant size dependent on need): one discretionary grant was made using special funds from Scottish Government to the Scottish Crannog Centre to support with costs following the loss of the Crannog in the fire in June 2021 (£51,000). An award of £1,000,000 was made to the Scottish Crannog Centre to support the development of their Dalerb site. Two further awards, one for £1,300,000 to Scottish Crannog Centre and one for £450,000 to Dundee Heritage Trust to support their operating cost deficit, have been awarded and will appear in the 2022-23 accounts.

Partnership Funds

8. Conversations (up to £1,000): Launched in July this fund was a partnership with Historic Environment Scotland and the Scottish Libraries Information Council. This fund supported museums, libraries, and historic environment organisations to host a variety of public engagement events around important climate issues emerging in communities across Scotland.
9. YS22 Community Stories (£500 - £5,000): The first of two application rounds launched in August and was a partnership with VisitScotland and the National Lottery Heritage Fund. The fund was open to museums and community organisations with the aim of enabling them to share and celebrate stories that are inspired by, created or written in Scotland.

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

MUSEUMS GALLERIES SCOTLAND (A COMPANY LIMITED BY GUARANTEE) DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

Going Concern

While core Scottish Government funding has been confirmed until 31 March 2023, the directors are aware that uncertainty exists over the extent of this funding for 2023/24 and beyond. This funding is yet to be confirmed, and it is recognised that the Scottish Government's Resource Spending Review presents a tight funding envelope for culture over the next 3 years. 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 2023 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 Notes 16 and 17.

The Restricted Funds are largely made up of Grants to the sector as detailed in Note 16. These are financed by direct grants from Scottish Government and the National Lottery Heritage Fund, 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 organisation's activities.

There are 4 main Designated Funds as follows:

Discretionary Fund; Balance £10,721

- ▯ No spend in year

COVID-19 Response Fund; Balance £Nil

- ▯ This fund was established to enable MGS to respond in an agile way to needs arising from the Covid pandemic. It was fully spent in 2021 on additional staff and systems to manage the grant activity.

MGS Websites Fund; Balance £16,000

- ▯ Fund for future refresh of the MGS website. No spend in 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. Activity in year saw payment for a collaborative research activity in ICH in Scotland and recovery of contributions from project partners, MGS having paid its share in the previous year.

MUSEUMS GALLERIES SCOTLAND (A COMPANY LIMITED BY GUARANTEE) DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

Financial Results

The Statement of Financial Activities shows a year-end balance on Unrestricted Funds of £991,493 (2020/21:£1,005,718). This is before taking into account the pension deficit of £241,000 (2020/21:£1,836,000), resulting in a net balance of £750,493 (2020/21 deficit £830,282) after pension obligations. This reduction in the level of the defined benefit pension scheme deficit has contributed to an increase in the net asset position of the balance sheet from £209,759 to £5,276,628. This significant change in the level of net assets is covered in more detail below.

Income received during the year was £10,002,226 (2020/21: £11,161,236). The core grant for MGS operating costs from Scottish Government was £1,525,000 (2020/21: £1,525,000), the grant programme and capital grant programme was £900,000 and £200,000 respectively and was confirmed by the Scottish Government in advance. Additional funding was provided in stages through the year. Additional grant funds to support the sector in the recovery from COVID19 of £4,200,000 were provided late in the year with some grants awarded in 2022/23. Funding was also received for particular projects as follows: Summer Programme £438,000; Scotland's Year of Stories £272,000; Empire Slavery and Scotland's Museums £142,000; Museums Strategy Development £135,000; additional funding of £98,000 was received to assist MGS with the office move costs.

Three projects funded by the National Lottery Heritage Fund are in progress: the final year of the Skills for Success legacy programme, Forum Connections and the Business Support programme: Surviving to Thriving, with funds of £311,935 in total. The Art Fund provided £25,000 towards digital leadership training.

As in the prior year there were small amounts of other income received relating to activities such as training, consulting and events held. Investment income fell due to less favourable interest rates.

Overall charitable expenditure has reduced to £6,896,357 (2020/21:£10,612,010) with £3,750,158 allocated for projects in 2022/23.

Support costs of the charity are £656,462 (2020/21: £412,246) with increased costs in a number of areas including property (dilapidation and office move costs); Admin costs increased due to the finance function being outsourced; supplies and services increased as more projects were undertaken. Staff costs (excluding pension service costs) increased to £1,406,929 (2020/21: £1,050,493) largely due to increased headcount to deliver the additional activity. Overall the greatly increased level of activity was managed with a steady core budget.

It should be noted that included within total expenditure is £366,000 (2020/21: £122,000) of defined benefit pension scheme service cost adjustments. Excluding these adjustments, the charity would have reported net expenditure before actuarial pension scheme adjustments in unrestricted non-designated funds of £14,225 (2020/21: net income £77,910).

The unrestricted reserves at 31 March 2022, excluding Designated Funds and the Pension Fund deficit, were £991,493 (2020/21: £1,005,718).

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 £1,836,000 to £241,000 (having increased from £904,000 in 2020/21). This clearly shows the volatility of the performance of the fund. The Triennial valuation of March 2020 has set the future contributions for the next year at 23% (down from 23.2%). The Board is fully aware that this is an ongoing matter for concern and have it under review.

MUSEUMS GALLERIES SCOTLAND (A COMPANY LIMITED BY GUARANTEE) DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

Future Activity

MGS' 2022/23 activity continues to be driven by the delivery of the National Strategy 2012-22 and its final Delivery Plan covering the period from 2020 to 2022. A review of the 2012-22 strategy is being prepared and a new strategy for the sector is currently being developed and will be launched in early 2023. A new Business Plan for MGS will set out our role as the national development body in leading the delivery of the sector strategy.

A new national survey of the sector is being undertaken to provide an accurate picture of the sector at this point of transition, and a valuable baseline for the years ahead.

MGS continues to focus on the needs of the sector and delivering activity against our Business Plan priorities of Sector Resilience, Workforce Development, Climate Action and Increasing Digital Capacity.

An extensive monitoring exercise looking at the impact of grants awarded during the year through all funding streams will be undertaken. The Small Grants and Museum Development funding programmes have been launched for 2022/23.

MGS will publish its climate commitment for the museums and galleries sector underpinned by training, development and partnership working.

Development of a new website will continue, to be launched later in 2022/23.

The Business Support programme will continue for a further period with additional NLHF funding.

MGS will respond to the ESSM Steering Group recommendations presented to the Scottish Government.

Related Parties

Certain directors are involved with organisations which benefit from grant funding, the details of which are set out in note 20. The directors do not take part in decisions relating to grants awarded to these organisations.

Statement of Directors' responsibilities

The directors, who also act as trustees for the charitable activities of the charity, are responsible for preparing the Directors' Report and the 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 charity and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

In preparing these 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;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

Auditor

In accordance with the company's articles, a resolution proposing that Chiene + Tait LLP be reappointed as auditor of the company will be put at a General Meeting.

The Directors' report was approved by the Board of Directors.

Ray Macfarlane

R MacFarlane
Director

14 September 2022

**MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF MUSEUMS GALLERIES SCOTLAND**

Opinion

We have audited the financial statements of Museums Galleries Scotland for the year ended 31 March 2022 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 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 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Directors' report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Directors' report. 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.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material this gives rise to a material misstatement in the financial statements themselves. 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.

**MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE DIRECTORS OF MUSEUMS GALLERIES SCOTLAND**

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' report, which includes the directors' report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report included within 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.
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and 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.

**MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE DIRECTORS OF MUSEUMS GALLERIES SCOTLAND**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We gained an understanding of the legal and regulatory framework applicable to the charity and the sector in which it operates and considered the risk of acts by the charity which were contrary to applicable laws and regulations, including fraud. This included but was not limited to the Charities and Trustee Investment (Scotland) Act 2005, and The Charities Accounts (Scotland) Regulations 2006.

We focused on laws and regulations that could give rise to a material misstatement in the charity's financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of the Directors and key management personnel;
- review of minutes of board meetings throughout the period; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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.

Malcolm R Beveridge

Malcolm Beveridge (Senior Statutory Auditor)
For and on behalf of
CHIENE + TAIT LLP
Chartered Accountants & Statutory Auditor

61 Dublin Street
Edinburgh
EH3 6NL
05-10-22
.....

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
STATEMENT OF FINANCIAL ACTIVITIES
INCLUDING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2022

Current financial year

		Unrestricted funds general 2022 £	Unrestricted funds designated 2022 £	Restricted funds 2022 £	Total 2022 £	Total 2021 £
	Notes					
Income from:						
Donations and grants	3	1,626,000	-	61,709	1,687,709	1,525,000
Charitable activities	4	15,582	-	8,277,225	8,292,807	9,607,898
Other trading activities		1,125	-	-	1,125	2,292
Investments	5	20,585	-	-	20,585	26,046
Total income		1,663,292	-	8,338,934	10,002,226	11,161,236
Expenditure on:						
Charitable activities	6	1,711,018	34,000	4,825,339	6,570,357	10,512,010
Pension scheme adjustments	15	326,000	-	-	326,000	100,000
Total resources expended		2,037,018	34,000	4,825,339	6,896,357	10,612,010
Net (outgoing)/incoming resources before transfers		(373,726)	(34,000)	3,513,595	3,105,869	549,226
Gross transfers between funds		(6,499)	40,000	(33,501)	-	-
Net (expenditure)/income for the year/ Net (outgoing)/incoming resources		(380,225)	6,000	3,480,094	3,105,869	549,226
Other recognised gains and losses						
Actuarial gain/(loss) on defined benefit pension schemes	15	1,961,000	-	-	1,961,000	(810,000)
Net movement in funds		1,580,775	6,000	3,480,094	5,066,869	(260,774)
Fund balances at 1 April 2021		(830,282)	47,928	992,113	209,759	470,533
Fund balances at 31 March 2022	16, 17	750,493	53,928	4,472,207	5,276,628	209,759

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

All income and expenditure derive from continuing activities.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED)
INCLUDING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2022

Prior financial year

	Notes	Unrestricted funds general 2021 £	Unrestricted funds designated 2021 £	Restricted funds 2021 £	Total 2021 £
Income from:					
Donations and grants	3	1,525,000	-	-	1,525,000
Charitable activities	4	2,683	6,650	9,598,565	9,607,898
Other trading activities		2,292	-	-	2,292
Investments	5	26,046	-	-	26,046
Total income		1,556,021	6,650	9,598,565	11,161,236
Expenditure on:					
Charitable activities	6	1,500,111	40,470	8,971,429	10,512,010
Pension scheme adjustments		100,000	-	-	100,000
Total resources expended		1,600,111	40,470	8,971,429	10,612,010
Net (expenditure)/income for the year/ Net (outgoing)/incoming resources		(44,090)	(33,820)	627,136	549,226
Other recognised gains and losses					
Actuarial gain/(loss) on defined benefit pension schemes		(810,000)	-	-	(810,000)
Net movement in funds		(854,090)	(33,820)	627,136	(260,774)
Fund balances at 1 April 2020		23,808	81,748	364,977	470,533
Fund balances at 31 March 2021		(830,282)	47,928	992,113	209,759

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
BALANCE SHEET

AS AT 31 MARCH 2022

	Notes	2022		2021	
		£	£	£	£
Fixed assets					
Tangible assets	12		13,155		24,222
Current assets					
Debtors	13	6,734,205		3,750,595	
Cash at bank and in hand		3,726,528		3,984,108	
		10,460,733		7,734,703	
Creditors: amounts falling due within one year	14	(4,956,260)		(5,713,166)	
Net current assets			5,504,473		2,021,537
Total assets less current liabilities			5,517,628		2,045,759
Defined benefit pension liability	15		(241,000)		(1,836,000)
Net assets			5,276,628		209,759
Income funds					
Restricted funds	16		4,472,207		992,113
<u>Unrestricted funds</u>					
Designated funds	17	53,928		47,928	
General unrestricted funds		991,493		1,005,718	
Pension reserve		(241,000)		(1,836,000)	
			804,421		(782,354)
			5,276,628		209,759

The financial statements were approved by the Directors on 14 September 2022

Ray MacFarlane

R MacFarlane
Trustee

Mary Jane Brouwers

M Brouwers
Trustee

Company Registration No. SC074264

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	22		(278,165)		541,559
Investing activities					
Purchase of tangible fixed assets		-		(9,215)	
Investment income received		20,585		26,046	
Net cash generated from investing activities			20,585		16,831
Net cash used in financing activities			-		-
Net (decrease)/increase in cash and cash equivalents			(257,580)		558,390
Cash and cash equivalents at beginning of year			3,984,108		3,425,718
Cash and cash equivalents at end of year			<u>3,726,528</u>		<u>3,984,108</u>

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

Charity information

Museums Galleries Scotland is a private company limited by guarantee incorporated in Scotland. The registered office and principal place of business is 33 Castle Street, Edinburgh, EH2 3DN.

1.1 Accounting convention

The financial statements have been prepared in accordance with the charity's Memorandum and Articles, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Charities SORP "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)" (effective 1 January 2019).

The charity is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the Directors in furtherance of their charitable objectives.

Restricted funds are subject to specific conditions by donors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the financial statements.

Endowment funds are subject to specific conditions by donors that the capital must be maintained by the charity.

1.4 Income

Income is recognised when the charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Cash donations are recognised on receipt. Other donations are recognised once the charity has been notified of the donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Legacies are recognised on receipt or otherwise if the charity has been notified of an impending distribution, the amount is known, and receipt is expected. If the amount is not known, the legacy is treated as a contingent asset.

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

1.5 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges are allocated on the portion of the asset's use.

1.6 Tangible fixed assets

Tangible fixed assets over £1,000 are initially capitalised at cost, plus any incidental costs of acquisition, and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

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

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the statement of financial activities.

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

1.7 Impairment of fixed assets

At each reporting end date, the charity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the charity's contractual obligations expire or are discharged or cancelled.

1.10 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the charity is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

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. The contributions are invested separately from the organisation's assets.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred.

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in income/(expenditure) for the year.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other recognised gains and losses in the period in which they occur and are not reclassified to income/(expenditure) in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

2 Critical accounting estimates and judgements

In the application of the charity's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Donations and grants

	Unrestricted funds 2022 £	Restricted funds 2022 £	Total 2022 £	Total 2021 £
Grants receivable for core activities				
Scottish Government - Core Activities grants	1,525,000	-	1,525,000	1,525,000
Scottish Government - Office Move	98,000	-	98,000	-
Kickstart Income	3,000	16,643	19,643	-
AHRC	-	40,800	40,800	-
HES Contribution	-	4,266	4,266	-
	<u>1,626,000</u>	<u>61,709</u>	<u>1,687,709</u>	<u>1,525,000</u>

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

4 Charitable activities

	Total 2022 £	Total 2021 £
Grant income - Restricted		
Scottish Government - Capital	200,000	400,000
Scottish Government - Grants Programme	900,000	1,000,000
Scottish Government - Covid 19 Urgent Response Funding	-	400,000
Scottish Government - Recovery and Resilience	4,200,000	7,000,000
Scottish Government - Emergency COVID funding streams	-	230,000
Scottish Government - Empire Slavery and Scotland's Museums	142,000	135,000
Scottish Government - Climate Beacons	-	20,000
Scottish Government - Scotland's Year of Stories	272,000	100,000
Scottish Government - Summer Programmes	438,000	140,000
Scottish Government - Discretionary Grants	1,450,000	-
Scottish Government - Museums Strategy Development	135,000	-
Visit Scotland - Scotland's Years of Stories	184,948	-
NLHF Skills for success	36,017	10,901
NLHF Forum Connections	56,726	34,927
NLHF Business Support Income	219,192	65,017
COP Conversations	9,414	-
AHRC	8,928	-
Art Fund - Covid Adaptation	25,000	62,720
	<u>8,277,225</u>	<u>9,598,565</u>
Other Income - Unrestricted		
Workforce development - training	3,596	850
Partner fee - Social Enterprise Academy	-	1,450
DMMA Income	11,986	383
Other	-	-
	<u>15,582</u>	<u>2,683</u>
Income from services provided to beneficiaries - Unrestricted - designated		
Partners contributions towards ICH research	-	6,650
	<u>-</u>	<u>6,650</u>
Total income from charitable activities	<u>8,292,807</u>	<u>9,607,898</u>

5 Investment income

	Total 2022 £	Total 2021 £
Interest receivable	20,585	26,046
	<u>20,585</u>	<u>26,046</u>

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

6 Charitable activities

For the year ended 31 March 2022

	Core	Climate	Digital	Resilience	Workforce Development	Total 2022
	2022	2022	2022	2022	2022	
	£	£	£	£	£	£
Staff costs	465,985	103,788	81,993	500,356	222,437	1,374,559
Direct Programme costs	303,100	24,004	-	2,850	5,000	334,954
	<u>769,085</u>	<u>127,792</u>	<u>81,993</u>	<u>503,206</u>	<u>227,437</u>	<u>1,709,513</u>
Grants Awarded (see note 7)	2,632,930	-	-	1,510,094	-	4,143,024
Share of support costs (see note 8)	578,998	-	77,464	-	-	656,462
Share of governance costs (see note 8)	61,358	-	-	-	-	61,358
	<u>4,042,371</u>	<u>127,792</u>	<u>159,457</u>	<u>2,013,300</u>	<u>227,437</u>	<u>6,570,357</u>
Analysis by fund						
Unrestricted funds	834,079	123,792	81,993	448,717	222,437	1,711,018
Designated funds	25,000	4,000	-	-	5,000	34,000
Restricted funds	3,183,292	-	77,464	1,564,583	-	4,825,339
	<u>4,042,371</u>	<u>127,792</u>	<u>159,457</u>	<u>2,013,300</u>	<u>227,437</u>	<u>6,570,357</u>

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

6 Charitable activities

(Continued)

For the year ended 31 March 2021

	Core	Climate	Digital	Resilience	Workforce Development	Total 2021
	2021	2021	2021	2021	2021	
	£	£	£	£	£	£
Staff costs	346,452	50,949	50,949	377,022	193,606	1,018,978
Direct Programme costs	7,663	-	300	114,608	76,838	199,409
	<u>354,115</u>	<u>50,949</u>	<u>51,249</u>	<u>491,630</u>	<u>270,444</u>	<u>1,218,387</u>
Grants Awarded (see note 7)	1,440,549	-	-	7,373,385	-	8,813,934
Share of support costs (see note 8)	391,684	3,122	1,100	12,160	4,180	412,246
Share of governance costs (see note 8)	46,643	1,576	1,576	11,660	5,988	67,443
	<u>2,232,991</u>	<u>55,647</u>	<u>53,925</u>	<u>7,888,835</u>	<u>280,612</u>	<u>10,512,010</u>
Analysis by fund						
Unrestricted funds	628,297	55,647	53,925	481,630	280,612	1,500,111
Designated funds	6,650	-	-	33,820	-	40,470
Restricted funds	1,598,044	-	-	7,373,385	-	8,971,429
	<u>2,232,991</u>	<u>55,647</u>	<u>53,925</u>	<u>7,888,835</u>	<u>280,612</u>	<u>10,512,010</u>

7 Grants Awarded

	2022	2021
	£	£
Aims		
1 - Maximising the Potential	787,175	1,137,658
2 - Strengthening Connections	1,160,047	1,050,146
3 - Empowering a Diverse Workforce	248,581	1,050,146
4 - Forging a Sustainable Future	1,781,500	5,488,473
5 - Fostering a Culture of Collaboration	124,291	52,507
6 - Developing a Global Perspective	41,430	35,004
	<u>4,143,024</u>	<u>8,813,934</u>

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

The net grants awarded of £4,143,024 (2021 : £8,813,934) is made of grants awarded £4,442,004 (2021 : £8,927,932) offset by underutilised grants previously awarded of £298,980 (2021 : £113,998).

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

8 Support costs

For the year ended 31 March 2022

	Support costs	Governance costs	2022
	£	£	£
Staff costs	-	32,370	32,370
Depreciation and loss on disposal	11,067	-	11,067
Recruitment	5,014	-	5,014
Staff development	14,792	-	14,792
Property	248,745	-	248,745
Admin	70,557	-	70,557
Supplies and Services	102,892	-	102,892
IT	99,046	-	99,046
Other costs	984	-	984
Finance costs relating to defined benefit scheme (Note 15)	40,000	-	40,000
Bank Charges	1,129	-	1,129
Non-reclaimable VAT	104,639	-	104,639
Full Cost Recovery Recharge to projects	(42,403)	-	(42,403)
Audit fees	-	5,500	5,500
Legal and professional	-	23,488	23,488
	<u>656,462</u>	<u>61,358</u>	<u>717,820</u>

For the year ended 31 March 2021

	Support costs	Governance costs	2021
	£	£	£
Staff costs	-	31,515	31,515
Depreciation	14,994	-	14,994
Recruitment	912	-	912
Staff development	18,017	-	18,017
Property	164,131	-	164,131
Admin	15,079	-	15,079
Transport, travel and subsistence	(936)	-	(936)
Supplies and Services	45,017	-	45,017
IT	90,762	-	90,762
Events and conference costs	378	-	378
Other costs	1,256	-	1,256
Finance costs relating to defined benefit scheme	22,000	-	22,000
Bank Charges	1,902	-	1,902
Non-reclaimable VAT	53,700	-	53,700
Full Cost Recovery Recharge to projects	(14,966)	-	(14,966)
Audit fees	-	4,750	4,750
Legal and professional	-	27,502	27,502
HR Support	-	3,526	3,526
Board meetings	-	150	150
	<u>412,246</u>	<u>67,443</u>	<u>479,689</u>

Staff costs, support costs and governance costs have been allocated on a direct basis or an estimate of time spent.

Governance costs includes payments to the auditors of £5,500 (2021- £4,750) for audit fees.

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

9 Net movement in funds	2022	2021
	£	£
Net movement in funds is stated after charging/(crediting)		
Fees payable to the company's auditor for the audit of the company's financial statements	5,500	4,750
Depreciation of owned tangible fixed assets	10,715	14,994
Loss on disposal of tangible fixed assets	352	-
	<u> </u>	<u> </u>

10 Directors

None of the Directors (or any persons connected with them) received any remuneration or benefits from the charity during the year.

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 £273,358 (2021 : £269,047).

11 Employees

The average monthly number of employees during the year was:

	2022	2021
	Number	Number
	36	27
	<u> </u>	<u> </u>

Employment costs

	2022	2021
	£	£
Wages and salaries	1,060,563	795,207
Social security costs	103,356	73,723
Pension costs - standard contributions	241,430	180,316
Pension costs - service costs adjustments (Note 16)	326,000	100,000
Childcare vouchers	1,580	1,247
	<u> </u>	<u> </u>
	<u>1,732,929</u>	<u>1,150,493</u>

One employee earned between £70,000 and £80,000 in the year and was a member of the defined benefit pension scheme. (2021: One employee earned between £70,000 and £80,000 in the year and was a member of the defined benefit pension scheme).

No other employees earned over £60,000 (2021: No other employees earned over £60,000).

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

12 Tangible fixed assets

	Leasehold improvements	Fixtures and fittings	Office and computer equipment	Total
	£	£	£	£
Cost				
At 1 April 2021	224,242	41,633	252,545	518,420
Disposals	(224,242)	(41,633)	(4,359)	(270,234)
At 31 March 2022	-	-	248,186	248,186
Depreciation and impairment				
At 1 April 2021	224,242	37,405	232,551	494,198
Depreciation charged in the year	-	3,876	6,839	10,715
Eliminated in respect of disposals	(224,242)	(41,281)	(4,359)	(269,882)
At 31 March 2022	-	-	235,031	235,031
Carrying amount				
At 31 March 2022	-	-	13,155	13,155
At 31 March 2021	-	4,228	19,994	24,222

13 Debtors

	2022	2021
	£	£
Amounts falling due within one year:		
Trade debtors	27,791	16,145
Other debtors	-	13,790
Prepayments and accrued income	6,706,414	3,720,660
	<u>6,734,205</u>	<u>3,750,595</u>

14 Creditors: amounts falling due within one year

	2022	2021
	£	£
Other taxation and social security	53,307	23,293
Grants payable	4,757,504	5,517,551
Trade creditors	39,329	27,354
Other creditors	12,740	614
Accruals and deferred income	93,380	144,354
	<u>4,956,260</u>	<u>5,713,166</u>

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

15 Retirement benefit schemes

Defined benefit schemes

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 2022 amount to £241,430 (2021: £180,316). In the financial year to 31 March 2022 the employer contribution rate was 23%.

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 27th May 2022.

The 2022 valuation of the pension fund deficit has decreased by £1,595,000 to a deficit of £241,000. As referred to in the Trustees' report; the volatility in the performance of the pension fund is under review by the Board.

Valuation

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:

Key assumptions

	2022	2021
	%	%
Discount rate	2.7	2.00
Expected rate of increase of pensions in payment	3.2	2.85
Expected rate of salary increases	3.7	3.35
	<u> </u>	<u> </u>

Mortality assumptions

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:

	2022	2021
	Years	Years
Retiring today		
- Males	20.3	20.5
- Females	23.1	23.3
	<u> </u>	<u> </u>
Retiring in 20 years		
- Males	21.6	21.9
- Females	25.0	25.2
	<u> </u>	<u> </u>

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

15 Retirement benefit schemes **(Continued)**

Amounts recognised in the profit and loss account:

	2022	2021
	£	£
Current service cost	568,000	297,000
Net interest on defined benefit liability/(asset)	40,000	22,000
	<u>608,000</u>	<u>319,000</u>

Amounts taken to other comprehensive income:

	2022	2021
	£	£
Return on scheme assets excluding interest income	(930,000)	(1,248,000)
Actuarial changes related to obligations	(1,031,000)	2,198,000
Other gains and losses	-	(140,000)
	<u>(1,961,000)</u>	<u>810,000</u>

The amounts included in the balance sheet arising from the charity's obligations in respect of defined benefit plans are as follows:

	2022	2021
	£	£
Present value of defined benefit obligations	11,938,000	12,305,000
Fair value of plan assets	(11,697,000)	(10,469,000)
	<u>241,000</u>	<u>1,836,000</u>

Movements in the present value of defined benefit obligations:

	2022
	£
Liabilities at 1 April 2021	12,305,000
Current service cost	568,000
Benefits paid	(221,000)
Contributions from scheme members	67,000
Actuarial gains and losses	(1,031,000)
Interest cost	250,000
	<u>11,938,000</u>

The defined benefit obligations arise from plans which are wholly or partly funded.

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

15 Retirement benefit schemes

(Continued)

Movements in the fair value of plan assets:

	2022
	£
Fair value of assets at 1 April 2021	10,469,000
Interest income	210,000
Return on plan assets (excluding amounts included in net interest)	930,000
Benefits paid	(221,000)
Contributions by the employer	242,000
Contributions by scheme members	67,000
	<hr/>
At 31 March 2022	11,697,000
	<hr/> <hr/>

The fair value of plan assets at the reporting period end was as follows:

	2022	2021
	£	£
Equity instruments	8,305,000	7,642,000
Property	819,000	733,000
Bonds	1,521,000	1,256,000
Cash	1,052,000	838,000
	<hr/>	<hr/>
	11,697,000	10,469,000
	<hr/> <hr/>	<hr/> <hr/>

The charity expects to contribute approximately £240,000 to its defined benefit scheme in the next financial year.

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

16 Restricted funds

The income funds of the charity include restricted funds comprising the following unexpended balances of donations and grants held on trust for specific purposes:

For the year ended 31 March 2022

	Movement in funds				Balance at 31 March 2022
	Balance at 1 April 2021	Incoming resources	Resources expended	Transfers	
	£	£	£	£	£
Scottish Government (Grants Programme)	187,643	1,100,000	(1,085,960)	(37,152)	164,531
Scottish Government (Recovery and Resilience Fund)	91,818	-	201	(92,019)	-
Scottish Government (Revenue Resilience Fund)	-	3,000,000	(156,573)	1,094	2,844,521
Scottish Government (Capital Resilience Fund)	-	1,200,000	(1,189,426)	71,937	82,511
Scottish Government (Discretionary Grant Fund)	-	1,450,000	(1,000,000)	-	450,000
Scottish Government (Culture Strategy Grant)	25,319	-	(19,654)	(5,665)	-
Scottish Government (ESSM Fund)	117,753	142,000	(88,183)	-	171,570
Scottish Government (Museums Strategy)	-	135,000	(7,675)	-	127,325
Scottish Government (Emergency Covid funding streams)	219,797	-	(218,785)	(1,012)	-
Scotland's Year of Stories	100,000	456,948	(236,509)	-	320,439
Additional fixed term officer roles	140,000	-	(65,693)	-	74,307
NLHF Forum Connections	92,777	56,726	(49,503)	-	100,000
NLHF Business Support	1,174	219,192	(220,366)	-	-
NLHF Skills for Success	(3,768)	36,017	(23,833)	-	8,416
Art Fund	-	25,000	-	20,000	45,000
COP Conversations	-	9,414	(9,414)	-	-
AHRC	-	49,728	(52,964)	3,260	24
Summer Programmes	-	438,000	(358,568)	-	79,432
Kickstart	-	16,643	(17,152)	509	-
Fixed Asset Fund	-	-	(1,416)	5,547	4,131
Climate Beacons	20,000	-	(20,000)	-	-
SCVO Cyber Essentials Grant	(400)	-	400	-	-
HES Contribution	-	4,266	(4,266)	-	-
	<u>992,113</u>	<u>8,338,934</u>	<u>(4,825,339)</u>	<u>(33,501)</u>	<u>4,472,207</u>

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

16 Restricted funds

(Continued)

For the year ended 31 March 2021

	Movement in funds				Balance at 31 March 2021
	Balance at 1 April 2020	Incoming resources	Resources expended	Transfers	
	£	£	£	£	£
Scottish Government (Grants Programme)	340,471	1,800,000	(1,832,828)	(120,000)	187,643
Scottish Government (Recovery and Resilience Fund)	-	7,000,000	(6,908,182)	-	91,818
Scottish Government (Culture Strategy Grant)	18,260	-	(12,941)	20,000	25,319
Scottish Government (Museums Strategy)	-	135,000	(17,247)	-	117,753
Scottish Government (Emergency Covid funding streams)	-	230,000	(10,203)	-	219,797
Scotland's Year of Stories	-	100,000	-	-	100,000
Additional fixed term officer roles	-	140,000	-	-	140,000
NLHF Forum Connections	(1,150)	34,927	(41,000)	100,000	92,777
NLHF Business Support	(920)	65,017	(62,923)	-	1,174
NLHF Skills for Success	8,416	10,901	(23,085)	-	(3,768)
Art Fund	-	62,720	(62,720)	-	-
Climate Beacons	-	20,000	-	-	20,000
SCVO Cyber Essentials Grant	(100)	-	(300)	-	(400)
	364,977	9,598,565	(8,971,429)	-	992,113
	364,977	9,598,565	(8,971,429)	-	992,113

**MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022**

16 Restricted 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 for revenue purposes.

Recovery and Resilience Fund: to provide financial support to the sector as a result of the coronavirus pandemic.

Capital Resilience Fund: funding from the Scottish Government for providing grants for capital purposes.

Discretionary Grant Fund: funding from the Scottish Government for specific museums.

Culture Strategy Grant: 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.

ESSM Fund: to support the work involved in developing recommendations to Scottish Government on how the Scottish Museums and Galleries sector can better address the legacies of slavery, empire and colonialism at every level. The recommendations will also investigate how to ensure people in Scotland are aware of the role Scotland played and how that manifests itself in our society today. Work began towards the end of 2020/21 with most of the activity taking place in 2021/22.

Museums Strategy Fund: funding from the Scottish Government for developing and delivering the new National Museums Strategy.

Emergency COVID funding streams: to support the sector during the COVID-19 pandemic during 2021/22.

Scotland's Year of Stories: funding from the Scottish Government to support museums to deliver projects as part of Scotland's Year of Stories in 2022.

Additional fixed term officer roles: awarded by the Scottish Government to deliver additional programmes of work in 2021-23.

NLHF Forum Connections: the purpose of the fund is to support forums to prepare and equip themselves for the kind of collaborative work that will ultimately increase the sustainability of partner museums and their engagement with audiences.

NLHF Business Support: an 18-month capacity-building and leadership programme designed to support organisations from across Scotland's heritage sector to develop their business skills in partnership with the Built Environment Forum Scotland and greenspace Scotland.

NLHF 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.

Art Fund: funding distributed on behalf of the Art Fund by MGS through Covid Adaptation funding.

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

16 Restricted funds

(Continued)

COP Conversations: in partnership with Historic Environment Scotland and Scottish Libraries Information Council this fund will support museums, libraries and historic environment organisations to engage with the conversations around important climate issues emerging in communities across Scotland.

Arts Humanities Research Council (AHRC) funding to promote equality, diversity and inclusion in Scottish Heritage (EDISH).

Summer Programmes: funding from the Scottish Government for the summer offer for children and young people project.

Kickstart: As a Kickstart Gateway for the sector MGS progress Kickstart opportunities.

Fixed Asset Fund: Fixed assets purchased from grant funding.

Climate Beacons: in collaboration with Creative carbon Scotland for COP26, Climate Beacons supports the creation of 6 geographic beacons of climate focused partnership activity in 2021/22.

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.

Historic Environment Scotland: contribution to the development of the Culture at COP website.

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 Designated funds

The income funds of the charity include the following designated funds which have been set aside out of unrestricted funds by the trustees for specific purposes:

For the year ended 31 March 2022

	Movement in funds				Balance at 31 March 2022
	Balance at 1 April 2021	Incoming resources	Resources expended	Transfers	
	£	£	£	£	£
Discretionary Fund	10,721	-	-	-	10,721
MGS Websites Fund	10,000	-	-	6,000	16,000
ICH Fund	27,207	-	-	-	27,207
Climate Change Fund	-	-	(4,000)	4,000	-
Sector Research	-	-	(15,000)	15,000	-
Sector Marketing Support	-	-	(10,000)	10,000	-
Staff Wellbeing Fund	-	-	(5,000)	5,000	-
	<u>47,928</u>	<u>-</u>	<u>(34,000)</u>	<u>40,000</u>	<u>53,928</u>

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

17 Designated funds

(Continued)

For the year ended 31 March 2021

	Movement in funds				Balance at 1 April 2021 £
	Balance at 1 April 2020 £	Incoming resources £	Resources expended £	Transfers £	
Discretionary Fund	54,541	-	-	(43,820)	10,721
COVID-19 Response Fund	-	-	(33,820)	33,820	-
MGS Websites Fund	-	-	-	10,000	10,000
ICH Fund	27,207	6,650	(6,650)	-	27,207
	81,748	6,650	(40,470)	-	47,928
	81,748	6,650	(40,470)	-	47,928

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. Transfers were made from this fund during the year to the COVID 19 response fund and MGS Websites fund.

COVID-19 response fund: This fund was created to enable an agile response from MGS to address the issues faced by the sector as a result of the COVID-19 pandemic.

MGS Websites fund: Resources for future investment in refreshing the MGS 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 Climate Change Fund, Sector Research, Sector Marketing Support and Staff Wellbeing Fund relate to funds designated for internal purposes.

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

18 Analysis of net assets between funds

	Unrestricted funds 2022 £	Designated funds 2022 £	Restricted funds 2022 £	Total 2022 £
Fund balances at 31 March 2022 are represented by:				
Tangible assets	9,024	-	4,131	13,155
Current assets/(liabilities)	982,469	53,928	4,468,076	5,504,473
Provisions and pensions	(241,000)	-	-	(241,000)
	<u>750,493</u>	<u>53,928</u>	<u>4,472,207</u>	<u>5,276,628</u>

	Unrestricted funds 2021 £	Designated funds 2021 £	Restricted funds 2021 £	Total 2021 £
Fund balances at 31 March 2021 are represented by:				
Tangible assets	24,222	-	-	24,222
Current assets/(liabilities)	981,496	47,928	992,113	2,021,537
Provisions and pensions	(1,836,000)	-	-	(1,836,000)
	<u>(830,282)</u>	<u>47,928</u>	<u>992,113</u>	<u>209,759</u>

19 Operating lease commitments

At the reporting end date the charity had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022 £	2021 £
Within one year	52,470	93,209
Between two and five years	91,823	-
	<u>144,293</u>	<u>93,209</u>

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

20 Related party transactions

In the current year, £19,752 (2021: £22,070) was awarded to National Trust Scotland where Ruth Gill is a Strategy Advisor.

In the current year, £94,350 (2021: nil) was awarded to the National Museums Scotland where Ruth Gill is Director of Public Programmes and Patricia Convery is Head of Marketing

In the current year, £43,883 (2021: £249,516) was awarded to Gordon Highlands Museum where John McLeish is CEO.

In the current year, nil (2021: £7,305) was awarded to Hopetoun House Preservation. Ray Macfarlane is a trustee of the Hopetoun Foundation.

In the current year, £930 (2021: £5,686) was awarded to North Ayrshire Council where Rhona Arthur is Head of Connected Communities.

In the current year, £34,968 (2021: £82,916) was awarded to Scottish Football Association Museum where Rhona Arthur is a Trustee.

In the current year, £4,247 (2021: £34,527) was awarded to Robert Gordon University where Rhona Arthur is an External Examiner

In the current year, £8,650 (2021: nil) 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, £59,998 (2021: nil) was awarded to University of Glasgow. Steph Scholten is a Director of The Hunterian Museum.

In the current year, £28,777 (2021: £50,457) was awarded to the Unicorn Preservation Society, where Matthew Bellhouse Moran is Museum Manager.

No directors are involved in decision making where an organisation they are involved with has 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.

21 Going Concern

The defined benefit scheme liability reduced significantly to £241,000 (2021 :£1,836,000). At 31 March 2022 the unrestricted reserves are £750,493 (2021 : deficit £830,282).

Based on the reserves there is no going concern issue at this time, however 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.

The ongoing effect of Covid-19 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. While the majority of grant funding forecast in respect of 2022-23 has been confirmed, uncertainty remains in terms of grant income for 2023-24, and associated costs. The Directors are satisfied that confirmed funding and existing reserves provides reasonable assurance that the charity can continue to operate for at least 12 months from the approval of these financial statements.

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

22	Cash generated from operations	2022 £	2021 £
	Surplus/(deficit) for the year	3,105,869	549,226
	Adjustments for:		
	Investment income recognised in statement of financial activities	(20,585)	(26,046)
	Loss on disposal of tangible fixed assets	352	-
	Depreciation and impairment of tangible fixed assets	10,715	14,994
	Difference between pension charge and cash contributions	366,000	122,000
	Movements in working capital:		
	(Increase) in debtors	(2,983,610)	(3,560,923)
	Increase in creditors	3,141	9,652
	(Decrease)/increase in deferred income	(760,047)	3,432,656
	Cash (absorbed by)/generated from operations	(278,165)	541,559
23	Analysis of changes in net debts	2021 £	Cash flows £
	Cash at bank and in hand	3,984,108	(257,580)
		<u>3,984,108</u>	<u>3,726,528</u>