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National Galleries of Scotland  
73 Belford Road  
Edinburgh  
EH4 3DS

Ur faidhle/Your ref :  
Ar faidhle/Our ref :  
7 February 2018

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## BUDGET ALLOCATION AND MONITORING: 2017-18 (REVISED)

### Purpose

I am writing, on behalf of the Scottish Ministers, to confirm the budget and associated grant in aid allocated to the National Galleries of Scotland (NGS) for 2017-18, and to provide guidance on related matters. This letter also sets out the arrangements for monitoring the budget and for (re)profiling and drawing down grant in aid. The use of resources must be in accordance with the agreed corporate plans, NGS's framework document, and any relevant guidance issued by the Scottish Ministers, in particular the Scottish Public Finance Manual. Relevant guidance may also include the setting out, from time to time, of expectations for the way that NGS operates in support of Ministers' policy aims and objectives for the public sector as a whole. This letter supersedes that of 6 April 2017.

### Ministerial Priorities

Grant-in-aid is paid to enable the National Galleries of Scotland to fulfil its statutory functions and to deliver Scottish Ministers' strategic objectives that underpin its core purpose - to create a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. The 5 strategic objectives are Wealthier and Fairer, Healthier, Safer and Stronger, Smarter, and Greener - <http://www.gov.scot/About/Performance/purposestratobjis>

NGS will contribute to the National Outcomes and National Performance Framework as set out in the approved 2016-20 NGS Corporate Plan, and towards the key themes of the Programme for Government <http://www.gov.scot/About/Performance/programme-for-government>

2017 is the Year of History, Heritage and Archaeology. The latest in the Themed Years programme, YHHA will shine a spotlight on Scotland's greatest assets and icons, as well as our many hidden gems. We would encourage you to work with key partners to maximise the opportunities provided by the themed year; and to consider activities you can undertake to support the following Year of Young



People in 2018 which will offer wide ranging opportunities to celebrate the contribution of young people to Scottish life and society.

NGS will follow the guidance set out in the Scottish Public Finance Manual, where that does not conflict with NGS's obligations under charities legislation, or any agreed freedoms set out in NGS's framework document approved by Scottish Ministers.

Culture has a vital role to play in enriching the lives of all Scotland's communities and in promoting Scotland on the international stage as a modern dynamic nation. We will expect NGS to consider the potential impact of resource expenditure on different people in society and across the "protected" grounds as outlined in the Equality Act 2010 to ensure equality of access to culture is protected and promoted

## Budget

Your detailed budget for 2017-18, disaggregated in terms of the relevant expenditure classifications on the HM Treasury database, is shown in **Annex A**. In summary, your budget for 2017-18 is:

	2017-18	Notes
Resource DEL	12,970	①②
Ring-fenced (or "non cash") DEL	2,500	①③
Capital DEL (Purchases)	200	①④
Capital DEL	3,750	①④
Non-cash DEL cover	0	⑥
<b>Total DEL</b>	<b>19,420</b>	①
Expenditure classed as AME	0	⑤
<b>Total budget</b>	<b>19,420</b>	

① DEL is the "Departmental Expenditure Limit" as defined by HM Treasury. The Scottish Government's DEL budget limits are determined by the Barnett formula and are not negotiable.

② Comprises wages and salaries and operating costs offset by trading and other resource income.

③ Ring fenced DEL comprises depreciation, amortisation and impairment (if it does not qualify as AME – see below).

④ Comprises capital grants and additions to non-current assets offset by the net book value of disposals of non-current assets.

⑤ AME is "Annually Managed Expenditure", which covers expenditure which HMT accepts is volatile and is therefore subject to different controls. Examples are some pension adjustments and some impairments.

Transfers of budgetary provision **between** the 4 classifications in the table above (Resource DEL, non-cash, Capital DEL, AME) would require the prior approval of Scottish Government Finance. Any proposals for such transfers should therefore be submitted to the sponsor team. Transfers of budgetary provision **within** the classifications in the table above may be undertaken without reference to the Scottish Government, subject to any constraints on specific areas of expenditure e.g. the approved pay remit.

The Scottish Government is responsible for ensuring that the overall Scottish budget is managed effectively and within the limits set by the Scottish Parliament and HM Treasury. Core Scottish Government Directorates and sponsored/arms-length bodies, such as NDPB's must therefore secure approval for new, in-year discretionary spend projects or proposals with a cost of £250,000 or greater in advance. This does not apply to spend funded by donations, bequests or grant funding from other sources or fundraising for specific projects. The purpose of this process is to ensure that Scottish Ministers can prioritise resources across the whole of Government and is not intended to override the Accountable Officer's requirement to demonstrate value for money.

Your assumed trading and other resource income in 2017-18 is **£3.585m** and the assumed net book value of disposals of non-current assets is £0. These amounts have been taken into account in arriving at the budget shown above. If the amounts realised or expected to be realised in-year are less than estimated, you shall normally, unless otherwise agreed with the sponsor team, ensure a corresponding reduction in your gross expenditure so that the agreed budget is not exceeded. When a reduction in forecast income is only realised late in the year, you shall discuss with the sponsor team how this is to be managed.

Excluding income resulting from grants, gifts, bequests or donations (including gift aid on these), if the amounts realised or expected to be realised in-year are significantly more than estimated, you must discuss the financial impact with the sponsor team before using any excess to support additional expenditure. Any variance of £250k or more should be deemed significant. The sponsor team should still be kept informed of additional income below this level. The sponsor team should also be made aware of any governance issues which surround any additional income.

### Specified Expenditure

An additional £75k Resource DEL has been added to Resource DEL to assist with the costs of the Monarch of the Glen tour in 2017-18.

£300k CDEL has been provided to the National Library of Scotland in the current financial year for the joint acquisition, with National Galleries of Scotland, of the Mackinnon Photography Archive.

Within the capital budget for 2017-18, funding of **£0.200m** has been allocated for purchase grant. NGS may subsidise their purchases with funding from the allocated revenue grant.

£500k CDEL has been deducted in-year due to slippage in the capital programme.

The revised capital funding allocation includes:

- **£2.28m** for capitalised repairs, maintenance and upgrade of the NGS estate. Up to £350k of this may be used for continued development of the Digital Platform
- **Up to £0.7m** for the Scottish National Gallery project,; and
- **£0.77m** for phase 1 of the Granton Collections Centre development.

The Scottish Government may require NGS to provide monthly reports to the Scottish Government on these projects, in which case we will agree with you the format which these reports should take.

### Environmental Requirements

The Scottish Government recognises that NGS is making progress in attempting to reduce its carbon footprint. NGS should continue to make efforts to reduce its CO2 emissions in line with both the NGS Carbon Management Plan and the NPF outcome on reducing the local and global environmental impact. We will not require any additional reporting to be done on this relative to this budget allocation letter.

### Budget Monitoring

Forecast outturn and spend to date for the financial year should be reported to the sponsor team by completing and submitting the budget forecast and monitoring spreadsheet in the attached Excel workbook. The spreadsheet should be completed and submitted with every monthly grant in aid claim. Where appropriate (e.g. for depreciation) costs may be calculated on the basis of one twelfth of the budget for each month. A completed spreadsheet providing the position at the end of the financial year (31 March 2018) should be submitted to the sponsor team by 30 April 2018.

### Budget Revisions

Ministers have to manage the Scottish budget in the light of pressures and savings that may arise during the financial year and NGS may itself experience pressures and savings. Such factors may

make it necessary for Ministers to make changes (upwards or downwards) to the budget and associated grant in aid for your organisation. Where, exceptionally, any changes have to be made I shall keep you informed of Ministers' intentions and give you the opportunity to comment.

## Grant in Aid

As a result of current legislative provisions, Scottish Government funding for its sponsored bodies is shown in the annual Budget Act in terms of grant in aid i.e. the net cash figure required to support agreed budgets. The authorised cash grant in aid for NGS (including indicative revisions) for 2017-18 is **£16.920m**. Grant in aid should be (re)profiled and drawn down using the relevant spreadsheet in the attached Excel workbook. The profile should be updated as necessary. You should submit an updated spreadsheet to the sponsor team at the beginning of each month providing details of grant in aid already drawn down, a profile of monthly grant in aid requirements for the remainder of the financial year and a note of the unrestricted cash reserves held at the end of the previous month (setting aside historic reserves).

The updated profiles will be used for monthly cash management forecasts provided to HM Treasury and as the basis for the payment of grant in aid - unless notification to the contrary is received by the sponsor team at least 10 days before payment is due to be made. The sponsor team will normally aim to make payments of grant in aid by the 15<sup>th</sup> of each month. Grant in aid should not be drawn down in advance of need. Unrestricted cash reserves held during the course of the year should be kept to the minimum level consistent with the efficient operation of the body (although we note, in this instance, the position with historic reserves) - and the level of funds required to meet any liabilities at the year-end. At the end of the financial year, the sponsor team and NGS will formally agree the total grant in aid attributable to that particular period.

## Classification of Functions of Government

To meet HM Treasury reporting requirements we will also require an analysis of expenditure by the [Classification of the Functions of Government](#) (COFOG) e.g. categories such as subsidiary services to Education, Manufacturing, Law courts, Transport etc. for onward transmission to HM Treasury. For this purpose expenditure means gross expenditure, whether funded by grant in aid or by other income. Your sponsor team will seek to agree an estimated COFOG analysis of budgets at the start of each financial year. After the year end the team shall ask you to provide a COFOG analysis of the actual expenditure.

## Issues Arising

If you have any questions arising from this letter, or if you foresee any financial issues developing in the course of the year, please do not hesitate to contact your sponsor team. The sponsor team will, where necessary, consult relevant Scottish Government Finance colleagues.

Yours sincerely

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Culture and Historic Environment Division  
***For and on behalf of Scottish Ministers***

## NATIONAL GALLERIES OF SCOTLAND: DETAILED BUDGET ALLOCATION 2017-18

	<i>Budget on HMT database</i>	<i>Revised Budget ABR/SBR</i>	<i>HMT Classification*</i>
	<i>£000s</i>	<i>£000s</i>	
Wages and salaries	11,122	10,800	RDEL
(Gross) Operating costs	5,770	5,755	RDEL
Trading and other resource income (negative)	(3,997)	(3,585)	RDEL
Depreciation	2,500	2,500	Ring-fenced RDEL
Amortisation	0	0	Ring-fenced RDEL
Impairment (where not classed as AME)	0	0	Ring-fenced RDEL
Provisions etc (where agreed as being classed as AME)	0	0	AME
Accruing pension liability (where agreed as being classed as AME)	0	0	AME
Impairments (where agreed as being classed as AME)	0	0	AME
Capital grants	0	0	CDEL
Capital (Direct) - Antiques & Works of Art	450	200	CDEL
Capital grants / income (negative)	(0)	(0)	CDEL
Capital additions to non-current assets (including investments) –	4,000	3,750	CDEL
Net book value of disposals of non-current assets (including investments) (negative)		(0)	CDEL
<b>Total net expenditure (as recognised by HMT)</b>	<b>19,845</b>	<b>19,420</b>	

\* For a full explanation of HM Treasury's budgeting rules see the current version of [Consolidated Budgeting Guidance](#). "DEL" stands for Departmental Expenditure Limits, and is the more tightly controlled side of the government's budget. It is split between resource (or revenue) "RDEL" and capital "CDEL". Non cash budgets are ring fenced within RDEL, which means that (for example) any underspend on depreciation cannot be used to fund actual cash expenditure. "AME" stands for Annually Managed Expenditure, which covers expenditure which HMT accepts is volatile and is therefore subject to different controls.



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26 March 2018

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## BUDGET ALLOCATION AND MONITORING: 2018-19

### Purpose

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### Ministerial Priorities

Grant-in-aid is paid to enable the National Galleries of Scotland to fulfil its statutory functions and to deliver Scottish Ministers' strategic objectives that underpin its core purpose - to create a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. The 5 strategic objectives are Wealthier and Fairer, Healthier, Safer and Stronger, Smarter, and Greener - <http://www.gov.scot/About/Performance/purposestratobjs>

NGS will contribute to the National Outcomes and National Performance Framework as set out in the approved 2017-22 NGS Future Plan, and towards the key themes of the Programme for Government <http://www.gov.scot/About/Performance/programme-for-government>

2018 is the Year of Young People and will celebrate the very best of Scotland and its young people. The Year has been co-designed with young people themselves and we would encourage you to work with key partners to involve young people as early as possible when planning events and activities in order to maximize on the opportunities provided by this themed year. Throughout 2018 we will also be starting preparations for the new two-year rotation of Themed Years, the first of which will be the Cidhe Bhictòria, Dùn Èideann EH6 6QQ  
Victoria Quay, Edinburgh EH6 6QQ  
[www.gov.scot](http://www.gov.scot)

