

**NATIONAL LIBRARY OF SCOTLAND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st MARCH 2015**

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The National Library of Scotland is a registered charity - number SC011086

## **National Librarian and Chief Executive's Introduction to the Annual Report**

What is expected of a national library? How can it best serve its existing users and reach out to new audiences? What priorities should it set? How can it take advantage of the opportunities presented by the digital revolution? What support can it offer to help achieve the wider economic and cultural objectives of Scotland?

These are just some of the questions and issues that have been addressed across the Library as we have developed our future strategy: *The Way Forward 2015-20*. It has been a privilege to work with staff and the Library's Board members to decide where we want to be in five years' time and how we are going to get there. Our vision is to be recognised as one of the leading national libraries in Europe and we will work hard to achieve that goal.

I was honoured to be given the role of National Librarian when I joined the organisation in September 2014 from the University of Edinburgh. One of my first tasks was to receive one of Scotland's oldest books, the Aberdeen Breviary, into the ownership of the Library. The last time such a unique example of early Scottish printing was added to the collection was more than 200 years ago, making this a very special acquisition. It now takes its place along with 24 million other items we hold in our collection. This is the beating heart of the Library and extends from our oldest item – an ancient letter written on papyrus from the 5<sup>th</sup> or 6<sup>th</sup> century AD - to the 6,000 new items we take in every week.

A fully digitised version of the Breviary is also on our website which allows people who cannot visit us in person to be able to share in the riches held at the Library. One of our biggest challenges in the next decade will be to bring online more of our vast collections. This will involve processing on a large scale and will mean that, behind the scenes, the Library will be more of a physical and digital factory.

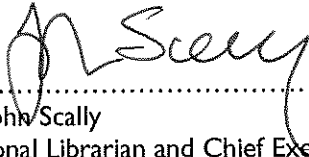
This is what will increasingly be expected of us. While there will always be people who prefer to excavate physical content in a library, many more will want easy online access to what they are looking for. It is our responsibility to meet the needs of every type of user and that means there has to be a much greater emphasis on online content. Our strategy commits us to having a third of our collection in digital format by 2025.

There is no doubt that the Library holds a special place in the cultural life of Scotland and we aim to reach out to more people in more parts of Scotland, as well as further afield. For most of the Library's existence, people have only been able to access our collections by coming into our premises in Edinburgh. In 2016, we will open our first base in the west of Scotland at the Kelvin Hall in Glasgow and we will explore new opportunities to establish a physical presence in other parts of Scotland.

By collecting and preserving published material, the Library acts as the guardian of the memory of Scotland for current and future generations. One exciting project demonstrates the importance of this role. Last year the people of Scotland voted in an historic referendum to decide whether or not they wanted to become an independent country. We have begun an archival project *Collecting the Referendum* which seeks to provide as full a record as possible of this crucial event. It includes collecting books, reports, serials, and ephemeral material such as flyers, leaflets, etc., as well as websites, moving image, sound and archival material. Capturing these important moments in history will become an increasingly important part of our role.

It is natural in reports such as this to focus on the main developments through the year but attention also deserves to be paid to the ordinary matters that are the lifeblood of an organisations such as this - making material available to readers; repairing and conserving the collection for future generations; managing the finances and the Library's estate; improving our online presence; preparing and staging exhibitions; supporting researchers; linking with schools; organising events and much, much more. Each and every day, it is these things on which the reputation of the National Library of Scotland is built.

We were fortunate during the year in welcoming five new members to join our Board whose membership has been completely refreshed since early 2014. It has an equal balance of men and women, one of the first public organisations to meet the Scottish Government's guidance on equality and diversity in appointments to Scottish public bodies. This means we now have a new Board, a new National Librarian and an emerging new strategy which is setting a new direction for the organisation. There are exciting times ahead.



.....  
Dr John Scally  
National Librarian and Chief Executive

Date: 20/9/15

## **Annual Report of the Board**

### **1. History of the National Library of Scotland**

The National Library of Scotland (“the Library”) is the successor to the historic Library of the Faculty of Advocates, founded in the late 17th century on the initiative of the King's Advocate, Sir George Mackenzie of Rosehaugh. During the 18th and 19th centuries, Keepers like Thomas Ruddiman, David Hume and their successors established the Advocates Library as the National Library of Scotland in all but name. With the provision of a very generous endowment by Sir Alexander Grant of Forres, the Government in 1925 accepted the Faculty's offer to present its Library, with the exception of the law books and manuscripts, to the nation to become the National Library of Scotland.

The National Library is the largest library in Scotland, with over 24 million items, and it is among the half dozen largest libraries in the British Isles. It has extensive and varied collections of printed material (maps, music, newspapers, etc, as well as books) and large collections of manuscripts and increasingly important digital collections. Its special characteristics derive from its status as a national and legal deposit library. Since 1710 the Library has had the right, under successive Copyright Acts, to acquire all books published in the United Kingdom, and it now seeks to obtain, through legal deposit, books and other publications that are within the scope of the Library's collection development policy. By reciprocal legislation the British Copyright Libraries have similar rights in the Republic of Ireland. The Library also acquires, mainly by purchase, but also by gift and deposit, older books, maps and music, modern foreign publications, and manuscripts.

Although its primary function remains what it has long been – that of a large general research library with a particular focus on Scotland and the Scots – it is conscious of the need to adapt its services to changing conditions. Over the past two decades the Library has acquired a number of additional functions, and has taken its place at the hub of Scottish libraries.

### **2. Statutory Background**

The National Library of Scotland Act 1925 established the Library 'on the foundation of the Library gifted for that purpose by the Faculty of Advocates, and for purposes connected therewith'. This legislation has been replaced by the National Library of Scotland Act 2012 which modernises the Library's governance arrangements and updates its powers and functions. It came into force in February 2013.

The National Heritage (Scotland) Act 1985 made the Library a Non-Departmental Public Body (NDPB), grant-aided by the Scottish Government.

The Library is a registered charity. The Charities Statement of Recommended Practice (SORP 2005) on accounting for charities requires certain additional disclosures in the Annual Report of the Board as follows:

The name of the charity is National Library of Scotland. Its principal address is George IV Bridge, Edinburgh, EH1 1EW.

Board Members are appointed under the terms of the National Library of Scotland Act 2012.

The Library is one of five UK Legal Deposit Libraries. As a registered charity its purpose is the advancement of education and the advancement of arts, heritage, culture and science.

### **3. Financial Results for the Current Year**

The aim of this section is to explain the financial results for the year.

The main headline for the 2014/15 financial year is that the Library has ended the year with a surplus of £100k. Within the financial statements, the place where this is best shown is at the bottom section of the Statement of Financial Activities on Page 22 and the Reserves Note at Page 44. Both these show the balance on the Library's Unrestricted General Fund reserve increasing from £200k to £300k over the year. A helpful way to view reserves is to see them as the funds the organisation will use to cover any additional expenditure in the event of reduced income or changes in circumstances. The fact that the Library's General Reserves have increased during 2014/15 must therefore be viewed as positive.

This result is considered satisfactory given that there has been a significant amount of financial change across the Library during 2014/15. This change included a number of budget revisions and the implementation of a new pay and grading system.

Essential maintenance work was completed this year on the roof and external fabric of our flagship building on George IV Bridge in Edinburgh, while a major refurbishment began on the Causewayside building in the city. Both these schemes are vital to allow the Library to house the collection in the best conditions possible and safeguard it for future generations. This work was supported by specific funding totalling £2.6 million from the Scottish Government.

Work has also continued on the project to re-develop the Kelvin Hall in Glasgow. When delivered in 2016, for the first time, this will give the Library a base in Scotland's largest centre of population.

Every five years the Library is required to have a revaluation of its Land & Building carried out. The most recent valuation was carried out at 31<sup>st</sup> March 2015 and has resulted in a substantial increase of almost £24 million in the value of these assets. Although the results provide interesting data on the potential rebuild costs of the sites, they do not have an impact on the Library's financial sustainability.

Gross spending on adding to the Collections during the year totalled £1.55 million. As part of the 2014/15 budget, the Library agreed to support the Collection Purchase Fund with a transfer from reserves. At the same time, it has been successful in attracting additional money through fundraising. The Aberdeen Breviary was purchased with the support of some of the Library's benefactors and there has been a similarly positive start to the appeal to help buy the final tranche of the archive of the prominent Scots-born writer Muriel Spark.

Balancing the budget is always a challenge as the Library seeks to improve what it does and to expand into new areas. During the year it continued to make savings to help fund its ongoing work. The cumulative annual savings generated between 2009 and 2015, to accommodate reductions in income, now totals £2.87million or 22% of the running costs budget.

As mentioned above, there has been a significant degree of financial volatility during 2014/15. The expectation is that 2015/16 should be a lot more financially placid. However, this will be a short respite as, based on current estimates, the Library, like all publicly funded bodies faces a significant challenge to maintain its financial sustainability into 2016/17 and beyond.

### **4. Significant changes to Fixed Assets**

Tangible Fixed Assets of £575,000 (2014: £498,000) were capitalised during the year. Items to the value of £815,000 (2013: £280,000) were also capitalised in the year and added to the Library's Heritage Assets.

## 5. The Board

With effect from 1<sup>st</sup> March 2015, there were fourteen Board Members, all appointed by Scottish Ministers, under the provisions of the 2012 Act.

Board appointments are made by Scottish Ministers after advertising vacancies in the national press. Due to terms of office ending and the need to increase the number of Board Members to the maximum permitted by the 2012 Act, a recruitment round was held during 2014 which resulted in Scottish Ministers appointing five new Board Members in March 2015. The names of the Board Members who served between 1<sup>st</sup> April 2014 and the date of signing the accounts are as follows.

### Chair

James Boyle

### Members

|                                     |   |
|-------------------------------------|---|
| Noreen Adams                        | 3 |
| Graham Caie (to 01/07/2014)         | 3 |
| Helen Durndell (from 01/03/2015)    |   |
| Lorraine Fannin (to 01/07/2014)     | 1 |
| Dianne Haley                        | 1 |
| Shields Henderson (from 01/03/2015) | 1 |
| Jonathan Lake                       |   |
| Simon Learoyd                       | 1 |
| Charles Lovatt (to 01/02/2015)      | 1 |
| Iain Marley (from 01/03/2015)       |   |
| Neil McIntosh                       | 2 |
| Richard Parsons (to 01/02/2015)     | 1 |
| Fiona Robertson                     | 3 |
| Adrienne Scullion                   | 2 |
| Amina Shah (from 01/03/2015)        |   |
| Melissa Terras                      | 2 |
| Carmel Teusner (from 01/03/2015)    |   |

### Committee Membership

- 1 Member of Audit Committee during the year
- 2 Member of the Staffing and Remuneration Committee during the year
- 3 Member of the Governance Committee during the year

Paul Dollman has been co-opted as a member of the Audit Committee. Andrea Batchelor, Willis Pickard and Moira Methven have been co-opted as members of the Staffing and Remuneration Committee. After demitting office, Graham Caie was co-opted as an ongoing member of the Governance Committee.

None of the Board Members receives remuneration for their service to the Library. Travel and subsistence expenses amounting to £3,241 (2013/14: £3,066) were paid to Board Members in respect of attendance at meetings. Board Members do not receive any benefits in kind.

The Library maintains a Board Members' Register of Interests, which complies with the requirements of the Ethical Standards in Public Life (Scotland) Act 2002 and is available for inspection on the National Library of Scotland website. Board Members are required to update the register within 28 days of a change to their registerable interests.

New Board Members are provided with an induction pack that contains a range of documentation including the Scheme of Delegation (Board), Responsibilities of the Board, Code of Conduct, Rules

on Declaration of Interest and the Corporate Plan and are invited to tour the Library. A full induction and training programme for Board Members has been prepared to ensure that new members are provided with all required and relevant information on taking up appointment with the Library. Each Board Member is provided with the opportunity to meet with the National Librarian and other senior staff and to visit each of the Libraries buildings and facilities.

The Board met seven times during the year to effect general management and control over the Library.

The Board's principal function is responsibility for the stewardship and governance of the National Library of Scotland; this includes approval of the Strategy, Corporate Plan and Annual Budget. The Audit Committee and the Staffing and Remuneration Committees have delegated responsibility for certain matters under the Scheme of Delegation. In addition, the Governance Committee has continued to consider appropriate ways to improve governance of the Library, principally associated with the implementation of the 2012 NLS Act.

Responsibility for delivering the Strategy and Operational objectives is devolved to the National Librarian and Chief Executive, supported by the Executive Leadership Team. The Executive Leadership Team consisted of;

|                 |  |
|-----------------|--|
| Dr John Scally  | National Librarian and Chief Executive |
| Duncan Campbell | Deputy Chief Executive                 |
| Dr Darryl Mead  | Deputy National Librarian              |

## **6. Investments**

The Trustees Act 2000 governs the Board Members' investment powers. The Board Members have agreed the Library's investment policy and review the performance of the portfolio on an annual basis.

## **7. Suppliers Payment Policy**

The policy of the Library is to pay creditors within agreed commercial terms or within 30 days of receipt of a valid invoice - whichever is sooner. During the year the Library took an average of 27 days to settle invoices (2014: 28 days). The Library recognises, supports and is working towards the Scottish Government target of paying suppliers within ten days. During the year 35% of invoices were paid within ten working days (2014: 32%).

## **8. Policy in relation to provision of information to employees**

The Library is committed to developing effective communications with all employees to enable them to be informed, motivated and able to support the Library's objectives and users. Employee communications include regular meetings, information circulars and the staff intranet.

## **9. Employee Consultation**

The Library places great emphasis on employee consultation and engagement. It recognises three trade unions, FDA, PCS, and Prospect, and works closely with both local and national union officials on matters such as health and safety, training and development and employee well-being. In addition, there is a formal joint consultative mechanism with the trade unions, the Whitley Council, which is currently meeting six times a year. The Whitley meetings are chaired by the National Librarian and Chief Executive (NLCE). Additionally a union representative attends meetings of the Board as an observer.

For direct communication and consultation with staff, the Library organises all-staff meetings and ensures that all units and divisions hold regular staff meetings. There is a cascade system for decisions from senior leadership and management groups as well as a staff circular system and the intranet is also heavily used for both formal and informal communication. There are also well-maintained and current notice boards in all buildings.

## **10. Policy in relation to equalities**

On 6th April 2011 the Library became subject to the Equality Act 2010. The general duty of this Act placed a responsibility on organisations, in the exercise of their functions, to have due regard to the need to

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

In Scotland, the additional responsibilities under the Public Sector Equality Duty (PSED) were announced and implemented in 2013. The Library maintains, develops and monitors equality objectives in consultation with people from groups identified in the Act as having protected characteristics. The Library also conducts equality impact assessments as required, and publishes this information on the Library website. The Library continues to build understanding and awareness on equalities through involvement with the NDBPs Equalities Forums.

## **11. Sickness Absence**

The Library introduced a more robust attendance management process in November 2008 which led to tighter and faster management of both short-term and long-term absence cases. The policy was reviewed in 2011 and the feedback received resulted in the launch of a revised Attendance Policy and Procedure on 1st February 2012 which included a capability process. Managers have all attended briefing sessions and were provided with the tools required to cascade the changes to their direct reports. All staff were then required to confirm their understanding of the policy and procedure.

Average sickness absence for 2014/15 was 9 days (2013/14: 8 days) which was above the target set by the Library.

## **12. Environmental matters**

During 2010 the Library committed to reduce CO2 emissions from its operations by 30% by the end of financial year 2014/15 from 2008/09 levels. The Library exceeded this commitment during 2014/15, achieving a reduction in CO2 emissions of 42% compared to its baseline year.

The Library now uses 3.1MWh less energy, consumes 3,792 cubic metres less water, recycles 88% of its waste and travels 182,000 fewer miles than it did four years ago. The NLS Public Sector Sustainability Report 2014/15 provides comprehensive data relating to the Library's sustainability activity.



### 13. Changes since 31st March 2014

During the year Dr John Scally was appointed as the new National Librarian and Chief Executive and took up post in September 2014. In addition, the Library, alongside the Scottish Government, completed the recruitment for the new Board of the Library appointing five new members.

### 14. Future Developments

The environment in which the National Library operates is complex and constantly changing. We are living through a digital information revolution, the scope and impact of which will be as significant as the industrial revolution of the 18<sup>th</sup> and 19<sup>th</sup> centuries. Libraries, like many other sectors, are seizing the opportunity presented by the internet to shift services and collections online and this activity is at the forefront of the current strategy. Nevertheless, the journey is beset with challenges around sustainable funding, releasing the potential of our vast physical collections and driving efficiency and continuous process improvement. Of similar importance are the limitations on how we can use and deliver content because of copyright and licensing agreements and legal restrictions where eLegal deposit content has to be viewed on Library premises and not remotely.

Little of this is unique to the National Library of Scotland. All national libraries around the globe are seeking to overcome obstacles to sharing knowledge and thus improving the prospects of their respective nations. Our partnership with the five other legal deposit libraries in the UK and Ireland (British Library, National Library of Wales, the university libraries of Oxford, Cambridge and Trinity College, Dublin) is of singular importance in collecting, preserving and making available our physical and digital heritage.

In order to meet these challenges, the Board has recently agreed a new corporate strategy for the Library. Titled 'The Way Forward 2015-2020', it focuses on six strategic priorities. These are to;

- Be the guardian of the published and recorded memory of Scotland for current and future generations.
- Make it easier to access our collections. By 2025 – the centenary of the Library's foundation - we will complete a full listing of the Library's holdings and have a third in digital format.
- Encourage and promote research as a defining characteristic of the Library.
- Ensure our collections and services make an important contribution to the education, learning and advancement of our citizens and the success of our nation.
- Design and deliver public engagement programmes that will educate, entertain and inspire the communities of Scotland.
- Develop the National Library as an exciting and memorable destination for both onsite and online visitors.

This strategy is ambitious. Achieving all that is set out will be challenging. It will demand structural and cultural change within the Library, together with additional income generation. The staff are one of the Library's greatest resources and their development will be supported with training, clear objectives and sound management.

Demand for our services will require to be met by pursuing a physical presence beyond Edinburgh, firstly through our partnership at the Kelvin Hall in Glasgow, which will give us a base in Scotland's largest centre of population for the first time, and more widely across the country. Our commitment to providing a full online listing of our collections and having a third in digital format is

a bold declaration of intent that will shift us online in the next decade, in time to celebrate the centenary of the Library's foundation in 2025.

Although digital developments present many opportunities, the physical book will continue to play a central role in the life of the Library.

## **15. Appointment of Auditors**

The financial statements of the Library are audited by independent auditors appointed by the Auditor General for Scotland. PricewaterhouseCoopers LLP, Atria 1, 144 Morrison Street, Edinburgh, EH3 8EX were appointed from 1st April 2011.

The agreed fee for audit services was £20,259 (2013 - £24,770) which relates wholly to the provision of statutory audit services.

All of the accounting records have been made available to our auditors for the purposes of their audit and all transactions undertaken have been properly reflected and recorded in the accounting records. All other records and related information which might affect the truth and fairness of, or necessary disclosure in, the financial statements, including minutes of the Board and other relevant management meetings, have been made available and no such information has been withheld.

Internal Audit services during the year were supplied by Henderson Loggie, 34 Melville Street, Edinburgh.

**16. Other Professional Advisers and Bankers**

|                            |                        |  |
|----------------------------|------------------------|--|
| <b>Investment Advisers</b> | Brewin Dolphin         | Sixth Floor<br>Atria 1,<br>144 Morrison Street,<br>Edinburgh |
|                            | Brown Shipley          | 2 Multrees Walk<br>Edinburgh                                 |
| <b>Legal Advisers</b>      | Dundas and Wilson      | Saltire Court,<br>20 Castle Terrace,<br>Edinburgh            |
|                            | Murray Snell LLP       | 40 Castle Street,<br>Edinburgh                               |
|                            | Pinsent Masons         | Quay 2,<br>139 Fountainbridge,<br>Edinburgh                  |
| <b>Bankers</b>             | Bank of Scotland       | The Mound,<br>Edinburgh                                      |
|                            | Royal Bank of Scotland | St Andrew Square,<br>Edinburgh                               |
|                            | Citigroup              | Canada Square,<br>London                                     |
| <b>VAT Advisers</b>        | Scott Moncrieff        | Exchange Place,<br>3 Sempie Street,<br>Edinburgh             |

**17. Risk Management**

The Library has agreed a Risk Management Policy and Framework which outlines the roles, responsibilities and reporting arrangements in place for managing risk. At the centre of the process is the use of a three tiered approach with Departmental, Corporate and Strategic Risk Registers.

Risk at departmental level is identified and managed by Heads of Department on Departmental Risk Registers. These registers are then supported by a Corporate Risk Register which is managed by the Library Leadership team (LLT). The Corporate Risk Register is reviewed on a quarterly basis by LLT with any new risks escalated to the appropriate level. In conjunction with the Board, the Library then develops the Strategic Risk Register. The Strategic Risk Register is reviewed at least every six months, both by LLT and the Audit Committee, and is reported to the Library's Board. Each strategic risk is allocated an 'owner' who is responsible for ensuring that the risk is managed and that mitigating actions are taken. The Finance Department has responsibility for developing library-wide risk policy and monitoring conformance to it.

The Library's approach to, and management of risk is also regularly reviewed by its Internal Auditors. During the 2014/15 year the Strategic Risk Register continued to be refined and updated. The current Strategic Risk Register identifies eight strategic risks and the actions required to mitigate these. This high level risk register provides the platform for ensuring that all major business risks are adequately controlled, thereby reducing the risk that the Library does not achieve its objectives.

## 18. Objectives and Achievements

During the year, the National Library of Scotland's work was guided by the strategic goals outlined in the 2014/15 Corporate Plan. This can be found on the Library's web-site.

<http://www.nls.uk/about-us/corporate-documents>

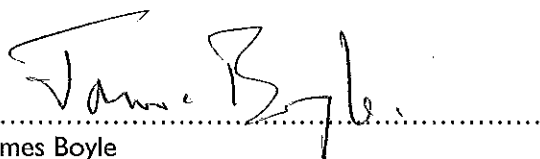
The goals were;

- Develop the Collections;
- Make the Collections globally accessible;
- Invest in staff & essential services;
- Promote the Library to the widest possible audience;
- Collaborate with partners & forge alliances;
- Prepare for the future.

The activities and achievements of the National Library of Scotland in 2014/15 are described and reviewed in detail in the Library's Annual Review to be published in Autumn 2015.

## 19. Disclosure of relevant audit information

As Accountable Officer, the National Librarian has declared that he is not aware of any relevant audit information of which our auditors are unaware. He has taken all necessary steps to ensure that he is personally aware of any relevant audit information and to establish that the auditors are also aware of this information.



James Boyle  
Chair of the National Library of Scotland

Date: 21/09/15

## Remuneration Report

### UNAUDITED INFORMATION

#### Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

#### Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the year.

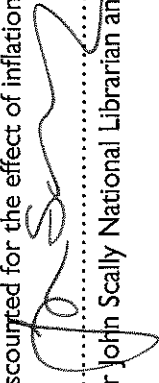
The figures in the tables on the next page include all sums paid during the year in respect of remuneration to members of the Executive Leadership Team, a subset of the Library Leadership Team, together with the pension entitlements accruing to those individuals at 31st March 2015 both by way of lump sum and annual amounts payable from the due date of retirement. Remuneration excludes any sums paid on early retirement or in respect of pay protection.

**AUDITED INFORMATION**

The following section provides details of the remuneration and pension entitlements of Executive Leadership Team during the year.

|   | 2015 Salary | 2014 Salary | 2015 Accrued Pension | Real Increase in Pension | CETV as at 31/3/2015 | CETV as at 31/3/2014 | Real Increase in CETV funded by NLS | 2015 Total Remuneration | 2014 Total Remuneration |
|---|-------------|-------------|----------------------|--------------------------|----------------------|----------------------|-------------------------------------|-------------------------|-------------------------|
|   | £000s       | £000s       | £000s                | £000s                    | £000s                | £000s                | £000s                               | £000s                   | £000s                   |
| <u>John Scally</u><br>National Librarian & Chief Executive<br>(from 22/09/2014)<br>Full-Time Equivalent | 45-50       | -           | 1                    | 1                        | 15                   | -                    | 10                                  | 67                      | -                       |
| <u>Martyn Wade</u><br>National Librarian & Chief Executive<br>(to 31/03/2014)                           | -           | 90-95       | -                    | -                        | -                    | 995                  | -                                   | -                       | 88                      |
| <u>Duncan Campbell</u><br>Deputy Chief Executive  | 75-80       | 70-75       | 44                   | 1                        | 859                  | 806                  | 11                                  | 87                      | 95                      |
| <u>Daryl Mead</u><br>Deputy National Librarian  | 75-80       | 70-75       | 13                   | 2                        | 184                  | 142                  | 18                                  | 107                     | 107                     |

Salaries are the amounts earned in the financial year. Performance bonuses and overtime are not paid to senior management. Amounts relate to NLS employment only and do not include earnings from positions elsewhere in the civil service. No benefits in kind were provided by the employer (2013: £Nil). Details of pensions and Cash Equivalent Transfer Values are disclosed based upon information supplied by the MyCSP. The increase in accrued pension is discounted for the effect of inflation.

  
Date: 21/9/15

Dr John Scally National Librarian and Accountable Officer

## **Statement of Board Members' responsibilities**

The Board Members are responsible for preparing the Annual Report of the Board and the Financial Statements in accordance with paragraph 12(1-3) and 13(1-4) of Schedule 1 to the National Library of Scotland Act 2012 and other applicable laws and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in Scotland requires the Board 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 of the charity for that period.

In preparing these financial statements, the Board Members are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Board Members are responsible for keeping proper 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 Act 2011, the Charity (Accounts and Reports) Regulations 2008, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the charity's constitution. 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 Board Members 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.

## **Governance Statement**

### **Introduction**

The National Library of Scotland is committed to best practice in all aspects of corporate governance and this statement describes the principal governance provisions which currently apply.

### **Scope of Responsibility**

The National Librarian is the Accountable Officer and, together with the Board, has joint responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's aims and objectives as set by the Scottish Ministers, whilst safeguarding the public funds and assets for which they are personally responsible, in accordance with the responsibilities assigned to them.

The responsibilities of the Board are outlined in the Framework Document between the Scottish Government and Library.

As Accountable Officer, the National Librarian is personally answerable to the Scottish Parliament in accordance with Section 15 of the Public Finance and Accountability (Scotland) Act 2000. He/she is responsible for the propriety and regularity of financial transactions under their control and for the economical, efficient and effective use of resources provided to the Library, for ensuring that arrangements have been made to secure best value and for signing the Library's financial statements. He/she is also responsible for providing the necessary assurances to the Principal Accountable Officer to enable him/her to sign the Statement on Internal Control contained within the Scottish Government consolidated financial statements. He/she has responsibility for ensuring that effective management systems are in place within the Library and that all risks are identified, assessed and managed appropriately.

### **Discharge of Board Responsibilities**

To discharge their responsibilities the Board has;

- Met seven times over the financial year. At each meeting the Board receives written reports on key operational matters, a finance report, minutes of sub-committee meetings and reports on specific topics as necessary. The Board also meets to consider specific matters such as the development of strategy. The management of the key strategic risks is also regularly considered by the Board:
- Set up and operated a number of sub-committees including those on Governance, Audit and Staffing & Remuneration. The Audit Committee will consider reports from the internal and external auditors;
- Agreed the delegation of authority to the management of the Library.

### **Purpose of the System of Internal Control**

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the organisation's policies, aims and objectives. It can therefore only provide reasonable, and not absolute, assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.



The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling of public funds. It is mainly designed to ensure compliance with statutory and parliamentary requirements, promote value for money and high standards of propriety, and secure effective accountability and good systems of internal control.

The process within the organisation accords with the SPFM and has been in place for the year ended 31st March 2015 and up to the date of approval of the financial statements and accords with guidance from the Scottish Ministers.

### **Risk and Control Framework within the Library**

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

During the current year the risk management process within the Library continued to be updated and improved. There is now a three tier approach to risk management with the introduction of a Strategic Risk Register. This is reviewed quarterly and presented both to the Audit Committee (AC) and the NLS Board. Eight strategic risks are currently being managed. These are the risks surrounding;

- Significant loss or damage to the Collections;
- Loss or interruption of service;
- Failure to comply with legal and/or statutory requirements;
- Loss and/or reduction in financial resources;
- Failure to effectively manage the staffing resource;
- Effective delivery of capital projects;
- Loss or damage to external partnerships;
- Duty of care

This register is supported by a Corporate Risk Register which is owned by the Library Leadership Team (LLT) along with underpinning Departmental Risk Registers that are owned by each Head of Department. All registers are updated quarterly with new risks escalated to the appropriate level. These risk registers are reviewed on a quarterly basis by LLT.

The Strategic Risk Register sets the tone for risk management across NLS with all subsequent risks held on the Corporate and Departmental risk registers cross referenced to this, enabling the organisation to identify and manage these key business risks down to Departmental level.

In relation to controls, the organisation is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area.

The Library maintains systems of internal financial control which are managed by the Finance Department. Guidance on all financial systems – including relevant policies and procedures - is available to staff on the Intranet. Financial management is supported through monthly management accounts to budget holders, the Library Leadership Team, and quarterly reporting to the Board of the Library. Financial information is available to all budget holders so that they can monitor their performance against budgets at any time.

During the year, internal audit services to the Library were provided by Henderson Loggie (HL). All audits conducted are fully compliant with the required Public Sector Internal Audit Standard (PSIAS). A number of review projects were also carried out by the Library's Compliance, Audit & Review (CAR) Manager.

The internal audit activity in 2014/15 focussed on the following areas:

- Capital Projects;
- Treasury Management & compliance with Office of the Scottish Charity Regulator requirements;
- Shop Stock & Cash Handling procedures; and
- Risk Management

As a result of this and other assurance work, the internal auditors have concluded, within the Annual Audit Report and Opinion, that during the year, the Library operated an adequate internal control framework. In addition the internal audit carried out, did not identify any fraud, alleged fraud or suspected fraud affecting the Library in the year to 31st March 2015.

The Library Leadership Team reviews internal control and manages risk as part of its routine business. Heads of Department are responsible for managing risk within their departments and for maintaining, reviewing and updating the Departmental Risk Registers to reflect significant changes in circumstances. Where risks are perceived to have increased above acceptable levels, Heads of Department are required to identify additional actions to mitigate those increased risks.

Heads of Department also have delegated responsibility for the operation of financial and operational controls within their area. On an annual basis they complete a Certificate of Assurance for their Accountable Officer confirming that the controls are reviewed and that they are effectively applied. All Certificates of Assurance were completed and returned for 2014/15. No significant breaches in control were highlighted.

### Review of Effectiveness

As Accountable Officer and the Board Chair, we have responsibility for reviewing the effectiveness of the system of internal control. Our review is informed by:

- The Heads of Department within the organisation who have responsibility for the development and maintenance of the internal control framework;
- The work of the internal auditors, who submit to the organisation's Audit Committee regular reports which include the Annual Audit Report and Opinion which provides an independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement; and
- Comments made by the external auditors in their management letters and other reports.

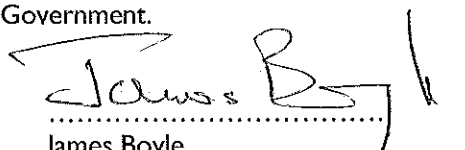
### Assessment of Corporate Governance

The Library's arrangements for corporate governance comply with generally accepted best practice principles and relevant guidance as set out in the Scottish Public Finance Manual and therefore meet the governance requirements of the Board and Scottish Government.



Dr John Scally  
National Librarian and Accountable Officer

Date: 24/9/15



James Boyle  
Chair of the National Library of Scotland

Date: 21/09/15

## **Independent auditor's report to the members of the National Libraries of Scotland, the Auditor General for Scotland and the Scottish Parliament**

We have audited the financial statements of the National Libraries of Scotland for the year ended 31 March 2015 under Paragraph 12 of the Schedule to the National Library of Scotland Act 2012 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Income and Expenditure Statement, the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, 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). This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of Accountable Officer and auditor**

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view in accordance with Paragraph 12 of the Schedule to the National Library of Scotland Act 2012 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2015 and of its net operating cost 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 Paragraph 12 of the Schedule to the National Library of Scotland Act 2012 and directions made thereunder by the Scottish Ministers, the Charities and

Trustee Investment (Scotland) Act 2005 and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

### **Opinion on regularity**

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

### **Opinion on other prescribed matters**

In our opinion:

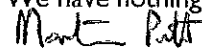
- the part of the Remuneration Report to be audited has been properly prepared in accordance with Paragraph 12 of the Schedule to the National Library of Scotland Act 2012; and
- the information given in the Board Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We are required by The Charities Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

We have nothing to report in respect of these matters.

  
Martin Pitt, Senior Statutory Auditor  
for and on behalf of PricewaterhouseCoopers LLP  
Glasgow  
21 September 2015

Martin Pitt is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

**Income and Expenditure Account for the year ended 31st March 2015**

|   |       | <b>2015</b>     | <b>2014</b>     |
|---|-------|-----------------|-----------------|
|   |       | <b>£000</b>     | <b>£000</b>     |
|   | Notes |                 |                 |
| <b>INCOME</b>   |       |                 |                 |
| Gross income from revenue-earning activities  | 4     | 96              | 127             |
| Gross income from grant-aided activities  |       | 2,050           | 1,535           |
|   |       | <u>2,146</u>    | <u>1,662</u>    |
| <b>EXPENDITURE</b>  |       |                 |                 |
| Staff costs   | 5     | 10,623          | 9,878           |
| Other operating charges   | 7     | 7,044           | 8,799           |
| Depreciation on and permanent diminution in value of fixed assets   | 8     | 2,472           | 2,130           |
|   |       | <u>20,139</u>   | <u>20,807</u>   |
| <b>EXCESS OF EXPENDITURE OVER INCOME BEFORE INTEREST</b>  |       | (17,993)        | (19,145)        |
| Interest received – Unrestricted funds  | 3     | 2               | 10              |
| <b>EXCESS OF EXPENDITURE OVER INCOME</b>  |       | <u>(17,991)</u> | <u>(19,135)</u> |
| Release in respect of depreciation of tangible fixed assets and in respect of permanent diminution in value of assets | 16    | 1,622           | 1,361           |
| Release from Revaluation Reserve  | 16    | 500             | 333             |
| Amount transferred to Reserves  |       | <u>(15,869)</u> | <u>(17,441)</u> |

All activities relate to continuing operations.

The notes on pages 26 to 48 form part of these financial statements.

**Statement of Financial Activities for the year ended 31st March 2015**

|   | Notes | Restricted<br>Funds<br>£000 | Endowment<br>funds<br>£000 | Unrestricted<br>Funds<br>£000 | 2015<br>Total<br>£000 | 2014<br>£000   |
|---|-------|-----------------------------|----------------------------|-------------------------------|-----------------------|----------------|
| <b>Incoming resources</b>   |       |                             |                            |                               |                       |                |
| <b>Incoming Resources from Generated Funds</b>                                    |       |                             |                            |                               |                       |                |
| Voluntary Income  | 3     | 590                         | -                          | 397                           | 987                   | 403            |
| Activities for generating funds   | 4     | -                           | -                          | 96                            | 96                    | 127            |
| Investment income   | 3     | 208                         | -                          | 2                             | 210                   | 196            |
| <b>Incoming resources from Charitable Activities</b>                              |       |                             |                            |                               |                       |                |
| Charitable donations  | 3     | 80                          | -                          | 6                             | 86                    | 352            |
| Other charitable activities   | 3     | -                           | -                          | 769                           | 769                   | 595            |
| <b>Other incoming resources - Grant in aid</b>                                    | 2     | 630                         | -                          | 15,988                        | 16,618                | 15,259         |
| <b>Total Incoming Resources</b>   |       | <b>1,508</b>                | <b>-</b>                   | <b>17,258</b>                 | <b>18,766</b>         | <b>16,932</b>  |
| <b>Resources expended</b>   |       |                             |                            |                               |                       |                |
| <b>Cost of generating funds</b>   |       |                             |                            |                               |                       |                |
| Costs of generating voluntary income  | 3     | -                           | -                          | 375                           | 375                   | 379            |
| Trading: cost of goods sold and other costs                                       | 3     | -                           | -                          | 94                            | 94                    | 111            |
| Investment management costs   | 3     | 36                          | -                          | -                             | 36                    | 23             |
| <b>Charitable Activities</b>  |       |                             |                            |                               |                       |                |
| Collection development  | 3     | 180                         | -                          | 7,514                         | 7,694                 | 8,216          |
| User access to collections  | 3     | -                           | -                          | 7,497                         | 7,497                 | 5,855          |
| Strategy and communications   | 3     | -                           | -                          | 664                           | 664                   | 755            |
| Collection Purchase   | 3     | 500                         | -                          | 239                           | 739                   | 789            |
| Grant to NLS Foundation   | 19    | -                           | -                          | -                             | -                     | 2,100          |
| Depreciation  | 3     | -                           | -                          | 2,472                         | 2,472                 | 2,130          |
| Governance costs  | 3     | -                           | -                          | 568                           | 568                   | 450            |
| <b>Total Resources Expended</b>   |       | <b>716</b>                  | <b>-</b>                   | <b>19,423</b>                 | <b>20,139</b>         | <b>20,808</b>  |
| <b>Net incoming/(outgoing) resources before transfers</b>                         |       | <b>792</b>                  | <b>-</b>                   | <b>(2,165)</b>                | <b>(1,373)</b>        | <b>(3,876)</b> |
| <b>Transfers between Funds</b>  |       |                             |                            |                               |                       |                |
| Release in respect of depreciation  |       | (2,122)                     | -                          | 2,122                         | -                     | -              |
| Other Transfers   |       | (143)                       | -                          | 143                           | -                     | -              |
| <b>Net incoming/(outgoing) resources before other recognised gains and losses</b> |       | <b>(1,473)</b>              | <b>-</b>                   | <b>100</b>                    | <b>(1,373)</b>        | <b>(3,876)</b> |
| <b>Other recognised gains and losses</b>  |       |                             |                            |                               |                       |                |
| Gains on investment assets  | 10    | -                           | 387                        | -                             | 387                   | 273            |
| Gains on the revaluation of fixed assets for the charity's own use                | 8     | 22,931                      | -                          | -                             | 22,931                | 3,476          |
| <b>Net movement in funds</b>  |       | <b>21,458</b>               | <b>387</b>                 | <b>100</b>                    | <b>21,945</b>         | <b>(127)</b>   |
| <b>Fund balances brought forward at 1 April</b>                                   | 16    | <b>72,015</b>               | <b>6,186</b>               | <b>200</b>                    | <b>78,401</b>         | <b>78,528</b>  |
| <b>Fund balances carried forward at 31 March</b>                                  | 16    | <b>93,473</b>               | <b>6,573</b>               | <b>300</b>                    | <b>100,346</b>        | <b>78,401</b>  |

All incoming and outgoing resources derive from activities in furtherance of the Library's objectives and all activities are classed as continuing.

There is no material difference between the outgoing resources for the financial year stated above and their historical cost equivalents.

The notes on pages 26 to 48 form part of these financial statements.

**Statement of Total Recognised Gains and Losses for the year ended 31st March 2015**

|  | <b>2015</b>   | <b>2014</b>  |
|--|---------------|--------------|
|  | <b>£000</b>   | <b>£000</b>  |
| Net gain on revaluation of fixed assets                                | 22,931        | 3,476        |
| Unrealised gains on investments  | 387           | 273          |
|  | <hr/>         | <hr/>        |
| <b>Total recognised gains and losses related to the financial year</b> | <b>23,318</b> | <b>3,749</b> |
|  | <hr/>         | <hr/>        |


The notes on pages 26 to 48 form part of these financial statements.



**Balance Sheet at 31st March 2015**

|  |       | <b>2015</b>           | <b>2014</b>          |
|--|-------|-----------------------|----------------------|
|  |       | <b>£000</b>           | <b>£000</b>          |
| <b>Fixed Assets</b>                                    | Notes |                       |                      |
| Tangible Assets  | 8     | 60,727                | 39,693               |
| Heritage Assets  | 9     | 33,515                | 32,700               |
| Investments  | 10    | 6,156                 | 5,805                |
| <b>Total fixed assets</b>                              |       | <u>100,398</u>        | <u>78,198</u>        |
| <b>Current Assets</b>                                  |       |                       |                      |
| Stocks   | 12    | 21                    | 26                   |
| Debtors  | 11    | 909                   | 1,029                |
| Cash at bank and in hand                               | 13    | 2,158                 | 2,503                |
| <b>Total current assets</b>                            |       | <u>3,088</u>          | <u>3,558</u>         |
| <b>Creditors - amounts falling due within one year</b> | 14    | <u>(2,925)</u>        | <u>(2,850)</u>       |
| <b>Net current assets</b>                              |       | <u>163</u>            | <u>708</u>           |
| <b>Total assets less current liabilities</b>           |       | <u>100,561</u>        | <u>78,906</u>        |
| Provisions for Liabilities and Charges                 | 15    | <u>(215)</u>          | <u>(505)</u>         |
| <b>Net assets</b>                                      |       | <u><u>100,346</u></u> | <u><u>78,401</u></u> |
| <b>The funds of the charity:</b>                       |       |                       |                      |
| <b>Endowment funds</b>                                 | 16    | 6,573                 | 6,186                |
| <b>Restricted funds</b>                                |       |                       |                      |
| Capital Assets Fund                                    | 16    | 62,999                | 63,676               |
| Revaluation Reserve                                    | 16    | 30,072                | 7,641                |
| Collection Purchase                                    | 16    | 15                    | 272                  |
| Designated Purpose                                     | 16    | 62                    | 120                  |
| <b>Voluntary Income</b>                                | 16    | 325                   | 306                  |
| <b>Unrestricted Funds</b>                              |       |                       |                      |
| General Fund   | 16    | 300                   | 200                  |
| <b>Total Charity Funds</b>                             |       | <u><u>100,346</u></u> | <u><u>78,401</u></u> |

The Accountable Officer authorised these financial statements for issue on the 21<sup>st</sup> September 2015

  
 .....  
 Dr John Scally  
 National Librarian and Accountable Officer

The notes on pages 26 to 49 form part of these financial statements.

**Cash Flow Statement for the year ended 31st March 2015**

|  |       | <b>2015</b>         | <b>2014</b>           |
|--|-------|---------------------|-----------------------|
|  |       | <b>£000</b>         | <b>£000</b>           |
|  | Notes |                     |                       |
| Net Cash outflow from Operating Activities | 17    | (15,876)            | (16,141)              |
| Capital Expenditure                        | 17    | (1,140)             | (780)                 |
|  |       | <u>(17,016)</u>     | <u>(16,921)</u>       |
| Financing                                  | 17    | 16,671              | 15,302                |
| <b>Decrease in cash</b>                    |       | <u><b>(345)</b></u> | <u><b>(1,619)</b></u> |

The notes on pages 26 to 48 form part of these financial statements.

## Notes to the Financial Statements for the year ended 31st March 2015

### I. ACCOUNTING POLICIES

#### a. Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of fixed assets and the inclusion of investments at market value, in accordance with directions given by the Scottish Ministers under paragraph 12 of the Schedule to the National Library of Scotland Act 2012. The Accounts Direction given by the Scottish Ministers is produced as an appendix to these financial statements.

The financial statements incorporate the transactions and balances of the Library, its Bequests and other acquisition and cataloguing funds up to 31st March each year. Of these Bequests, only the income from the Alexander Grant Fund (Net Assets: £1.542 million) is solely available for the general purposes of the Library, the other funds being restricted in use.

Without limiting the information given, the financial statements meet the requirements of the Companies Act 2006 and Accounting Standards issued or adopted by the Accounting Standards Board as far as those are applicable. They also comply with the Government Financial Reporting Manual (FReM), the Statement of Recommended Practice, "Accounting and Reporting by Charities", issued in March 2005 (SORP 2005) and updated in May 2008, the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the charity's constitution. The financial statements have been prepared on a going concern basis with consistently applied accounting policies.

#### b. Tangible fixed assets and depreciation

Title to the Land and Buildings administered by the Library is held in the name of the Scottish Ministers. The Library occupies these premises under licence. On the direction of the Scottish Ministers, these assets have been valued and are included in the Balance Sheet. The method of valuation for properties of a specialised nature, that is land and buildings for which there is effectively no market, is depreciated replacement cost. Other properties have been valued at either open market value or existing use value. Full valuations of land and buildings are undertaken every five years and buildings are updated in intervening years by applying appropriate cost indices. Fixed assets other than buildings are held at cost. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

All items of capital expenditure costing in excess of £5,000 are treated as additions to fixed assets.

Depreciation is provided in equal annual instalments on all fixed assets over their estimated useful lives, as follows:

|                         |                     |
|-------------------------|---------------------|
| Buildings               | over 10 to 60 years |
| Motor Vehicles          | over 8 years        |
| Equipment and Machinery | over 4 to 10 years  |
| Computer Equipment      | over 4 to 5 years   |

No depreciation is provided on land or capitalised collection items. All assets are subject to impairment reviews where there is an indicator of potential impairment. Such reviews are conducted by reference to market value of the related asset or its value to the Library.

Depreciated historic cost has been used as a proxy for the current value of motor vehicles, plant and equipment and computer equipment. All of the assets in these categories have:

- low values and short economic lives which realistically reflect the life of the asset, and
- a depreciation charge which provides a realistic reflection of consumption

Fully depreciated assets are written off within the fixed asset register.

c. Incoming resources

Government and other grants

All grants received and receivable are included in the Statement of Financial Activities as incoming resources.

FReM requires grants for running costs to be treated as financing and to be credited to the General Fund in the Balance Sheet. Grants utilised in the purchase of fixed assets are credited to the Capital Asset Fund, and amounts are subsequently transferred back to the General Fund as the related assets are depreciated,

Purchase Grants and donated cash or assets to be held in perpetuity are credited to the Purchase Fund and Trust Funds respectively, and are not included in the Income and Expenditure Statement.

Other income

All other income is accounted for on a receivable basis and recognised in both the Income and Expenditure Account and the Statement of Financial Activities. Legacy income is regarded as receivable when the conditions for its receipt have been met. Income from Revenue Earning Activities is disclosed within the financial statements on a gross accounting basis.

d. Resources expended

Expenditure is classified in the Statement of Financial Activities under the principal categories of charitable activities, costs of generating income and governance. Charitable expenditure comprises direct expenditure attributable to the principal functions of the Library and support costs. Expenditure has been attributed to departments, where possible on an actual basis and otherwise in proportion to the direct costs of each of those departments.

The Library's principal functions are collection development, providing user access and the development of the Library's functions.

The costs of the Library's corporate services department are allocated across the charitable expenditure. These costs include the cost of maintaining the Library's buildings and providing other support services within the Library.

Governance costs are those incurred in connection with the management of the Library's assets, organisational administration and compliance with statutory requirements. All expenditure is included on an accruals basis and is recognised when there is a legal or constructive obligation to pay.

e. Investments

The Library's endowment funds are partly held in the form of listed investments from which income is derived and used to meet the specific objects of the funds. These investments are shown at market value in accordance with the Charities SORP 2005. Amounts realised on disposal of assets are reinvested within the funds. Realised and unrealised gains are included in

the Statement of Financial Activities; only realised gains are included in the Income and Expenditure Account. The investment policy is determined by the Board in accordance with the wishes of the donors and is implemented by professional investment advisers. The Board has instructed the investment advisers not to invest in anything that would bring the Library into disrepute.

f. Stocks

Stocks held for the shop are shown at cost price within the Balance Sheet. All other stocks are immediately expensed to the Income and Expenditure Account.

g. Taxation

The Charity is a registered charity and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

The Library has special VAT status. It is specifically listed in Section 33a of the VAT Act 1994 and HM Revenue and Customs Notice 998. This VAT status allows the Library to recover (in full) any VAT that is incurred on expenses linked to free rights of admission. There are two specific instances which are not covered by Section 33a and in these circumstances non-recoverable Value Added Tax arising from expenditure is charged in the Income and Expenditure Account.

h. Foreign currency

Income and expenditure in foreign currencies are converted to sterling at rates approximate to those ruling at the date of each transaction.

i. Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is a defined benefit scheme and is unfunded.

The Library recognises the expected cost of providing future pensions over the period during which it benefits from employees' services. Ascertained future costs connected with early retirement or early departure are recognised in full in the year in which an individual leaves the Library's service.

j. Leases

Leases where substantially all the risks and rewards of ownership of the related asset do not pass to the Library are treated as operating leases. Rentals are charged to the Income and Expenditure Account on a straight line basis over the term of the lease.

k. Reserves

The Library's policy on reserves is largely governed by the requirement of its sponsoring body to spend grant-in-aid received. Endowment funds are held under the restrictions imposed by the donors. The policy is to use these funds for the benefit of the Library and the levels of reserves are disclosed in the Financial Statements.

Reserves are held as follows:

#### Capital Assets Fund

Grants utilised in the purchase of Land and Buildings are credited to the Capital Asset Fund. Amounts are then released from the Fund and credited to the Income and Expenditure Account as the related assets are depreciated.

#### Revaluation Reserve

Land and Buildings are revalued every five years. The difference between the revalued amount and historical cost is also included within the Revaluation Reserve.

#### Collection Purchase Fund

Grant in Aid and other conditional grant received specifically for the purchase of Collection items is credited to the Collection Purchase Fund, expenditure on Collection items is debited to the Collection Purchase Fund. Collection items with a value in excess of £5,000 are capitalised within Heritage Assets, and the associated Grant in Aid funding credited to the Capital Assets Fund. The Library has made a commitment to bolstering funds available for the purchase of Collection items, and this is done through a transfer from the General Fund.

#### Voluntary Income Fund

The Voluntary Income Fund is made up of two elements:

- Endowment Funds - the Board and management of the Library have operational control of the balances of endowment funds. Whilst the capital element is preserved, the investment income received in relation to the capital is credited to Voluntary Income Fund;
- Donations – donations received by the Library are credited to the Voluntary Income Fund;

#### Restricted Purpose Fund

The Restricted Purpose Fund is made up of two elements:

- Grants utilised in the purchase of Tangible Assets other than Land and Buildings are credited to the Restricted Purpose Fund, and are recognised as income when the related asset has been acquired.
- Grants received in prior years in relation to projects committed to by the Library, where it was not possible to spend the grant within the same financial year.

#### Endowment Funds

The Endowment funds are made up of bequests and large donations to the Library where the Board and management of the Library have operational control of the capital and where either

- there is a restriction that capital should be preserved, attached to the bequest or donation (as in the case of the £3m received from John Murray, where the capital is to be preserved and the investment income used to fund the maintenance, preservation and presentation of the John Murray Archive), or
- the Board have elected to preserve the principal amount.

#### General Reserve

The General Reserve represents the free reserves of the Library, the purpose of which is to cover contingencies and potential events which may disrupt normal operational activities.

### I. Relationship between the Library and the Agency for the Legal Deposit Libraries

As the Library has an undertaking, other than a subsidiary undertaking, in which it has an investment representing 20% of the voting rights and over which it exerts significant influence, this is treated as an associated undertaking. Group financial statements are not prepared on grounds of materiality. (See Note 23)

m. Impairment

The carrying value of the Library's assets is reviewed at each statement of financial position date to determine whether there is any indication of impairment. An impairment loss is recognised in the expenditure account whenever:

- The carrying value of assets exceeds the recoverable amount;
- The residual value has fallen below that originally estimated;
- The economic life of the asset is lower than originally estimated.

n. Heritage Assets

The Library's collections as at 1st April 2001 are not included in the balance sheet as data is not available to cover that period. The Board are of the opinion that reliable information on cost or valuation is not readily available for the bulk of the Library's collection of Heritage Assets. This view has been reached due to the number of items, lack of comparative market values and the diverse nature of the collection.

Individual items acquired after 1st April 2001 with a value at the date of acquisition in excess of £5,000 are capitalised at cost (note 9). The amount of any grants received towards the purchase of such items is transferred to the Capital Assets Fund on the balance sheet. Under HM Treasury guidance, heritage assets items are not depreciated or revalued.

o. Financial Instruments

Financial Instruments are disclosed in line with Investment, Cash, Trade Debtors and Trade Creditors policies. The Library has exposure to market risk, and this is managed through portfolio diversification as well as setting the risk appetite and investment objectives to be used by Fund Managers.

**2. GOVERNMENT GRANT-IN-AID**

|                                   | <b>2015</b>          | <b>2014</b>          |
|-----------------------------------|----------------------|----------------------|
|                                   | <b>£000</b>          | <b>£000</b>          |
| <b>Grant-in-Aid Received</b>      |                      |                      |
| Running Costs                     | 13,243               | 13,309               |
| Capital                           | 2,875                | 1,600                |
|                                   | <u>16,118</u>        | <u>14,909</u>        |
| Purchase Grant                    | 500                  | 350                  |
| <b>Total Received during year</b> | <b><u>16,618</u></b> | <b><u>15,259</u></b> |

The Board agreed to supplement the allocated Purchase Grant during the year from reserves.



### 3. NOTES TO THE STATEMENT OF FINANCIAL ACTIVITIES

The allocation of support costs to Collection Development, User Access, Strategy and Communications and Costs of Generating Voluntary Income is in direct proportion to the direct costs of these activities after adjustments for depreciation, acquisition and use of fixed assets, and the costs of activities, such as shop and café costs, unique to any area of activity.

|  | Restricted<br>Funds     | Unrestricted<br>Funds    | 2015<br>Total         | 2014<br>Total         |
|--|-------------------------|--------------------------|-----------------------|-----------------------|
|  | £000                    | £000                     | £000                  | £000                  |
| <b>Grant In Aid</b>                      |                         |                          |                       |                       |
| Grant In Aid                             | 630                     | 15,988                   | 16,618                | 15,259                |
| <b>Voluntary income</b>                  |                         |                          |                       |                       |
| Conditional grants                       | 590                     | 397                      | 987                   | 403                   |
| Donations                                | 80                      | 6                        | 86                    | 352                   |
|  | <u>670</u>              | <u>403</u>               | <u>1,073</u>          | <u>755</u>            |
| <b>Revenue earning activities</b>        |                         |                          |                       |                       |
| Shelving                                 | -                       | 26                       | 26                    | 44                    |
| Café and Shop Income                     | -                       | 70                       | 70                    | 83                    |
|  | <u>-</u>                | <u>96</u>                | <u>96</u>             | <u>127</u>            |
| <b>Investment income</b>                 |                         |                          |                       |                       |
| Investment Income                        | 208                     | 2                        | 210                   | 196                   |
| <b>Income from charitable activities</b> |                         |                          |                       |                       |
| Property rental                          | -                       | 83                       | 83                    | 108                   |
| Agency services                          | -                       | 83                       | 83                    | 87                    |
| Reprography                              | -                       | 113                      | 113                   | 89                    |
| Sundry income                            | -                       | 490                      | 490                   | 311                   |
|  | <u>-</u>                | <u>769</u>               | <u>769</u>            | <u>595</u>            |
| <b>Total Incoming Resources</b>          | <b>1,508</b>            | <b>17,258</b>            | <b>18,766</b>         | <b>16,932</b>         |
| <b>Analysis of Resources Expended</b>    | <b>Direct<br/>Costs</b> | <b>Support<br/>Costs</b> | <b>2015<br/>Total</b> | <b>2014<br/>Total</b> |
|  | £000                    | £000                     | £000                  | £000                  |
| <b>Charitable activities</b>             |                         |                          |                       |                       |
| Collection development                   | 4,612                   | 3,082                    | 7,694                 | 8,216                 |
| User access to collections               | 3,435                   | 4,062                    | 7,497                 | 5,855                 |
| Strategy and communications              | 420                     | 244                      | 664                   | 755                   |
| Collection Purchases                     | 739                     | -                        | 739                   | 789                   |
|  | <u>9,206</u>            | <u>7,388</u>             | <u>16,594</u>         | <u>15,615</u>         |
| <b>Cost of generating funds</b>          |                         |                          |                       |                       |
| Cost of generating voluntary income      | 237                     | 138                      | 375                   | 379                   |
| Cost of goods sold and other costs       | 94                      | -                        | 94                    | 111                   |
|  | <u>331</u>              | <u>138</u>               | <u>469</u>            | <u>490</u>            |
| Depreciation                             | -                       | 2,472                    | 2,472                 | 2,130                 |
| Investment management costs              | 36                      | -                        | 36                    | 23                    |
| Governance costs                         | 360                     | 208                      | 568                   | 450                   |
| Grant to NLS Foundation                  | -                       | -                        | -                     | 2,100                 |
| <b>Total Resources Expended</b>          | <b>9,933</b>            | <b>10,206</b>            | <b>20,139</b>         | <b>20,808</b>         |

**4. REVENUE-EARNING ACTIVITIES**

|                              | <b>2015</b> | <b>2014</b>  |
|------------------------------|-------------|--------------|
|                              | <b>£000</b> | <b>£000</b>  |
| <b>Income</b>                |             |              |
| Shelving                     | 26          | 44           |
| Café and Shop Income         | 70          | 83           |
| <b>Total Income</b>          | <b>96</b>   | <b>127</b>   |
| <b>Less: Costs</b>           |             |              |
| Cost of sales                | (51)        | (53)         |
| Direct wages                 | (34)        | (45)         |
| Administration               | (9)         | (13)         |
| <b>Total Costs</b>           | <b>(94)</b> | <b>(111)</b> |
| <b>Surplus for the year:</b> | <b>2</b>    | <b>16</b>    |

**5. EMPLOYEES**

|                                      | <b>2015</b>   | <b>2014</b>  |
|--------------------------------------|---------------|--------------|
|                                      | <b>£000</b>   | <b>£000</b>  |
| Staff costs during the year were:    |               |              |
| Wages and salaries                   | 8,369         | 7,584        |
| Social Security costs                | 592           | 530          |
| Pension costs                        | 1,514         | 1,325        |
| Agency staff costs                   | 79            | 338          |
| Early Retirement and severance costs | 69            | 101          |
| <b>Total</b>                         | <b>10,623</b> | <b>9,878</b> |
| <b>Accounted for within:</b>         |               |              |
| Unrestricted Funds                   | 10,528        | 9,813        |
| Restricted Funds                     | 95            | 65           |
| <b>Total</b>                         | <b>10,623</b> | <b>9,878</b> |

The average number of full-time employees during the year was as follows:

|                              | <b>2015</b>   | <b>2014</b>   |
|------------------------------|---------------|---------------|
|                              | <b>Number</b> | <b>Number</b> |
| Access                       | 56            | 52            |
| Collections & Interpretation | 67            | 66            |
| Communications & Enterprise  | 8             | 7             |
| Corporate Services           | 23            | 24            |
| Ingest                       | 48            | 44            |
| Resources                    | 89            | 87            |
| <b>Total</b>                 | <b>291</b>    | <b>280</b>    |

Employees whose emoluments exceeded £60,000

|                    | <b>2015</b>   | <b>2014</b>   |
|--------------------|---------------|---------------|
|                    | <b>Number</b> | <b>Number</b> |
| £60,000 to £69,999 | 2             | -             |
| £70,000 to £79,999 | 2             | 2             |
| £80,000 to £89,999 | -             | -             |
| £90,000 to £99,999 | 1             | 1             |
| <b>Total</b>       | <b>5</b>      | <b>3</b>      |

Most of the staff are employed on permanent contracts. There are a number of staff who are employed on short term contracts. All staff are entitled to join the Civil Service pension arrangements. Notice periods are set by the Library and are those generally in use in the public sector. Termination payments are paid in accordance with the Civil Service Compensation Scheme.

Board Members receive no remuneration but are reimbursed for travel expenses and any childcare expenses. Travel and subsistence expenses amounting to £3,203 (2014: £3,066) were paid to Board Members in respect of attendance at meetings. Ten Board Members received reimbursement for expenses (2014: Five).

The remuneration of the National Librarian and Chief Executive complies with the Scottish Government's Pay Policy for Senior Public Appointments and is approved and monitored by the Scottish Government. The remuneration of other Senior Managers is based on the overall pay policy of the Library which is subject to the approval of the Scottish Government.

Public sector reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. The remuneration of the Library's highest paid director in 2014/15 was £93,000 (2013/14: £94,430). This was 4.02 times (2013/14: 4.37 times) the median remuneration of the workforce which was £23,163 (2013/14: £21,632).

Remuneration ranged from £15,650 to £75,750 (2013/14: £14,246 to £75,000).

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as

well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

#### Pension Costs

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but National Library of Scotland is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation;

<http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>

For 2014/15 employers' contributions of £1.562 million were payable to the PCSPS (2013/14: £1.25 million) at one of the four rates in the range 16.7% to 24.3% of pensionable earnings based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014/15 to be paid when the member retires, and not the benefits paid during this year to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £17,053 (2013/14 - £12,000) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £1,214, 0.8% of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £1,557 (2013/14 - £1,000). Contributions prepaid at that date were Nil (2013/14 - £Nil).

#### **6. REPORTING OF CIVIL SERVICE AND OTHER COMPENSATION SCHEMES – EXIT PACKAGES**

There were no compulsory redundancies during the year. Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where early retirements are agreed, the additional costs are met by the National Library of Scotland and not by the Civil Service Pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

|                             | 2015                         |                                  | 2014                         |                                  |
|-----------------------------|------------------------------|----------------------------------|------------------------------|----------------------------------|
|                             | Total Exit Packages (Number) | Total Exit Packages (Value) £000 | Total Exit Packages (Number) | Total Exit Packages (Value) £000 |
| <b>Exit Package Cost</b>    |                              |                                  |                              |                                  |
| Less than £10,000           | -                            | -                                | -                            | -                                |
| Between £10,000 - £24,999   | -                            | -                                | -                            | -                                |
| Between £25,000 - £49,999   | 1                            | 42                               | 2                            | 81                               |
| Between £50,000 - £99,999   | -                            | -                                | 1                            | 85                               |
| Between £100,000 - £150,000 | -                            | -                                | -                            | -                                |
| <b>Total</b>                | <b>1</b>                     | <b>42</b>                        | <b>3</b>                     | <b>166</b>                       |

**7. OTHER OPERATING CHARGES**

|  | <b>2015</b>  | <b>2014</b>  |
|--|--------------|--------------|
|  | <b>£000</b>  | <b>£000</b>  |
| <b>General</b>                           |              |              |
| Administration expenses                  | 262          | 564          |
| Operating lease rentals (see note below) | 33           | 24           |
| Travel, subsistence and hospitality      | 208          | 208          |
| Office equipment and supplies            | 205          | 170          |
| Purchases for the Collections            | 687          | 836          |
| Exhibitions                              | 194          | 215          |
| Copyright Agency                         | 153          | 154          |
| Computer Services                        | 508          | 814          |
| Digitisation and Web Development         | 88           | 127          |
| Record purchase                          | 21           | 21           |
| Audit fees (see note below)              | 38           | 43           |
| Conservation and Preservation            | 65           | 70           |
| Grant to NLS Foundation                  | -            | 2,100        |
| Provision                                | -            | 549          |
| Consultancy                              | 84           | 133          |
| <b>Sub-total</b>                         | <b>2,546</b> | <b>6,028</b> |
| <b>Buildings</b>                         |              |              |
| Utilities                                | 424          | 392          |
| Rent, rates and service charges          | 272          | 213          |
| Lease of Land and Buildings              | 94           | 80           |
| Buildings maintenance                    | 3,681        | 2,047        |
| Furniture                                | 11           | 7            |
| Transport                                | 16           | 32           |
| <b>Sub-total</b>                         | <b>4,498</b> | <b>2,771</b> |
| <b>Total</b>                             | <b>7,044</b> | <b>8,799</b> |

Operating lease rentals are paid in respect of rental of buildings and general office equipment. Included in Audit Fees is £20,259 in relation to External Audit services for 2014/15 provided by PricewaterhouseCoopers LLP (2013/14: £24,770).

**8. TANGIBLE FIXED ASSETS**

Land and buildings include £2.725 million (2013/14: £850,000) in respect of land which is not depreciated.

|   | Land and<br>Buildings | Motor<br>vehicles | Equipment<br>and<br>Machinery | Computer<br>equipment | 2015<br>Total |
|---|-----------------------|-------------------|-------------------------------|-----------------------|---------------|
| <b>COST OR VALUATION</b>  | <b>£000</b>           | <b>£000</b>       | <b>£000</b>                   | <b>£000</b>           | <b>£000</b>   |
| Balance at 1 April 2014   | 45,552                | 76                | 1,519                         | 1,007                 | 48,154        |
| Additions   | 130                   | -                 | 237                           | 208                   | 575           |
| Write down of assets recognised<br>in the Revaluation Reserve             | (475)                 | -                 | -                             | -                     | (475)         |
| Revaluation/Indexation<br>Adjustment                                      | 24,069                | -                 | -                             | -                     | 24,069        |
| Balance at 31 March 2015  | 69,276                | 76                | 1,756                         | 1,215                 | 72,324        |
| <b>ACCUMULATED<br/>DEPRECIATION &amp;<br/>IMPAIRMENT</b>                  |                       |                   |                               |                       |               |
| Balance at 1 April 2014   | 6,935                 | 62                | 785                           | 679                   | 8,461         |
| Charge for the year   | 1,861                 | 4                 | 196                           | 149                   | 2,212         |
| Write down of assets recognised<br>in the Income & Expenditure<br>Account | 260                   | -                 | -                             | -                     | 260           |
| Revaluation/Indexation<br>Adjustment                                      | 664                   | -                 | -                             | -                     | 664           |
| Balance at 31 March 2015  | 9,720                 | 66                | 981                           | 828                   | 11,596        |
| <b>NET BOOK VALUE</b>   |                       |                   |                               |                       |               |
| <b>At 31 March 2015</b>   | <b>59,556</b>         | <b>10</b>         | <b>775</b>                    | <b>387</b>            | <b>60,727</b> |
| At 31 March 2014  | 38,617                | 14                | 734                           | 328                   | 39,693        |

At 31st March 2015 all Land and Buildings were revalued by Hardies, a firm of chartered surveyors, on the basis of Depreciated Replacement Cost for buildings of a specialised nature and on the basis of Existing Use Value for other buildings. The valuation was carried out by a Member of the Royal Institute of Chartered Surveyors (MRICS).

Depreciated Replacement Cost were derived by the valuers on the basis of land values and estimated current construction costs, including professional fees and finance costs for each individual property. The amount by which replacement cost for each property was discounted to arrive at Depreciated Replacement Cost was assessed by the valuers on the basis of the current condition and state of repair of the property concerned (rather than by time apportioning over the estimated total life of the property).

**9. HERITAGE ASSETS**

|  | <b>2015</b>   | <b>2014</b>   |
|--|---------------|---------------|
|  | <b>£000</b>   | <b>£000</b>   |
| Balance of capitalised items at 1 April                                      | 32,700        | 32,420        |
| Other additions in year of individual items<br>with a value exceeding £5,000 | 815           | 280           |
| <b>Balance at 31 March</b>   | <b>33,515</b> | <b>32,700</b> |

A Heritage Asset is defined as a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

The Integrated Collecting Strategy reflects the direction of the Library "The National Library of Scotland will enrich lives and communities, encouraging and promoting lifelong learning, research and scholarship, and universal access to information by comprehensively collecting and making available the recorded knowledge of Scotland, and promoting access to the ideas and cultures of the world."

The Library's Integrated Collecting Strategy is available on the website [www.nls.uk](http://www.nls.uk). This Strategy document sets out policy on acquisition, disposal, preservation and management. The collections can be accessed online with digital resources available following registration. Material can also be consulted in the Library's reading rooms. There is also a year-round programme of events and exhibitions.

The Library's Scottish Treasures are of major significance for the nation. Collections include the last letter written by Mary Queen of Scots, the earliest manuscript maps of Scotland and the first book printed in Scotland. Four items from the collections were among the first ten inscriptions to the UNESCO UK Memory of the world register in 2010.

The Board are of the opinion that reliable information on cost or valuation is not available for the Library's collection of Heritage Assets. As such the collections cannot be valued meaningfully. This view has been reached due to the number of items, lack of comparative market values and the diverse nature of the collection, so that reliable cost or valuation information cannot be obtained.

Collections as at 1st April 2001 are not included in the balance sheet as data is not available for that period. Acquisitions for collections of individual items with a value at the date of acquisition in excess of £5,000 have been capitalised since 1st April 2001, and are included in the balance sheet at cost. Depreciation is not charged and the items are not revalued. The Library does not value donations, as this is considered to be impracticable.

Expenditure on Preservation and Conservation is recognised within the Income and Expenditure Account when it is incurred.



**10. INVESTMENTS**

|   | <b>2015</b>  | <b>2014</b>  |
|---|--------------|--------------|
|   | <b>£000</b>  | <b>£000</b>  |
| Cash held by investment managers                                | 60           | 96           |
| UK Investments (Market Value) held by Investment managers       | 3,059        | 3,097        |
| Total UK holdings with investment managers                      | <u>3,120</u> | <u>3,193</u> |
| Overseas Investments (Market Value) held by investment managers | 2,224        | 1,867        |
| Other Investments   | 812          | 745          |
| Total (Market Value) held by investment managers                | <u>6,156</u> | <u>5,805</u> |
| Endowment Cash balances held by the Library                     | 741          | 685          |
| Total Endowment Funds holdings                                  | <u>6,897</u> | <u>6,490</u> |
| Listed investments - at cost                                    | 4,674        | 4,404        |

The change in the market value of investments can be analysed as follows;

|  | <b>£000</b>  |
|--|--------------|
| Opening Value of Investments at 1 April 2014 | 5,805        |
| Charges & Income Withdrawn                   | (232)        |
| Income Received                              | 200          |
| Capital Appreciation                         | 383          |
| Closing Value at 31 March 2015               | <u>6,156</u> |

All funds, excluding smaller charitable donations, are treated as endowment funds, in that the capital is preserved, in accordance with Board policy and where applicable, the conditions associated with the original gift or bequest. The income arising from the funds is applied in accordance with the wishes of the donors, primarily for making appropriate additions to the collections of Books and Manuscripts.

There are also two Trust funds established for the benefit of the Library, to which the Library may apply for financial support for appropriate activities. During the year, the Library received £10,549 (2013/14: £10,168) from Trust funds.

**11. DEBTORS**

|                                | <b>2015</b> | <b>2014</b>  |
|--------------------------------|-------------|--------------|
|                                | <b>£000</b> | <b>£000</b>  |
| Trade debtors                  | 121         | 311          |
| Other debtors                  | 258         | 196          |
| Provision for bad debts        | (7)         | (16)         |
| VAT recoverable                | 357         | 332          |
| Prepayments and accrued income | 180         | 206          |
| <b>Total</b>                   | <b>909</b>  | <b>1,029</b> |

**Intra Government balances, included above;**

|   |     |     |
|---|-----|-----|
| Balances with other Central Government bodies | 414 | 442 |
|---|-----|-----|

A total of £1,448 in bad debts was written off during the year.

**12. STOCKS**

|                                   | <b>2015</b> | <b>2014</b> |
|-----------------------------------|-------------|-------------|
|                                   | <b>£000</b> | <b>£000</b> |
| Stock for shop trading activities | 21          | 26          |

**13. CASH AT BANK AND IN HAND**

|                             | <b>2015</b>  | <b>2014</b>  |
|-----------------------------|--------------|--------------|
|                             | <b>£000</b>  | <b>£000</b>  |
| Government Banking Services | 607          | 1,176        |
| Other current accounts      | 1,541        | 897          |
| Term Deposits               | 7            | 423          |
| Cash                        | 3            | 7            |
| <b>Total</b>                | <b>2,158</b> | <b>2,503</b> |

**14. CREDITORS - amounts falling due within one year**

|                              | <b>2015</b>         | <b>2014</b>         |
|------------------------------|---------------------|---------------------|
|                              | <b>£000</b>         | <b>£000</b>         |
| Other creditors              | 1,797               | 2,002               |
| Taxation and social security | 362                 | 315                 |
| Deferred Conditional Income  | 321                 | 193                 |
| Deferred Pension Costs       | 51                  | 96                  |
| Accruals and deferred income | 395                 | 244                 |
| <b>Total</b>                 | <b><u>2,926</u></b> | <b><u>2,850</u></b> |

**Intra Government balances, included above;**

|   |     |     |
|---|-----|-----|
| Balances with other Central Government bodies | 537 | 453 |
|---|-----|-----|

**15. PROVISIONS FOR LIABILITIES AND CHARGES**

|  | <b>2015</b>       | <b>2014</b>       |
|--|-------------------|-------------------|
|  | <b>£000</b>       | <b>£000</b>       |
| Deferred Pension: Amounts due outwith 1 year | 54                | 102               |
| Pay & Grading Amounts due outwith 1 year     | 161               | 403               |
| <b>Total</b>                                 | <b><u>215</u></b> | <b><u>505</u></b> |

The provision for deferred pension relates to the compensation element of the Early Retirement Package payable to former officers who were over the age of 50 but below the age of 60. On attaining the age of 60 the compensation element ceases. Future costs connected with early retirements or early departures are recognised, in full, in the year in which an individual leaves the Library's service.

The provision for pay and grading relates to the future amounts payable to protect, in cash terms, the salaries of staff whose salary could decrease as a result of the introduction of the revised pay and grading system. The amounts are likely to be paid over the next five years. The provision has been calculated based upon the difference between current and future salaries.

**16. RESERVES**

|  | RESTRICTED FUNDS    |                     |                     |                    | ENDOWMENT UNRESTRICTED FUNDS |                 |              |
|--|---------------------|---------------------|---------------------|--------------------|------------------------------|-----------------|--------------|
|  | Capital Assets Fund | Revaluation Reserve | Collection Purchase | Designated Purpose | Voluntary Income             | Endowment Funds | General Fund |
|  | £000                | £000                | £000                | £000               | £000                         | £000            | £000         |
| <b>Balances at 1 April 2014</b>                                      | <b>63,676</b>       | <b>7,641</b>        | <b>272</b>          | <b>120</b>         | <b>306</b>                   | <b>6,186</b>    | <b>200</b>   |
| <b>Incoming Resources</b>  |                     |                     |                     |                    |                              |                 |              |
| Government Funding received  | 130                 | -                   | 500                 | -                  | -                            | -               | 15,988       |
| Other Restricted funding received                                    | -                   | -                   | 590                 | -                  | -                            | -               | (590)        |
| Donations (including bequests) received                              | -                   | -                   | -                   | -                  | 80                           | -               | (80)         |
| Dividend, interest income and other                                  | -                   | -                   | -                   | -                  | 208                          | -               | (208)        |
| <b>Outgoing Resources</b>  |                     |                     |                     |                    |                              |                 |              |
| Collection items with a value in excess of £5,000                    | 815                 | -                   | (762)               | -                  | (53)                         | -               | -            |
| Expenditure funded by restricted funding                             | -                   | -                   | (500)               | -                  | (216)                        | -               | 716          |
| Release to Income and Expenditure Account in respect of depreciation | (1,622)             | (500)               | -                   | -                  | -                            | -               | -            |
| Deficit from Income and Expenditure Account                          | -                   | -                   | -                   | -                  | -                            | -               | (15,869)     |
| Other Transfers  | -                   | -                   | (85)                | (58)               | -                            | -               | 143          |
| <b>Gains &amp; Losses</b>  |                     |                     |                     |                    |                              |                 |              |
| Surplus on revaluation   | -                   | 22,931              | -                   | -                  | -                            | -               | -            |
| Changes in market value of holdings                                  | -                   | -                   | -                   | -                  | -                            | 387             | -            |
| <b>Balance as at 31 March 2015</b>                                   | <b>62,999</b>       | <b>30,072</b>       | <b>15</b>           | <b>62</b>          | <b>325</b>                   | <b>6,573</b>    | <b>300</b>   |

**17. NOTES TO THE CASH FLOW STATEMENT**

|  | <b>2015</b>         | <b>2014</b>         |
|--|---------------------|---------------------|
|  | <b>£000</b>         | <b>£000</b>         |
| <b>Reconciliation of operating deficit to net cash outflow from operating activities</b> |                     |                     |
| Deficit for the financial year   | (17,991)            | (19,135)            |
| Depreciation on tangible fixed assets  | 2,472               | 2,130               |
| Net cash movement in restricted funds  | (89)                | (19)                |
| (Increase)/Decrease in stock   | 5                   | (7)                 |
| (Increase)/Decrease in debtors   | 87                  | (475)               |
| Increase/(Decrease) in creditors and provisions  | (360)               | 1,365               |
| Net cash outflow from operating activities   | <u>(15,876)</u>     | <u>(16,141)</u>     |
| <b>Capital Expenditure</b>   |                     |                     |
| Additions to fixed assets  | (360)               | (499)               |
| Purchase of items for the collections  | (780)               | (281)               |
| Net capital expenditure for year   | <u>(1,140)</u>      | <u>(780)</u>        |
| <b>Financing</b>   |                     |                     |
| Scottish Government funding for year   | 16,618              | 15,259              |
| Other funding received for purchase of Collections                                       | 53                  | 43                  |
| Total Financing received   | <u>16,671</u>       | <u>15,302</u>       |
| <b>Analysis of changes in cash during the year</b>                                       |                     |                     |
| Opening balance at 1 April   | 2,503               | 4,122               |
| Net cash outflow during the year   | (345)               | (1,619)             |
| <b>Closing balance at 31 March</b>   | <u><b>2,158</b></u> | <u><b>2,503</b></u> |

## 18. NATIONAL LIBRARY OF SCOTLAND FOUNDATION

The National Library of Scotland Foundation (NLSF) was established in 2013 with the objective “to advance the charitable purposes of National Library of Scotland to include the advancement of arts, heritage and culture and the advancement of education by making grants and providing financial support for projects and activities being carried out and supported by the National Library of Scotland.”. The Foundation is an independent company limited by guarantee (SC442292) and registered charity (SC043799).

It is the intention of the Library to make periodic applications to NLSF for financial support for defined activities. Such applications will be considered on their merits by the Directors of NLSF.

## 19. CAPITAL COMMITMENTS

At the end of the 2014/15 financial year, the National Library of Scotland is contractually committed to three projects. The amounts contracted for but not provided in the financial statements at 31 March 2015 are as follows;

|                                     | <b>2015</b>         |
|-------------------------------------|---------------------|
|                                     | <b>£000</b>         |
| Causewayside Building refurbishment | 3,984               |
| Kelvin Hall refurbishment           | 2,957               |
| Muriel Spark Archive                | 100                 |
| <b>Total</b>                        | <b><u>7,041</u></b> |

## 20. RELATED PARTY TRANSACTIONS

The Library is a Non-Departmental Public Body sponsored by the Scottish Government, which is regarded as a related party. During the year the National Library has had various material transactions with the Scottish Government, in the form of receipt of Grant In Aid which totalled £16.618 million in 2014/15 (2013/14: £15.259 million).

During the year, none of the Board members, members of key management staff or other related parties has undertaken any direct material transactions with the Library. The following indirect transactions took place;

- Richard Parsons, a member of NLS' Board and Audit Committee during the year, and University Librarian at the University of Dundee is also the Chair of Scottish Higher Education Digital Library (SHEDL). SHEDL aims through collaboration and combined purchasing power to achieve a shared digital library in Scotland with easier access to online content to support research and learning and teaching. The NLS works with SHEDL to procure journals and eBook resources.

The Library has had a number of material transactions with other government departments, central government bodies, local government, non-departmental public bodies and similar organisations.

## 21. FUTURE LEASE COMMITMENTS

As at 31st March 2015 the Library has the following commitments under non-cancellable operating leases;

|   | 2015       | 2015      | 2015       | 2014      | 2014      | 2014      |
|---|------------|-----------|------------|-----------|-----------|-----------|
|   | Land and   | Other     | Total      | Land and  | Other     | Total     |
|   | Buildings  |           |            | Buildings |           |           |
|   | £000       | £000      | £000       | £000      | £000      | £000      |
| Operating leases which expire within one year | -          | -         | -          | -         | -         | -         |
| In the second to fifth year inclusive         | 146        | 21        | 167        | 50        | 21        | 71        |
| In over five years                            | -          | -         | -          | 21        | -         | 21        |
| <b>Total</b>                                  | <b>146</b> | <b>21</b> | <b>167</b> | <b>71</b> | <b>21</b> | <b>92</b> |

## 22. FINANCIAL INSTRUMENTS

National Library of Scotland holds no investments in other public sector bodies. The Library does hold an investment in the Agency for the Legal Deposit Libraries (ALDL) which is a non-public sector body. The Library has not entered into any quantifiable guarantees, indemnities or provided letters of comfort.

## 23. ASSOCIATE COMPANY

National Library of Scotland is the parent company of the Agency for the Legal Deposit Libraries (ALDL).

It is considered that the ALDL is an Associate of the National Library of Scotland rather than a Subsidiary because National Library of Scotland as the sole member has the sole vote, but that vote confers no effective power due to the following:

- The appointment and removal of directors is set out in the Articles of Association paragraph 32 as one appointment for each Legal Deposit Library
- Paragraph 79 of the Articles of Association prohibits the articles from being altered or disappplied without the consent of all five Legal Deposit Libraries
- The National Library of Scotland's liability in case of insolvency of the Agency is £1
- Should the Agency be wound up, National Library of Scotland does not have any rights over residual assets

The National Librarian and Chief Executive of the Library holds an ex-officio role as one of the five directors of the ALDL.

The ALDL is incorporated in Scotland. Its principal place of business is 161 Causewayside, Edinburgh EH9 1PH. Accounts for the ALDL are available from that address. As the Library has not prepared consolidated financial statements, the following disclosure shows the effects of including them. The Library holds a stake of 20% in the ALDL. Insofar as ALDL holds no share capital, it is controlled by the five Legal Deposit Libraries. The share of the Library in the net assets and results of ALDL is 20% of the company and is summarised below:

|                        | <b>2015</b> | <b>2014</b> |
|------------------------|-------------|-------------|
|                        | <b>£000</b> | <b>£000</b> |
| Net Assets at 31 March | 97          | 102         |
| Turnover               | 142         | 147         |
| Deficit for the year   | (4)         | (8)         |

#### 24. POST BALANCE SHEET EVENTS

There were no material post balance sheet events prior to the issue of the financial statements.

#### 25. FINANCIAL REVIEW

The table below shows the outturn for the year against the Scottish Government grant in aid offer letter. Non-cash items are not paid out by the Scottish Government but the grant in aid offer letter provides resource budget cover for these items.

|                                  | <b>2015</b>    | <b>2015</b>   |
|----------------------------------|----------------|---------------|
|                                  | <b>Outturn</b> | <b>Offer</b>  |
|                                  |                | <b>Letter</b> |
|                                  | <b>£000</b>    | <b>£000</b>   |
| <b>Cash Items</b>                |                |               |
| Running Costs                    | 13,015         | 13,243        |
| Purchases                        | 911            | 500           |
| Capital – Various                | 2,930          | 2,875         |
| <b>Total Cash</b>                | <b>16,856</b>  | <b>16,618</b> |
| <b>Non Cash Items (notional)</b> |                |               |
| Grant Payment                    | -              | -             |
| Depreciation                     | 2,472          | 2,380         |
|                                  | <b>19,328</b>  | <b>18,998</b> |



## Appendix - National Library of Scotland Accounts Direction



### NATIONAL LIBRARY OF SCOTLAND

#### DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of paragraph 12 of the Schedule to the National Library of Scotland Act 2012, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2014, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 31 March 2006 is hereby revoked.



Signed by the authority of the Scottish Ministers

Dated 19 November 2013

