

Charity registration number SC015593 (Scotland)

Company registration number SC074264 (Scotland)

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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

Directors	Ray Macfarlane John McLeish Steph Scholten Veena Muthuraman Rhona Arthur Susan Jamieson Stuart Robertson Nkechinyere Dinkpa Matthew Moran Patricia Convery Mhairi Cross Kathleen O'Neill	(Appointed 21 November 2022) (Appointed 21 November 2022)
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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 LLP (Trading as CT)
Chartered Accountants and Statutory Auditor
Edinburgh
61 Dublin Street
EH3 6NL

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

FOR THE YEAR ENDED 31 MARCH 2023

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 2023.

Structure, governance and management

The Directors who served during the year ended 31 March 2023 and up to the point the financial statements were approved were as follows:

Ray Macfarlane	
Diana Montador	(Resigned 23 September 2022)
Trish Botten	(Resigned 14 October 2022)
Ruth Gill	(Resigned 22 March 2023)
Mary Jane Brouwers	(Resigned 14 March 2023)
John McLeish	
Steph Scholten	
Veena Muthuraman	
Rhona Arthur	
Susan Jamieson	
Stuart Robertson	
Nkechinyere Dinkpa	
Matthew Moran	
Patricia Convery	
Mhairi Cross	(Appointed 21 November 2022)
Kathleen O'Neill	(Appointed 21 November 2022)

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. They were last reviewed by the Board in March 2023.

The members of the Company are the Directors.

Recruitment and appointment of Board Members

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

Policies and procedures for induction and training of Directors

Following appointment, Directors receive a copy of the Board Handbook which 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.

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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.

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 the Head of Museum Development left MGS in the summer of 2022 and following a recruitment process the former Senior Grants Manager was appointed in the post in early 2023.

The remuneration of the key management personnel is based on broadly comparable rates of pay for similar levels of management responsibility and skills in similar organisations including Scottish public sector and local government. In late 2022/early 2023 MGS undertook a salary benchmarking exercise to inform future decisions on remuneration.

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FOR THE YEAR ENDED 31 MARCH 2023

Principal risks and uncertainties

MGS has a Risk Management Policy, updated in November 2022, 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: Following a period of growth during Covid, projected reduction in level of MGS income will be insufficient to address sector needs and responsibilities

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

Risk: Lack of capacity to provide leadership across a breadth of challenges facing the sector including global crisis, climate change, restitution, resource pressure emergency

Mitigation: Effectively communicate our responsibilities, our plan/intentions as well as proposed actions to SG, our Board, our stakeholders and staff. Ensure Business Continuity practice and appropriate delegation/succession plans are in place. Enable agile business practice and behaviours within the organisation. Ensure MGS responds appropriately to ESSM recommendations.

Financial

Risk: Pension Fund Deficit.

MGS is vulnerable to the uncertainties of actuarial valuations, both in terms of annual contributions and net liability on the balance sheet.

Mitigation: Continue engagement with Lothian Pension Fund. Keep Scottish Government updated to ensure they, as main funder, are informed of the position. Review planned for early 2024.

Organisational

Risk: Level of service delivery is not maintained through organisational change.

Mitigation: Ensure MGS has clear business priorities and organisational structure which is fit for purpose and within budget. Develop team understanding of the new Strategy and business plan. Ensure appropriate succession planning is in place.

**MUSEUMS GALLERIES SCOTLAND
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Objectives and activities

Museums Galleries Scotland (MGS) is the National Development Body for the Scottish museums sector. We support 450 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 led the delivery of *Going Further, the National Strategy for Scotland's Museums and Galleries*. This ten year strategy and the third and final Delivery Plan came to an end in March 2023. In February 2023 a new Strategy for the Museums and Galleries Sector was launched covering the years 2023-2030.

This was the final year of MGS' Business Plan 2020-2023 which 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 2023

Achievements and performance

Key Achievements in our Priority Areas

Develop Sector Resilience

During 2022-23 MGS invested in the development of a new Strategy for the Sector covering the years 2023-30. This was launched in early 2023 in Edinburgh. The new Strategy was informed by a national survey for the sector which gave a clear foundation for a new business plan for MGS for the next three years. Alongside this, a review of the past ten years covered by the existing Sector Strategy - *Going Further: The National Strategy for Scotland's Museums and Galleries* - as it came to an end was produced.

A new MGS website, reflecting the new Strategy for the Sector, was launched in early 2023. Alongside the development of the website, MGS undertook an audit of marketing and PR advice guides for the sector. These were updated, based on feedback received from individual surgeries with organisations, and visits to museums.

In 2022-23 MGS distributed £6,718,506 of funding to the sector. This included libraries, heritage, and other community organisations as part of the *Scotland's Year of Scotland's Stories* partnership fund. The value of grants awarded in 2022 increased by 51% on the previous year. This was largely due to a final tranche of COVID-response funding awarded via the Museums Recovery fund as well as additional discretionary funding from the Scottish Government, disbursed via MGS, to two organisations in particular need.

Throughout the year, MGS collaborated closely with partner organisations within the museums and galleries and wider heritage sectors and with colleagues in other sectors aligning with identified priorities, to develop the new Strategy for the Sector from 2023 to 2030.

MGS lead the development of *Delivering Change*, a 3 year programme of work aimed at enabling everyone in Scotland to participate in museums in terms of engagement and employment opportunities. This initial development phase was jointly funded by National Lottery Heritage Fund and Scottish Government.

MGS supported the Empire Slavery and Scotland's Museums Steering Group to deliver their six recommendations to the Scottish Government and met with Ministers to discuss them.

MGS' meetings with heads of Local Authority and ALEO museum services continued, exploring themes which included Climate Action, Commercial Activity and Decolonisation.

MGS delivered a second year of Forum Connections – geographic peer support networks for museums and galleries and partners - with a programme of training and access to funding. In 2022 there were 11 Forums in Scotland with a 12th set to join in 2023-24.

During 2022-23, MGS continued to deliver the Business Support Programme for the heritage sector and by the end of the year a further 20 heritage organisations were set to take part in the 2023 programme. The Business Support Programme includes comprehensive training covering Leadership, Governance, Business Planning and Community Engagement.

In addition to MGS marketing support to the sector (eg campaigns and one to one marketing support sessions), MGS delivered marketing activity in collaboration with VisitScotland. This included working with 5 micro-influencers to encourage wider audiences to visit museums and galleries in Scotland's cities. MGS celebrated museums and community events involved in *Scotland's Year of Stories 2022*, hosting a stand at a VisitScotland Parliamentary event in December 2022. MGS continues to work in partnership with TRACS, Historic Environment Scotland and Creative Scotland on Intangible Cultural Heritage.

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Workforce Development

During the year MGS committed to delivering on Fair Work, and supporting the museums and galleries sector to engage in the Fair Work agenda. This included a series of information sessions run by MGS on Fair Work. MGS revised grants conditions to ensure museums receiving funding paid the real living wage and Fair Work is a priority for the new Strategy for the Sector.

MGS was confirmed as a founding member of the Scottish Union of Supported Employment (SUSE) steering group, to support inclusion work throughout the organisation.

During the year MGS expanded Modern Apprenticeship provision further. MGS' Museums and Galleries Practice Scottish Vocational Qualification and Digital Marketing Modern Apprenticeships continued and was recognised by SQA with a rating of "high confidence", and by Skills Development Scotland with a rating of 5 (out of a possible 6) for Modern Apprenticeships delivery.

MGS delivered a series of skills sharing sessions for the sector focusing on topics such as mental health, intellectual property, consultancy and business basics, and project management.

The MGS Business Support Programme, supported by NLHF, continued during the year leading to a further procurement process for training provision to be launched in early 2023.

The Workforce for the Future programme (initially a Culture Strategy pilot programme) continued during the year with support from the Art Fund and funding from Peoples Postcode Lottery enabling a nationwide programme to be delivered during 2023-24 working with primary and secondary schools.

MGS supported a further cohort of the Leadership Programme delivered in partnership with the Social Enterprise Academy. During the year 12 participants accessed the programme remotely.

MGS hosted a celebration of Scottish Apprenticeship Week 2023 which featured a visit from MSP Sarah Boyack. 6 apprentices and two host employers attended along with MGS Skills staff.

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Responding to the Climate Emergency

In 2022 MGS published a Climate Commitment to demonstrate the organisation's ambitions for carbon literacy throughout the sector. This included a Scotland-wide survey of museums and galleries, providing a useful baseline for the future.

MGS staff delivered sessions at SPRINGBOARD: a four-day online conference hosted by Creative Carbon Scot and to explore how climate action can manifest change across the culture sector. MGS was represented on the Museums Association steering group for its climate campaign, Museums for Climate Justice.

MGS' Climate Officer is an accredited carbon literacy trainer and throughout the year he developed a programme of climate training tailored to sector needs and delivered carbon literacy training to 23 MGS staff. In February 2023 MGS achieved gold status as a Carbon Literate Organisation.

During COP27 MGS showcased a year of museums and galleries sector activity and engagement in response to the climate emergency.

In 2022-23 MGS launched the Resilience Fund which prioritised projects focused on increasing energy efficiency. 23 out of the 29 projects awarded funding involved some element of improvement to energy efficiency.

In 2022-23 MGS launched The Wild Escape in partnership with the Art Fund. This fund supported projects which celebrated UK wildlife and creativity by engaging primary school children working with collections to explore and develop an understanding of the natural world, the climate crisis, and biodiversity. 14 projects received funding. Alongside this fund, MGS partnered with the Art Fund and Museum Development UK to deliver carbon literacy training to museums and galleries in Scotland, with 10 participants across 7 organisations taking part. This project also saw MGS create and certify a new Carbon Literacy for Scotland's Museums & Galleries course in partnership with Keep Scotland Beautiful.

MGS volunteered to submit our carbon footprint to Sustainable Scotland Network. Using their reporting template, an internal carbon calculator was designed to measure MGS's activities and calculate our emissions from the UK Government's Carbon Conversion Factors. This provides a kgCO₂e figure for each unit of activity an organisation undertakes which produces emissions and are categorised as Scope 1 from owned or controlled sources, Scope 2 from generation of purchased energy and Scope 3 from consequences of activities of the company.

Not included are water consumption as this was unable to be metered. Additionally, procurement was not included due to a lack of available data. MGS will continue to measure our organisational footprint each year and will look at ways to include procurement emissions in future measurements. Procurement policies have also been changed to reflect a prioritisation of sustainability.

Carbon Footprint for 2022/2023

Scope 1 Office gas use: 1,463.01 kgCO₂e

Scope 2 Office electricity use: 1,684.879 kgCO₂e

Scope 3 Commuting: 1028.1512 kgCO₂e

Business travel: 1647.597120 kgCO₂e

Waste: 19.72976 kgCO₂e

Hotel stays: 167.5 kgCO₂e

Homeworking: 16,420.7425 kgCO₂e

Electricity Transmission and Distribution (T&D) losses: 142.072 kgCO₂e

Total emissions: 22.57 tonnes CO₂e

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Increasing Digital Capacity

In 2022-23 a new website for MGS was developed to underpin the new strategy for the museums and galleries sector. This involved considerable consultation with the sector, key stakeholders, and potential users to ensure the site would meet their needs and best anticipate future needs. A focus group of both internal and external users provided input and testing at key stages of the development. The new website was launched alongside the new strategy in early 2023.

MGS continued to promote digital confidence within the sector, through a number of initiatives including programmes such as *Digital Literacy for Leadership* in collaboration with Culture24 and with support from the ArtFund . 12 organisations participated and the programme is set to finish in May 2023 after which an evaluation report will be produced.

MGS delivered a number of 1-2-1 digital mentoring sessions and a series of support sessions and workshops which were well received by participants. MGS funding supported a number of projects with a digital component.

During 2022-23 MGS made a further 6 Digital Marketing Modern Apprenticeship places available to the sector. MGS has maintained a 100% success rate for Modern Apprenticeships.

Organisational Activity

At the end of the year a number of fixed term posts came to an end with the successful completion of funded projects and the end of additional Covid-related grant funding.

In March 2023 MGS' staff complement was 34 which included full part-time, fixed term and permanent posts. MGS' hybrid approach to working continued to work well and a new hybrid working policy was implemented. 4 in-person all staff days were arranged during the year, offering opportunity to connect with colleagues and work together across a range of areas. Regular mental health sessions continued, supported by regular staff wellbeing surveys.

MGS retained Gold accreditation status with Investors in People and towards the end of 2022 completed an employer assessment with Apt, the Public Social Partnership working to reduce the Disability Employment Gap. This has resulted in helpful recommendations and staff training opportunities which will be implemented during 2023-24.

During the year, all staff had access to training on topics addressing priority areas for MGS including decolonisation, applying a human rights-based approach, neurodiversity, and carbon literacy. The number of staff achieving carbon literate accreditation contributed to MGS's success in becoming a Gold Carbon Literate organisation.

Financial Review

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

Income

In 2022/23, MGS' total income was £5,301,329 (2021/22: £10,002,226)

Expenditure

In 2022/23 MGS' total expenditure was £9,184,895 (2021/22: £6,896,357).

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

<https://www.museumsgalleriescotland.org.uk/wp-content/uploads/2023/04/mgs-grants-awarded-2022-23.pdf>

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The grant schemes delivered in the year were:

- **Small Grants Fund – (£300 - £15,000):** This fund supported Accredited museums to deliver discrete small projects focused on building organisational resilience, re-engaging audiences, or environmental sustainability, as well as critical repairs and maintenance including collections work. One round was offered in 2022/23.
- **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 Scotland's Museums and Galleries Strategy. It is open to Accredited museums. One round was offered in 2022/23.
- **Resilience Fund (£1,500 - £50,000):** This fund was set up to increase the resilience of Accredited museums by enabling them to undertake work to reduce costs, increase income or provide support to their communities in response to increased energy and cost of living pressures. Two rounds were offered in 2022/23.
- **Museums Recovery Fund (awards capped at the equivalent of three months operating costs per applicant):** The fund was designed to provide additional financial capacity to enable museums to maintain minimum advised levels of reserves whilst continuing to adapt in response to the challenges and opportunities arising from the pandemic. One round was offered in 2022/23.

Special Funds

- **Wild Escape Fund (£500 - £3,000):** This fund supported a UK-wide participatory project led by the Art Fund to engage children with the natural environment and collections within both Accredited and non-Accredited museums. Activities were offered which culminated in a joint event across the UK on Earth Day in April 2023. One round was offered in 2022/23.
- **Forums Fund (£3,000 - £15,000):** This fund was open to geographical forums on a rolling basis throughout 2022/23. It aimed to better equip forums to work collaboratively on strategic projects and prioritised those which ensured that museum collections are enjoyed by a wider range of people.
- **Discretionary Funds (grant size dependent on need):** The second installment of the award made by Scottish Government to the Scottish Crannog Centre to support their relocation following the loss of the Crannog to fire was offered in 2022/23 for £1,300,000. Two awards were made to Dundee Heritage Trust to support their operating cost deficit of £450,000 and £250,000 to fund essential capital costs.

Partnership Funds

- **YS22 Community Stories (£500 - £5,000):** The second of two application rounds launched in 2021 were awarded in 2022/23. This 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.museumsgallerysscotland.org.uk/funding>).

Going Concern

While core Scottish Government funding has been confirmed until 31 March 2024, the directors are aware that uncertainty exists over the extent of this funding for 2024/25 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.

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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 2024 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

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 £10,745

£24 transferred from unrestricted funds.

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. No spend in year.

Sector Recovery Fund: Balance £25,000

£25,000 transferred from unrestricted fund.

Funds received for sector recovery to be spent in 2023/24.

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Financial Results

The Statement of Financial Activities shows a year-end balance on general Unrestricted Funds of £1,097,851 (2021/22: £991,493 before the pension deficit). The pension reserve is £nil (2021/22 deficit £241,000) due to the actuarial valuation at 31 March 2023 being an asset which, in line with accounting standards, has not been provided in the accounts. Designated funds have been allocated from unrestricted funds with a year end balance of £78,952 (2021/22 : £53,928).

Income received during the year was £5,301,329 (2021/22: £10,002,226). The core grant for MGS operating costs from Scottish Government was £1,524,000 (2021/22: £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 capital grant funds for museum resilience of £475,000 were provided late in the year. A discretionary grant award of £1,300,000 was confirmed in 2021/22 and received and distributed in 2022/23. Funding was also received the project Scotland's Year of Stories of £265,551 (2021/22: £272,000).

Three projects funded by the National Lottery Heritage Fund are in progress: Forum Connections, the Business Support programme and Delivering Change: with funds of £271,451 in total.

The Art Fund provided £66,768 for Great Escape Fund and Workforce for the future.

People's Postcode Lottery provided grants for participatory grants and workforce for the future of £150,000 in the year.

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 has increased due to more favourable interest rates.

Overall charitable expenditure, including pension adjustments, has increased to £9,184,895 (2021/22: £6,896,357). This is largely due to the award of Covid recovery grants awarded in March 2022 (2021-22 financial year) and distributed in April 2022.

Support costs of the charity have decreased to £596,625 (2021/22: £656,462). Staff costs (excluding pension service costs) increased to £1,633,023 (2021/22: £1,406,929) largely due to increased headcount to deliver the additional activity. Support costs in the year included the delivery of new National Strategy, national sector survey and a new MGS website. Overall this high level of activity was managed with a steady core budget.

It should be noted that included within total expenditure is £308,000 (2021/22: £366,000) of defined benefit pension scheme service cost adjustments. Excluding these adjustments, the charity would have reported net income before actuarial pension scheme adjustments in unrestricted non-designated funds of £131,538 (2021/22: net expenditure £14,225).

The unrestricted reserves at 31 March 2023, excluding Designated Funds, were £1,097,851 (2021/22: £991,493 excluding the pension deficit).

At 31 March 2023 the pension scheme was valued at £4,237,000 of net asset (2021/22 net liability £241,000). In line with accounting standards this asset has not been recognised in the accounts. The pension scheme valuation 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 improved in the year from £241,000 deficit to £4,237,000 of an asset. This clearly shows the volatility of the performance of the fund. The Triennial valuation of March 2020 set the future contributions for the year at 22.8% (down from 23%). The Board continues to review the pension position.

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Future Activity

MGS' 2023/24 activity will be driven by delivery of the *Scotland's Museums and Galleries Strategy 2023-2030* and a new Business Plan for MGS 2023-26 which sets out how we will deliver against the three strands of the strategy: Workforce, Resilience and Connection. Cross-team working groups will connect with external partners to develop and deliver the 10 areas of the strategy. We will communicate regularly with the sector to share our activity and the work of Scotland's museums and galleries.

During the year MGS will continue to monitor the impact of the challenging financial environment on Scotland's museums and galleries and endeavor to ensure our programming meets the sector's needs.

We will continue to use our grant programmes to support the sector in delivering the strategy and to meet the needs of museums and galleries.

We will augment our core-funded activity with funded projects, including the last year of both the NLHF funded Forum Connections and Surviving to Thriving projects; we will expand delivery of our Workforce for the Future programme with support from both the Art Fund and Peoples' Postcode Lottery Culture Trust and we aim to launch a new project, Delivering Change, to support long-term activity to increase the diversity of the sector and how it engages with all audiences through participatory practice.

Our Skills Academy will continue to deliver Modern Apprenticeships in Digital Marketing and Museums and Galleries Technician and we will work with partners to develop new skills activity that meets identified gaps.

We will continue to champion the sector through our communications and advocacy activity.

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

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Auditor

At an AGM in December 2021 the Board of MGS reappointed Chiene + Tait LLP, now trading as CT, as auditor of the company for a 5 year term until 31 March 2026.

Disclosure of information to auditor

Each of the Directors has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

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

Ray Macfarlane

Director

13 September 2023

**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 2023 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 2023 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 Beveridge CA (Senior Statutory Auditor)
For and on behalf of
CT
Chartered Accountants and Statutory Auditor
Edinburgh
EH3 6NL

18 September 2023

C+T is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
STATEMENT OF FINANCIAL ACTIVITIES
INCLUDING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2023

Current financial year

		Unrestricted funds	Unrestricted funds general designated	Restricted funds	Total	Total
	Notes	2023 £	2023 £	2023 £	2023 £	2022 £
Income from:						
Donations and grants	3	1,525,443	-	-	1,525,443	1,687,709
Charitable activities	4	22,581	-	3,691,162	3,713,743	8,292,807
Other trading activities		2,500	-	-	2,500	1,125
Investments	5	59,643	-	-	59,643	20,585
Total income		1,610,167	-	3,691,162	5,301,329	10,002,226
Expenditure on:						
Charitable activities	6	1,884,761	-	7,002,134	8,886,895	6,570,357
Pension scheme adjustments	15	298,000	-	-	298,000	326,000
Total resources expended		2,182,761	-	7,002,134	9,184,895	6,896,357
Net (outgoing)/incoming resources before transfers		(572,594)	-	(3,310,972)	(3,883,566)	3,105,869
Gross transfers between funds		370,952	25,024	(395,976)	-	-
Net (expenditure)/income for the year/ Net (outgoing)/incoming resources		(201,642)	25,024	(3,706,948)	(3,883,566)	3,105,869
Other recognised gains and losses						
Actuarial gain on defined benefit pension schemes	15	549,000	-	-	549,000	1,961,000
Net movement in funds		347,358	25,024	(3,706,948)	(3,334,566)	5,066,869
Fund balances at 1 April 2022		750,493	53,928	4,472,207	5,276,628	209,759
Fund balances at 31 March 2023	16, 17	1,097,851	78,952	765,259	1,942,062	5,276,628

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 2023

Prior financial year

		Unrestricted funds general	Unrestricted funds designated	Restricted funds	Total
	Notes	2022 £	2022 £	2022 £	2022 £
Income from:					
Donations and grants	3	1,626,000	-	61,709	1,687,709
Charitable activities	4	15,582	-	8,277,225	8,292,807
Other trading activities		1,125	-	-	1,125
Investments	5	20,585	-	-	20,585
Total income		1,663,292	-	8,338,934	10,002,226
Expenditure on:					
Charitable activities	6	1,711,018	34,000	4,825,339	6,570,357
Pension scheme adjustments		326,000	-	-	326,000
Total resources expended		2,037,018	34,000	4,825,339	6,896,357
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
Other recognised gains and losses					
Actuarial gain on defined benefit pension schemes		1,961,000	-	-	1,961,000
Net movement in funds		1,580,775	6,000	3,480,094	5,066,869
Fund balances at 1 April 2021		(830,282)	47,928	992,113	209,759
Fund balances at 31 March 2022		750,493	53,928	4,472,207	5,276,628

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

AS AT 31 MARCH 2023

		2023	2022
	Notes	£	£
Fixed assets			
Tangible assets	12	7,280	13,155
Current assets			
Debtors	13	1,406,493	6,734,205
Cash at bank and in hand		5,563,255	3,726,528
		6,969,748	10,460,733
Creditors: amounts falling due within one year	14	(5,034,966)	(4,956,260)
Net current assets		1,934,782	5,504,473
Total assets less current liabilities		1,942,062	5,517,628
Defined benefit pension (liability)/surplus	15	-	(241,000)
Net assets		1,942,062	5,276,628
Income funds			
Restricted funds	16	765,259	4,472,207
<u>Unrestricted funds</u>			
Designated funds	17	78,952	53,928
General unrestricted funds		1,097,851	991,493
Pension reserve		-	(241,000)
		1,176,803	804,421
		1,942,062	5,276,628

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements were approved by the Directors on 13 September 2023

Ray Macfarlane
Trustee

Susan Jamieson
Trustee

Company registration number SC074264

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

		2023		2022	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	22		1,777,085		(278,165)
Investing activities					
Proceeds from disposal of tangible fixed assets		(1)		-	
Investment income received		59,643		20,585	
Net cash generated from investing activities			59,642		20,585
Net cash used in financing activities			-		-
Net increase/(decrease) in cash and cash equivalents			1,836,727		(257,580)
Cash and cash equivalents at beginning of year			3,726,528		3,984,108
Cash and cash equivalents at end of year			5,563,255		3,726,528

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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.

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

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.

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 2023

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 general 2023 £	Unrestricted funds general 2022 £	Restricted funds 2022 £	Total 2022 £
Governmental Grants	1,525,443	1,626,000	61,709	1,687,709
Donations and grants				
Grants receivable for core activities				
Scottish Government - Core Activities grants	1,524,003	1,525,000	-	1,525,000
Scottish Government - Office Move	-	98,000	-	98,000
Kickstart Income	1,440	3,000	16,643	19,643
AHRC	-	-	40,800	40,800
HES Contribution	-	-	4,266	4,266
	1,525,443	1,626,000	61,709	1,687,709

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

4 Charitable activities

	Total 2023 £	Total 2022 £
Grant income - Restricted		
Scottish Government - Capital	200,000	200,000
Scottish Government - Grants Programme	900,000	900,000
Scottish Government - Museum Resilience	475,000	-
Scottish Government - Recovery and Resilience	-	4,200,000
Scottish Government - Empire Slavery and Scotland's Museums	-	142,000
Scottish Government - Scotland's Year of Stories	265,551	272,000
Scottish Government - Summer Programmes	-	438,000
Scottish Government - Discretionary Grants	1,300,000	1,450,000
Scottish Government - Museums Strategy Development	-	135,000
Visit Scotland - Scotland's Years of Stories	62,392	184,948
NLHF Skills for success	-	36,017
NLHF Forum Connections	52,126	56,726
NLHF Business Support Income	144,776	219,192
NLHF Delivering Change	74,549	-
COP Conversations	-	9,414
AHRC	-	8,928
Art Fund - Covid Adaptation	-	25,000
Art Fund - Great Escape Fund	39,268	-
Art Fund - Workforce for the Future	27,500	-
People's Postcode Lottery - Participatory Grants	105,445	-
People's Postcode Lottery - Workforce for the Future	44,555	-
	<u>3,691,162</u>	<u>8,277,225</u>
Other Income - Unrestricted		
Workforce development - training	7,835	3,596
DMMA Income	10,926	11,986
The Great Escape Room fee	3,640	-
Climate Income	180	-
	<u>22,581</u>	<u>15,582</u>

5 Investment income

	Total 2023 £	Total 2022 £
Interest receivable	<u>59,643</u>	<u>20,585</u>

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

6 Charitable activities

For the year ended 31 March 2023

	Core	Climate	Digital	Resilience	Workforce Development	Total 2023
	2023	2023	2023	2023	2023	
	£	£	£	£	£	£
Staff costs	564,412	91,402	64,803	635,759	236,091	1,592,467
Direct Programme costs	1,002	-	28,677	144,940	57	174,676
	<u>565,414</u>	<u>91,402</u>	<u>93,480</u>	<u>780,699</u>	<u>236,148</u>	<u>1,767,143</u>
Grants Awarded (see note 7)	2,258,570	562,775	16,232	3,112,409	501,536	6,451,522
Share of support costs (see note 8)	596,265	-	-	-	-	596,265
Share of governance costs (see note 8)	71,965	-	-	-	-	71,965
	<u>3,492,214</u>	<u>654,177</u>	<u>109,712</u>	<u>3,893,108</u>	<u>737,684</u>	<u>8,886,895</u>
Analysis by fund						
Unrestricted funds	856,706	91,402	64,803	635,759	236,091	1,884,761
Restricted funds	2,635,508	562,775	44,909	3,257,349	501,593	7,002,134
	<u>3,492,214</u>	<u>654,177</u>	<u>109,712</u>	<u>3,893,108</u>	<u>737,684</u>	<u>8,886,895</u>

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

6 Charitable activities (Continued)

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>

7 Grants Awarded

	2023 £	2022 £
Aims		
1 - Maximising the Potential	85,435	843,981
2 - Strengthening Connections	660,091	1,243,761
3 - Empowering a Diverse Workforce	161,347	266,520
4 - Forging a Sustainable Future	5,772,999	1,910,062
5 - Fostering a Culture of Collaboration	8,634	133,260
6 - Developing a Global Perspective	30,000	44,420
	<u>6,718,506</u>	<u>4,442,004</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 £6,451,522 (2022 : £4,143,024) is made of grants awarded £6,718,506 (2022 : £4,442,004) offset by underutilised grants previously awarded of £266,984 (2022 : £298,980).

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

8 Support costs

For the year ended 31 March 2023

	Support costs	Governance costs	2023
	£	£	£
Staff costs	-	40,556	40,556
Depreciation and loss on disposal	5,874	-	5,874
Recruitment	5,632	-	5,632
Staff development	28,631	-	28,631
Property	109,189	-	109,189
Admin	95,193	-	95,193
Supplies and Services	182,392	-	182,392
IT	170,901	-	170,901
Finance costs relating to defined benefit scheme (Note 15)	10,000	-	10,000
Bank Charges	974	-	974
Full Cost Recovery Recharge to projects	(12,521)	-	(12,521)
Audit fees	-	7,100	7,100
Legal and professional	-	24,309	24,309
	<u>596,265</u>	<u>71,965</u>	<u>668,230</u>

For the year ended 31 March 2022

	Support costs	Governance costs	2022
	£	£	£
Staff costs	-	32,370	32,370
Depreciation	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	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>

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 £7,100 (2022- £5,500) for audit fees.

MUSEUMS GALLERIES SCOTLAND
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

9	Net movement in funds	2023	2022
		£	£
	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	7,100	5,500
	Depreciation of owned tangible fixed assets	5,874	10,715
	Loss on disposal of tangible fixed assets	-	353
		=====	=====

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 £296,855 (2022 : £273,358).

11 Employees

The average monthly number of employees during the year was:

	2023	2022
	Number	Number
	39	36
	=====	=====
Employment costs	2023	2022
	£	£
Wages and salaries	1,232,380	1,060,896
Social security costs	121,881	103,356
Pension costs - standard contributions	277,182	241,430
Pension costs - service costs adjustments (Note 15)	298,000	326,000
Childcare vouchers	1,580	1,247
	=====	=====
	1,931,023	1,732,929
	=====	=====

Included in wages and salaries were payments relating to termination of employment amounting to £28,322 (2022: £nil).

One employee earned between £70,000 and £80,000 in the year and was a member of the defined benefit pension scheme. (2022: 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 (2022: No other employees earned over £60,000).

MUSEUMS GALLERIES SCOTLAND
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

12 Tangible fixed assets

	Office and computer equipment £
Cost	
At 1 April 2022	248,185
At 31 March 2023	248,185
Depreciation and impairment	
At 1 April 2022	235,031
Depreciation charged in the year	5,874
At 31 March 2023	240,905
Carrying amount	
At 31 March 2023	7,280
At 31 March 2022	13,155

13 Debtors

	2023 £	2022 £
Amounts falling due within one year:		
Trade debtors	21,571	27,791
Prepayments and accrued income	1,384,922	6,706,414
	1,406,493	6,734,205

14 Creditors: amounts falling due within one year

	2023 £	2022 £
Other taxation and social security	27,384	53,307
Grants payable	4,817,895	4,757,504
Trade creditors	82,872	39,329
Other creditors	30,522	39,342
Accruals and deferred income	76,293	66,778
	5,034,966	4,956,260

MUSEUMS GALLERIES SCOTLAND
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

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 2023 amount to £277,182 (2022: £241,430). In the financial year to 31 March 2023 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 April 2023.

The 2023 valuation of the pension fund has increased from net liability of £241,000 at 31 March 2022 by £4,478,000 to a net asset of £4,237,000. In accordance with the financial standards the asset has not been recognised.

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

	2023	2022
	%	%
Discount rate	4.75	2.7
Expected rate of increase of pensions in payment	2.95	3.2
Expected rate of salary increases	3.45	3.7
	==	==

MUSEUMS GALLERIES SCOTLAND
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

15 Retirement benefit schemes

(Continued)

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:

	2023	2022
	Years	Years
Retiring today		
- Males	19.9	20.3
- Females	22.9	23.1
	=====	=====
Retiring in 20 years		
- Males	21.2	21.6
- Females	24.7	25.0
	=====	=====

Amounts recognised in the profit and loss account:

	2023	2022
	£	£
Current service cost	577,000	568,000
Net interest on defined benefit liability/(asset)	10,000	40,000
	=====	=====
Total costs	587,000	608,000
	=====	=====

Amounts taken to other comprehensive income:

	2023	2022
	£	£
Return on scheme assets excluding interest income	(21,000)	(930,000)
Actuarial changes related to obligations	(4,765,000)	(1,031,000)
	=====	=====
Total costs/(income)	(4,786,000)	(1,961,000)
	=====	=====

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

	2023	2022
	£	£
Present value of defined benefit obligations	12,195,000	11,938,000
Fair value of plan assets	(12,195,000)	(11,697,000)
	=====	=====
Deficit in scheme	-	241,000
	=====	=====

MUSEUMS GALLERIES SCOTLAND
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

15 Retirement benefit schemes

(Continued)

Movements in the present value of defined benefit obligations:

	2023
	£
Liabilities at 1 April 2022	11,938,000
Current service cost	577,000
Benefits paid	(198,000)
Contributions from scheme members	78,000
Actuarial gains and losses	(4,765,000)
Interest cost	328,000
Adjustment for asset not recognised	4,237,000
	<hr/>
At 31 March 2023	12,195,000
	<hr/> <hr/>

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

Movements in the fair value of plan assets:

	2023
	£
Fair value of assets at 1 April 2022	11,697,000
Interest income	318,000
Return on plan assets (excluding amounts included in net interest)	21,000
Benefits paid	(198,000)
Contributions by the employer	279,000
Contributions by scheme members	78,000
	<hr/>
At 31 March 2023	12,195,000
	<hr/> <hr/>

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

	2023	2022
	£	£
Equity instruments	8,902,000	8,305,000
Property	854,000	819,000
Bonds	1,707,000	1,521,000
Cash	732,000	1,052,000
	<hr/>	<hr/>
	12,195,000	11,697,000
	<hr/> <hr/>	<hr/> <hr/>

The charity expects to contribute approximately £277,000 to its defined benefit scheme in the next financial year.

MUSEUMS GALLERIES SCOTLAND
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

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 2023

	Movement in funds				
	Balance at 1 April 2022	Incoming resources	Resources expended	Transfers	Balance at 31 March 2023
	£	£	£	£	£
Scottish Government (Grants Programme)	164,531	900,000	(287,086)	(542,870)	234,575
Scottish Government (Capital Fund)	-	675,000	(762,872)	87,872	-
Scottish Government (Revenue Resilience Fund)	2,844,521	-	(2,883,154)	38,633	-
Scottish Government (Capital Resilience Fund)	82,511	-	67,644	(150,155)	-
Scottish Government (Discretionary Grant Fund)	450,000	1,300,000	(2,000,000)	250,000	-
Scottish Government (Summer Programme)	79,432	-	-	(79,432)	-
Scottish Government (ESSM Fund)	171,570	-	(49,998)	(22,464)	99,108
Scottish Government (Museums Strategy)	127,325	-	(109,907)	-	17,418
Scottish Government (Scotland's Years of Stories)	282,567	265,551	(532,039)	(16,079)	-
PPL Participatory Grants	-	105,445	-	-	105,445
Additional fixed term officer roles	74,307	-	-	-	74,307
NLHF Forum Connections	100,000	52,126	(69,396)	-	82,730
NLHF Business Support	-	144,776	(144,776)	-	-
NLHF Skills for Success	8,416	-	(8,416)	-	-
NLHF Delivering Change	-	74,549	(74,549)	22,464	22,464
Art Fund - Covid Adaption funding	45,000	-	(28,628)	-	16,372
AHRC	24	-	-	(24)	-
Art Fund - Great Escape Fund	-	39,268	(36,746)	-	2,522
Fixed Asset Fund	4,131	-	(1,416)	-	2,715
Art Fund Workforce for the Future	-	27,500	-	-	27,500
PPL Workforce for the Future	-	44,555	-	-	44,555
Visit Scotland - Scotland's Years of Stories	37,872	62,392	(80,795)	16,079	35,548
	<u>4,472,207</u>	<u>3,691,162</u>	<u>(7,002,134)</u>	<u>(395,976)</u>	<u>765,259</u>

MUSEUMS GALLERIES SCOTLAND
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

16 Restricted funds

(Continued)

For the year ended 31 March 2022

	Movement in funds			
	Balance at 1 April 2021	Incoming resources	Resources expended	Transfers
	£	£	£	£
Scottish Government (Grants Programme)	187,643	1,100,000	(1,085,960)	(37,152)
Scottish Government (Recovery and Resilience Fund)	91,818	-	201	(92,019)
Scottish Government (Revenue Resilience Fund)	-	3,000,000	(156,573)	1,094
Scottish Government (Capital Resilience Fund)	-	1,200,000	(1,189,426)	71,937
Scottish Government (Discretionary Grant Fund)	-	1,450,000	(1,000,000)	-
Scottish Government (Culture Strategy Grant)	25,319	-	(19,654)	(5,665)
Scottish Government (ESSM Fund)	117,753	142,000	(88,183)	-
Scottish Government (Museums Strategy)	-	135,000	(7,675)	-
Scottish Government (Emergency Covid Funding streams)	219,797	-	(218,785)	(1,012)
Scottish Government (Scotland's Year of Stories)	100,000	382,448	(199,881)	-
Visit Scotland - Scotland's Year of Stories	-	74,500	(36,628)	-
Additional fixed term officer roles	140,000	-	(65,693)	-
NLHF Forum Connections	92,777	56,726	(49,503)	-
NLHF Business Support	1,174	219,192	(220,366)	-
NLHF Skills for Success	(3,768)	36,017	(23,833)	-
Art Fund	-	25,000	-	20,000
COP Conversations	-	9,414	(9,414)	-
AHRC	-	49,728	(52,964)	3,260
Summer Programmes	-	438,000	(358,568)	-
Kickstart	-	16,643	(17,152)	509
Fixed Asset Fund	-	-	(1,416)	5,547
Climate Beacons	20,000	-	(20,000)	-
SCVO Cyber Essentials Grant	(400)	-	400	-
HES Contribution	-	4,266	(4,266)	-
	992,113	8,338,934	(4,825,339)	(33,501)
	4,472,207			

MUSEUMS GALLERIES SCOTLAND
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

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.

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

Revenue 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.

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

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.

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

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.

PPL Participatory grants: grant funding to support museums to develop their participatory practice with communities

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.

NLHF Delivering Change: development grant to develop a 3 year project to support museums to make changes to their organisations and programming to help all people to access culture and prepare a full application

Art Fund: funding to deliver the Digital Literacy for Leadership programme.

MUSEUMS GALLERIES SCOTLAND
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

16 Restricted funds

(Continued)

Fixed Asset Fund: Fixed assets purchased from grant funding.

Art Fund Workplace for the Future: grant funding to support employability project promoting cultural careers in primary schools in low SIMD areas.

PPL Work place for the Future: grant funding to support employability project promoting cultural careers in secondary schools in low SIMD areas

Visit Scotland: Scotland's Year of Stories funding to support museums to deliver projects as part of Scotland's Year of Stories.

The Scottish Government agreed for transfers to be made between the different categories of grant programmes it funds to enable the most effective use of resources. Scottish Government also agreed that a proportion of restricted funds could be used to meet the costs of distributing funding and supporting project delivery.

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:

	Balance at 1 April 2021 £	Resources expended £	Transfers £	Balance at 1 April 2022 £	Transfers £	Balance at 31 March 2023 £
Discretionary Fund	10,721	-	-	10,721	24	10,745
MGS Websites Fund	10,000	-	6,000	16,000	-	16,000
ICH Fund	27,207	-	-	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	-	-	-
Sector Recovery Fund	-	-	-	-	25,000	25,000
	<u>47,928</u>	<u>(34,000)</u>	<u>40,000</u>	<u>53,928</u>	<u>25,024</u>	<u>78,952</u>

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

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.

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.

The **Sector Recovery Fund** relates to funds received in 2021/22 to be utilised in 2023/24.

MUSEUMS GALLERIES SCOTLAND
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

18 Analysis of net assets between funds

	Unrestricted funds 2023 £	Designated funds 2023 £	Restricted funds 2023 £	Total 2023 £
Fund balances at 31 March 2023 are represented by:				
Tangible assets	4,565	-	2,715	7,280
Current assets/(liabilities)	1,093,286	78,952	762,544	1,934,782
	<u>1,097,851</u>	<u>78,952</u>	<u>765,259</u>	<u>1,942,062</u>

	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>

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:

	2023 £	2022 £
Within one year	62,964	52,470
Between two and five years	41,976	91,823
	<u>104,940</u>	<u>144,293</u>

MUSEUMS GALLERIES SCOTLAND
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FOR THE YEAR ENDED 31 MARCH 2023

20 Related party transactions

In the current year, £157,960 (2022: £nil) was awarded to the National Mining Museum of Scotland where Mhairi Cross is CEO.

In the current year, £50,058 (2022: £34,968) was awarded to Scottish Football Association Museum where Rhona Arthur is a Director.

In the current year, £81,500 (2022: £28,777) was awarded to the Unicorn Preservation Society, where Matthew Bellhouse Moran is Director.

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

At 31 March 2023 the defined benefit scheme opening liability of £241,000 has improved to a net asset of £4,237,000. At 31 March 2023 the unrestricted reserves are £1,176,803 (2022 : £750,493 - excluding the pension liability).

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

While grant funding for 2023-24 has been confirmed, uncertainty remains in terms of grant income for 2024-25, 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.

22 Cash generated from operations	2023	2022
	£	£
(Deficit)/surplus for the year	(3,883,566)	3,105,869
Adjustments for:		
Investment income recognised in statement of financial activities	(59,643)	(20,585)
(Gain)/loss on disposal of tangible fixed assets	-	352
Depreciation and impairment of tangible fixed assets	5,874	10,715
Difference between pension charge and cash contributions	308,000	366,000
Movements in working capital:		
Decrease/(increase) in debtors	5,327,714	(2,983,610)
Increase in creditors	18,315	3,141
Increase/(decrease) in deferred income	60,391	(760,047)
Cash generated from/(absorbed by) operations	1,777,085	(278,165)

MUSEUMS GALLERIES SCOTLAND
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

23 Analysis of changes in net debts

	2022	Cash flows	2023
	£	£	£
Cash at bank and in hand	3,726,528	1,836,727	5,563,255
	<u> </u>	<u> </u>	<u> </u>

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