



**NATIONAL LIBRARY OF SCOTLAND
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2011**

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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

Introduction

During 2010/11 the Library successfully continued in its endeavours to make its collections and resources available to as wide an audience as possible through both physical and digital access.

The popularity of our Visitor Centre during this period went beyond our expectations, as we received more than 150,000 visitors to the Library, to visit one of our exhibitions or Treasures displays, enjoy an event, access material from our collections in the reading rooms or simply enjoy a coffee or browse the NLS shop. We continued to broaden our reach with some exciting new introductions to our events calendar, enjoying our inaugural year as a Festival Fringe venue and linking up with Gutter, the new magazine of Scottish literary fiction, to host a number of after hours events at NLS.

Increasing accessibility to users further afield through our digital services also continued apace with a number of new initiatives. Our new online registration service has been extremely successful with 9,500 registrations from over 100 countries since June 2010 and we have also maintained emphasis on increasing the material from our physical collections online, with new material available on our own website, including Post Office Directories online, and elsewhere – more than 2,000 images from our digital archives were made available via Flickr Commons. Our social media presence continues to grow, we launched a mobile application for the John Murray Archive and we have developed a new online education resource, The Learning Zone, which provides a dedicated hub for teachers, learning providers and self-led learners.

We have continued to grow our collections with particular emphasis this year on collecting Scottish publications as comprehensively as possible. Notable, and diverse, acquisitions during this year include a rare first French translation of Hume's 'Dialogue's concerning Natural Religion' (1780) and two Oor Wullie cartoon annuals from 1940 and 1942 to complete our collection. We were also delighted to complete the acquisition of the John Murray Archive for the nation following five years of fundraising.

This has all been achieved against the backdrop of planning for a reduction in budgets and resources and we have taken steps to identify opportunities where we can reduce costs for now and in the future. Colleagues across the Library participated in our 'Planning for Savings' group and a significant number of staff left through our voluntary early exit scheme. Our shared services activities with the National Galleries of Scotland are making significant progress with the introduction of a shared finance system and future improvements are taking shape through the integration of technical infrastructures. The introduction of technical infrastructure improvements in the Library itself has also greatly reduced energy usage and carbon emission reductions.

All these ongoing developments and impending challenges have informed our new corporate strategy, 'Connecting Knowledge', which sets out our aims and objectives over the next three years to ensure the influence and relevance of NLS continues to grow.

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Martyn Wade
National Librarian & Chief Executive

Date:

Annual Report of The Board of Trustees

1. History of the National Library Of Scotland

The National Library of Scotland has a history of 300 years, being 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, by their administration and by the service they gave not only to Faculty members but also to scholars in general, 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 14 million printed 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 some degree of 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 NLS 'on the foundation of the Library gifted for that purpose by the Faculty of Advocates, and for purposes connected therewith'. The National Heritage (Scotland) Act 1985 made the Library a Non-Departmental Public Body, grant-aided by the Scottish Government.

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

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

Trustees are appointed under the terms of the National Library of Scotland Act 1925 as amended by the National Heritage (Scotland) Act 1985 and the Scotland Act 1998. The Trustees also act as trustees for a number of trust funds and bequests as explained in note 10 to the accounts.

The Library is one of 5 UK Legal Deposit Libraries. As a registered charity its purpose is advancement of education, and advancement of arts, heritage, culture and science.

3. Financial Results for the Current Year

The National Library of Scotland's results in 2010/11 were better than expected partly due to the capitalisation of tangible assets but also due to a strategic decision to increase General Reserves.

The Library's reserves policy seeks to apply clear judgement between retaining funds unnecessarily and being too low where the future of the organisation may be at risk. Reserves held ensure continuity in the event of a large variation of income, or to be spent in emergencies. Some of these reserves are tied up in fixed assets and are not realisable and will impact on reserves (through depreciation), others in more readily realisable forms of income (cash). The current level of reserves (General Reserve and Board Reserve) is considered proportionate to the activities and needs of the organisation.

The Library made the concluding instalment in the acquisition of the John Murray Archive during 2010/11 thanks to many generous donations over the years. It now seeks to re-focus fundraising efforts.

The budget for the Library is approved by the Scottish Parliament and covers both Revenue and Capital Funding. The Scottish Government funding offer for the year was £19,437k, the outturn was £19,051k (note 25). The variance of £386k related solely to lower level of actual depreciation compared with the allocation of Non Cash Grant In Aid.

The Library received 2 substantial tranches of additional Grant In Aid from the Scottish Government during 2010/11. Grant was used to fund Early Severance payments for 20 members of staff as well as allowing the Library to invest in Capital Repairs and Maintenance.

4. Significant changes to Fixed Assets

Fixed Assets of £403k (2010: £139k) were capitalised during the year. The Library's Shared Services initiative with the National Galleries of Scotland has resulted in increased investment in joint infrastructure.

5. The Board of Trustees

NLS has a statutory requirement for thirty two Trustees, of whom eleven are ex officio, five (including the Chairman) appointed by the Crown, five appointed by the Faculty of Advocates, four appointed by the Universities, two appointed by CoSLA and five, "being persons of eminence in literature or public life", being co-opted. At the date of this report there are two vacancies on the Board of Trustees.

Crown appointments are made by the Scottish Government after advertising vacancies in the national press. The Board seeks to co-opt individuals that fill gaps in the skills/knowledge base, and does this also by public advertisement. The names of the Board Members who served during the year are as follows:

	Committee Membership
Chairman (appointed by the Crown) Professor M Anderson, OBE, MA, PhD, FBA, FRSE	2, 3, 4, 5
Trustees	
Ex-officio	
The Lord President of the Court of Session	
The Lord Advocate	
The First Minister	
The Dean of the Faculty of Advocates	4
The Minister of the High Kirk (St Giles'), Edinburgh	
The Member of the Scottish Parliament for Edinburgh Central	
The Crown Agent	1
The Lord Provost of Edinburgh	4
The Lord Provost of Glasgow	
The Lord Provost of Dundee	
The Lord Provost of Aberdeen	
Appointed by the Crown	
A. Lorraine Fannin, OBE, BA, DipEd	1
Dr Willis Pickard, MA, LL.D, DEd	4
Andrea M Batchelor, BSC (Hons), TeachCert, MAppSci (one vacancy)	3
Appointed by the Faculty of Advocates	
Mungo Bovey QC	
Jonathan Lake QC (from November 2010)	5
Malcolm C.N. Scott, QC	
Malcolm G Thomson, QC	1
James Wolffe, QC	5

Appointed by the Universities

Professor G D Caie, MA, PhD, FRSA, FEA, FRSE		2
Professor David Finkelstein, BA PhD FEA, FRSA (from November 2010)	2	
Dr P Kemp, MA, PhD	3, 4	
Dr Richard Parsons, BSC, MSC, PhD	1	
Dr Judith Vincent, BA, PhD (until August 2010)		

Appointed by the Convention of Scottish Local Authorities

Councillor Gordan Low
Councillor Kathy Morrice

Co-opted

Lady Balfour of Burleigh, MA, DPhil, FSA Scot, FRSE		2, 5
Ms Moira Methven, MCILIP	3, 4	
Stephen Dunn	3	
Charles Lovatt	1, 5	
Mohsin Mehdi (until February 2011) (one vacancy)	5	

- 1 Member of Audit Committee
- 2 Member of Development Committee
- 3 Member of the Staffing and Remuneration Committee
- 4 Member of the Governance Working Party
- 5 Member of the Investment Committee

Dr Bill Zachs and Lord Coulsfield are both co-opted members of the Development Committee

None of the Trustees receives remuneration for their service to the Library. Travel and subsistence expenses amounting to £1,526 (2010: £1,288) were paid to Trustees in respect of attendance at meetings. Neither the Trustees nor the Directors of the Library 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. Trustees 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 Responsibilities of the Board of Trustees, Code of Conduct, Rules on Declaration of Interest and the Corporate Plan, and are invited to tour the Library. Over two half days, new Trustees are invited to visit the Library and meet Library staff. The briefing session includes meetings with the Chairman, National Librarian and Chief Executive and the Senior Management Team. Trustees also receive regular presentations from staff at Board meetings.

The Board met four times during the year to effect general management and control over NLS. One additional meeting was held during the year to consider Corporate Strategy.

The Board's principal function is responsibility for the stewardship and governance of the National Library of Scotland; this includes approval of the Corporate Plan and Annual Budget. The Audit Committee has delegated responsibility for certain Finance matters. Appropriate delegations are also made to the Staffing and Remuneration Committee and the Investment Committee. In addition, a Governance Working Party has continued to consider appropriate ways to improve governance of NLS.

Responsibility for delivering the Strategy and Operational objectives is devolved to the National Librarian and Chief Executive (Martyn Wade), supported by his Senior Management Team. The Senior Management Team during 2010/11 was:

Duncan Campbell	Director of Corporate Services
Dr Darryl Mead	Acting Director of Collections and Research (from 14 February 2011)
Alexandra Miller	Director of Customer Services

Cate Newton
Teri Wishart

Director of Collections and Research (until 31 January 2011)
Director of Development and External Relations (until 10 March 2011)

6. Investments

The Trustees Act 2000 governs the Trustees' investment powers. The Trustees have agreed the NLS investment policy and review the content of the portfolio and its performance on an annual basis.

7. Suppliers Payment Policy

It is the Library's policy that creditors are paid within the agreed commercial terms. These normally range from 7 days to 30 days for individual creditors. During the year the Library took an average of 22 days to settle invoices (2010: 22 days). A random sample of invoices taken from those paid during the year ended 31st March 2011 showed that 71% (2010 - 79%) of invoices were paid within the terms agreed with suppliers. The Library is working towards paying suppliers within the 10 day target. At present 18% of suppliers are paid within 10 days (2010: 19%).

8. Policy in relation to provision of information to employees

The Library is committed to developing effective communications with all employees in order to keep them informed, motivated and able to support the Library's users. Main communication channels include regular staff meetings, information circulars and employee intranet.

9. Policy in relation to equalities

2010/2011 saw the introduction of the Equality Act 2010. The primary purpose of the Act is to consolidate the complicated and numerous array of Acts and Regulations, which formed the basis of anti-discrimination law in the UK. The NLS Equality policy was recently updated to take account of these changes.

The National Library of Scotland is committed to ensuring fair and equal treatment of all staff and actively promotes equality and diversity.

As an employer, the Library will:

- make sure that decisions on selection for employment, promotion, training or any other benefit are made objectively on the basis of aptitude and ability;
- provide a safe and accessible working environment where all employees are treated with dignity and respect, and where the need to achieve a balance between work and personal responsibilities is recognised;
- continue to develop fair and flexible employment policies and practices that respond to the different needs of employees;
- provide effective procedures for reporting incidents of discrimination or harassment, from colleagues or customers that make sure complaints are dealt with fairly and promptly;
- develop and train our staff to help them recognise equality issues and further understand their role and responsibilities in achieving equality.

The Library has an Equalities Group, chaired by a member of the Senior Management Team and which has representatives from both service and support divisions, including Human Resources. The Group is responsible for ensuring equality and diversity in both employment and services and reports formally to the Board of Trustees once a year. The Group manages the production and oversight of the Library's statutory obligations.

The Library carried out an Equal Pay Audit towards the end of 2010/11 to evaluate the risk of gender inequality in pay systems. Data are being analysed and a report will be issued shortly.

10. Sickness Absence

NLS introduced a more robust attendance management process in November 2008 which has led to tighter and faster management of both short-term and long-term absence cases. The process makes use of the Bradford Factor and includes full involvement of line managers and regular case reviews.

A review of the current attendance management policy and procedures is complete and has identified areas for improvement. It is clear that it would be beneficial to manage short term intermittent absence separately from long term absence or absence due to an underlying medical condition. The policy has

been revised with this in mind. Attention has also been paid to ensure that managers have overall responsibility for the management of absence, which is in line with the new management competencies.

Average sickness absence for 2010/2011 was 8 days (2009/10: 12.3 days), exceeding the expectations of Scottish Government which sets a KPI of 10 days per annum.

11. Information Risk

The Library completed the Scottish Government's Information Risk Report assessment, evaluating its performance against the mandatory requirements of the Security Policy Framework. This showed that the Library was achieving a broad level of compliance with the framework. Areas for further improvement were noted and will be taken forward by the Library's Corporate Information Officer in the financial year 2011/12. There were no known incidents of loss of data during the year.

12. Employee Consultation

The Library places great emphasis on employee consultation and engagement. It recognises four trade unions, Bectu, 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 currently meets four times a year, and it is proposed that the committee has six meetings in 2011/2012. The Whitley meetings are chaired by the National Librarian and Chief Executive. A union representative attends meetings of the Board of Trustees as an observer. During 2010/2011 NLS Senior Management Team and the TUS have been developing ways of working more effectively together in 'Partnership'. There is also an annual meeting of the Staffing and Remuneration Committee with the Trade Union Side.

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

During 2010/2011 staff were consulted through a 'Planning for Savings' group in order to help identify opportunities to reduce Library costs. Several staff recommendations have been acted on already and others will be taken forward during 2011/2012.

13. Environmental matters and social and community issues

During 2010/11 NLS:

- Recycled over 75% of total waste and has reduced its total waste relative to 2004/05 by 30% or 28 tonnes
- Reduced water consumption from 2009/10 levels by over 20% or 1970 m³
- Implemented the NLS Carbon Management Plan (CMP) which commits NLS to reducing the CO₂ emissions from its operation by 30% by the end of financial year 2014/15 from 2008/09 levels. During the initial 12 months NLS has reduced CO₂ emissions from its operation by 15% or just under 540 tonnes. Reduction measures have included successful staff engagement programmes, tightening of building management system control, installation of voltage optimization technology in two properties, a lighting replacement programme and creation of a new main server room which included energy saving measures.
- Gave the graduate presentation at the Carbon Trust, Carbon Management Plan Graduation which was attended by John Swinney MSP and over forty other participating organizations. NLS has subsequently been invited by the Carbon Trust to present its experiences to the latest cohort of organizations undertaking the Carbon Management Programme
- Participated in the 10:10 campaign, with a commitment to reduce CO₂ emissions from its operation by 10% by the end of calendar year 2010/11 from 2009/10 levels. NLS exceeded this target by 5% or approx 190 tonnes CO₂
- Engaged in the national debate regarding the future of collection storage standards and low energy storage through its participation in the International Association of Museum Facilities Administrators

14. Changes since 31 March 2011

There have been no significant changes since 31 March 2011.

15. Future Developments

The Library has prepared a new corporate strategy titled '*Connecting Knowledge*'. This will guide the priorities over the next three years to 2014, which are expected to be challenging in terms of public funding. A central challenge will be to develop and invest in digital services, whilst not damaging the essential traditional services, reflecting the continuing revolution in the way that information is published, preserved and communicated in all fields of knowledge. This will require considerable organisational change, and will require changes in the balance between the services traditionally provided by the Library and newly-developing services. Improving internal processes to maximise efficiency will be important, and we are committed to collaborating with other partner organisations (notably the National Galleries of Scotland) to develop shared services where these bring significant benefits. We also anticipate that legislation may be introduced to reform the governance of NLS, replacing the 1925 National Library of Scotland Act.

16. Appointment of Auditors

The Accounts of NLS are audited by an auditor appointed by the Auditor General for Scotland. Audit Scotland was appointed from 1st April 2006.

The agreed fee for audit services was £20,980 (2010 - £21,250) 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 Baker Tilly, 139 Fountainbridge, Edinburgh.

17. Other Professional Advisors and Bankers

Investment advisers	Brewin Dolphin Securities Ltd, 7 Drumsheugh Gardens, Edinburgh Brown Shipley, Conference House, 152 Morrison Street, Edinburgh
Legal advisers	Dundas and Wilson CS, Saltire Court, 20 Castle Terrace, Edinburgh Lindsays, Caledonian Exchange, 19a Canning Street, Edinburgh Murray Snell LLP, 40 Castle Street, Edinburgh Pinsent Masons, 18 - 22 Melville Street, Edinburgh Turcan Connell, Princes Exchange, 1 Earl Grey Street, Edinburgh
Bankers	Bank of England, Threadneedle Street, London Bank of Scotland, The Mound, Edinburgh Royal Bank of Scotland, St Andrew Square, Edinburgh Citigroup, Canada Square, London
VAT advisers	Scott Moncrieff, Exchange Place, 3 Semple Street, Edinburgh

18. Risk Management

NLS maintains a Corporate Risk Register that is monitored regularly by the Library's Senior Management Team (SMT). Risks are reported to the Audit Committee, which monitors progress and success of the actions identified by SMT (with the help of internal auditors) as necessary for mitigating identified risks, and reports regularly to Trustees.

This high-level risk register provides the platform for ensuring that all major business risks are adequately controlled, thereby reducing the risk that NLS does not achieve its objectives.

The Corporate Risk Register is supplemented by Departmental and Project Risk Assessments.

The Library's approach to and management of risk is regularly reviewed by its Internal Auditors and Trustees.

19. Objectives and Achievements

During 2010-11, the National Library of Scotland (NLS) was guided by the strategic goals outlined in *Expanding our Horizons* our corporate strategy for 2008-2011. These goals fall into broad themes: Developing the Collections, Building Relationships, Widening Access to Knowledge and Developing the Organisation.

i) Developing the Collections

The Collections continue to grow, mainly through the legal deposit intake, but this also continues to be supplemented by a wide range of purchases and donations. Particular effort is being placed on attempting to collect Scottish publications as comprehensively as possible. Examples of two initiatives this year have been collecting in relation to the Pope's state visit in 2010, and working already to collect publications relating to the Commonwealth Games which will be held in Glasgow in 2014. Some notable new acquisitions brought in this year include:

- the pocketbook of Sir John Werden from his visit to Scotland in 1679-80, which includes topographical drawings and early evidence of golfing activities
- a rare first French translation of Hume's 'Dialogues concerning Natural Religion' published in 1780
- an French atlas from 1828 which was produced to accompany a set of the complete works of Walter Scott, with each map representing the area covered in one of his novels
- further papers of the mountaineer P R Oliver, including papers about the 1936 and 1938 Everest expeditions
- two Oor Wullie cartoon annuals for 1940 and 1942 were bought at auction in order to fill the final gaps in the NLS collection

The Library continues to provide access to a wide range of electronic resources through purchase, subscription and licensing. The current collections consist of over half a million full-text facsimile titles through our historical archives (eg Early English Books Online, 18th Century Collections Online), over half a million pages of manuscripts (e.g British Literary Manuscripts Online 1660-1690, Perdita Manuscripts: Women Writers 1500-11700), over 4,000 reference works and e-books (e.g. Credo and Oxford Reference collections, Netlibrary, Oxford English Dictionary and Oxford Dictionary of National Biography), over 2,000 e-journal titles, many with complete backfiles (e.g. JSTOR, Oxford Journals Online), 14,000 news sources (via Factiva and Infotrac Custom Newspapers) and databases providing information on millions of research articles, companies and products plus thousands of business reports (Web of Science, Fame, Mintel).

Key additions in 2010/11 include the Economist Historical Archive 1843-2006, the Times Literary Supplement Historical Archive 1902-2005, the Complete Dictionary of Scientific Biography via the Gale Virtual Reference Library, and the Bibliography of British and Irish History

The developments in legal deposit of electronic materials are of great significance for the shape of future collecting by NLS. The Library responded to the UK-wide consultation on the draft regulations for e-legal deposit in December 2010. It is also actively involved with the other UK legal deposit libraries in preparing the infrastructure and policies needed to ingest electronic publications and make them accessible. There has also been continued emphasis this year on making existing physical collections available online. Some of the images from the mass digitisation project on Post Office Directories and Army Lists undertaken last year have now been made accessible through the NLS website. The popularity of this resource underlines the importance of such projects in widening access to the collections.

Research

The implementation of the Library's research strategy has seen a continued high level of research activity by NLS staff. Talks and papers were given on diverse historical and cultural topics, and on a range of professional interests. The research outputs aimed at professional audiences demonstrate the amount of innovative thinking at NLS: subjects included carbon management, crowd sourcing, social media and website archiving.

In addition, a wide range of subjects in the NLS collections were explored by staff for a range of audiences. Most notable of these was the publication of 'Rax Me That Buik', an illustrated guide to

treasures in the NLS collections, which drew on the personal research experience of Dr Iain Brown built up over his many years working with the manuscript collections in NLS.

A number of partnership research projects have continued this year. Three Arts and Humanities Research Council doctoral projects are in progress and work continues on the Wellcome funded project on the Medical History of British India. The benefits of opening up access to the official publications on Indian medical history are now being demonstrated by the direct involvement of a number of students in various medical disciplines in the project who are using the papers for their research.

A major new film research project was initiated this year, with substantial funding from the Arts and Humanities Research Council. The project, which is based at the Scottish Screen Archive and is being run jointly with Glasgow University, will research children in amateur films in Scotland. The SSA are using the project as a platform to develop a representative collection of examples of amateur films which will provide a vivid picture of life in late 20th century Scotland for social historians and other researchers.

Visitors to the Library also produce a variety of original research as a direct result of using material in NLS' collections which could not be consulted elsewhere. During this period about 400 additional citations appeared in Google Scholar citing NLS as a source. The most readily identified fruits of research, such as in the field of Scottish literature, are regularly published by academic presses and scholarly societies across Scotland and Europe. As well as the collections themselves, authors frequently record their thanks to NLS staff for technical assistance with locating material and directing them to sources.

ii) Building Relationships

Aside from the Library's response to the Scottish Government consultation on the role and governance of NLS, participation in other consultations throughout this period includes the Royal Society of Edinburgh's consultation on Digital Scotland, the European Commission on proposals for changes to the EU Copyright Directive regarding Orphan Works, the Scottish Government/National Archives of Scotland consultation on proposals for new Public Records (Scotland Bill), Ofcom regarding online infringement of copyright and the Digital Economy Act, the EU Green Paper COM(2008) 466/3 Copyright in the Knowledge Economy and the Independent Budget Review (joint response with the Scottish Confederation of Research Libraries). The Library also continued to play an active role in the ongoing Department of Culture Media and Sport consultation on the collection of digital publications.

Various outreach activities enabled the Library to continue building and reinforcing relationships. This included two roadshows, in Inverness and Dunfermline, support for the Ullapool, Borders and Lennoxlove Book Festivals and ongoing involvement in the Edinburgh International Book Festival, holding two events that sold out within a week. The Library continues to support the Elizabeth Soutar Bookbinding Competition and the Callum Macdonald Memorial Award for pamphlet poetry.

To maximise the mutual benefit gained from partnership working, the Library has produced a Partnership Framework, which provides direction on partnering, partnerships and different levels of collaborative work carried out by NLS as well as establishing, managing and evaluation partnerships.

Along with Edinburgh University, the Library hosted the 2010 Research Libraries UK conference and worked in partnership with the Edinburgh University Data Library on a JISC-funded project entitled 'Addressing History'. This allows online users to combine historic Scottish Post Office Directories with contemporaneous historical maps and was developed by working in collaboration with nine other Scottish libraries.

The success of 'Discover NLS' continued with a Certificate of Excellence by Communicators in Business UK Excellence Award and Best Customer Magazine of the Year Award at the Periodical Publishers Association Scotland Scottish Magazine Awards 2010 for the second year running.

Among the media highlights during this period were the contribution of the Library of over 2,000 images from our digital archive to Flickr Commons, the acquisition of the first 'Oor Wullie' annual, UNESCO World Audiovisual Heritage Day, the John Murray connection to King George VI's speech therapist, as well as articles on Treasures displays, 'A Swing Through Time' exhibition and associated events.

The Library also hosted the BBC for its 'Who do you think you are?' programme and curators were interviewed for a programme on the Scottish Reformation. Several films from SSA were included in a three part series for BBC2 entitled 'Home Movie Roadshow'.

In addition, the Library's following on social media outlets such as Facebook and Twitter is growing, with over 2,000 friends on Facebook and just under 2,000 twitter followers. Updates to promote exhibitions/displays and other Library news are carried out regularly and a pilot has been undertaken of NLS events bookings via Facebook.

iii) Widening Access to Knowledge

Visitor Centre

The Visitor Centre, with its café, shop and interesting exhibitions and events, has continued to prove popular since its opening with visitor figures in excess of 150,000 during this period – significantly exceeding the target set of 120,000.

Exhibitions and Events

NLS' exhibition on Scottish theatre, *Curtain Up*, closed at the beginning of May with a total visitor count of 23,000, and the main exhibition for this period, 'A Swing Through Time', which explored the history of golf in Scotland, opened at the end of June and remained open until the end of March 2011 due to its popularity. Featuring key golfing history documents from NLS collections, plus iconic portraits of 18th century golfers from the Scottish National Portrait Gallery, loans from the British Golf Museum and golfers such as Sandy Lyle, the exhibition attracted almost 60,000 visitors. The award-winning JMA exhibition benefited from the introduction of two new characters, Washington Irving and Heinrich Schliemann.

Among the Treasures on display during this period were items relating to J M Barrie, the Scottish Missions Overseas, the Reformation of Scotland, the Aberdeen Breviary, the Bell Rock Lighthouse and 'Alice in Wonderland'.

Following on from the success of the Scottish Reformation display, celebrating its 450th anniversary, items were put on display at a multi-faith event at Edinburgh Castle at the request of the Scottish Government and last summer Byron's manuscript, 'English Bards and Scotch Reviewers', circa 1808, was loaned to Harvard University for an exhibition of the same name.

Among the highlights of the events programme during this period was the attendance of Sir Sean Connery at a reception to celebrate his years as Patron of the Edinburgh Film Festival and a book signing event to coincide with 'A Swing Through Time' exhibition attended by Colin Montgomerie, David Purdie and Hugh Dodd. The 'Inspirations' series continued with a great line of sell out speakers, including A L Kennedy, Janice Galloway, Mark Cousins and Alan Cumming, and Iain Banks spoke at the Ullapool Book Festival. Last summer was the Library's first year as a Festival/Fringe venue, with acclaimed author and playwright Alan Bissett's 'Moira Monologues', which received rave reviews and introduced the Library to hundreds of new visitors.

NLS continued to promote new literature and attract new audiences through an event with Scottish publisher Cargo, which launched Scotland's first e-book on demand service, and three successful events with 'Gutter', the new magazine of Scottish literary fiction.

Other notable events included the annual Donald Dewar Memorial Lecture, with BBC Scotland political editor Brian Taylor, interviewing former Chancellor Alistair Darling; Eric Anderson speaking at the annual John Murray Archive lecture, reflecting on Sir Walter Scott; the annual Muriel Spark lecture saw her biographer, Mark Stannard, providing a unique insight into her life, and Dr John Purser gave the annual Andrew Tannahill lecture.

Education and Outreach

The focus of the education and outreach team during this period has been the development of the Library's new online education resource, the Learning Zone, which will provide a dedicated hub for learning information and resources at NLS for teachers, learning providers and self-led learners. It takes a theme-based approach to the Library's collections in support of the Curriculum for Excellence in Scottish schools, and offers a number of learning resources, web features, video guides and links to relevant collection and services information for learning audiences.

Phase 2 of the educational website 'Scotland On Screen', developed in partnership with Learning and Teaching Scotland and Scottish Screen, went live with a further 300 clips of archival footage, embedded into teaching and learning packages that can be downloaded through the GLOW network in the classroom. The site was shortlisted in the General Educational Resources category for the UK Learning on Screen Awards 2010.

A dedicated group page was also set up on GLOW, the national intranet for schools, to communicate news and other links to NLS websites, resources and events programmes to teachers all over Scotland.

Digital Services

A new online registration service to make it easier for people to gain access to the Library's resources went live in June 2010. The system enables all customers of the Library to register online and, for Scottish-based customers, provides them with free remote access to our licensed digital content including full-text reference works, full-text newspapers, journals and reports and digitised books, manuscripts and periodicals. The system has proved extremely successful with more than 9,500 registrations from over 100 countries during this period.

Following recommendations from customer research and user testing, the Library developed and implemented a new look for its main website. As well as introducing a more flexible page design and fresh appearance, the development has altered the main navigation with the intention of simplifying the process for users. There are still some areas under development and further changes will be implemented following the results of user testing.

The John Murray Archive (JMA) mobile application for iPhone and iTouch went live, with downloads available from the Apple iTunes store and links from the NLS website. A microsite, 'Heroes', about JMA author Samuel Smiles, was also launched. The resource was developed from a Scottish National Portrait Gallery exhibition and workshops developed in conjunction with Scottish Youth Theatre.

iv) Developing the Organisation

The Library has continued its space rationalisation programme, in accordance with the strategic Property Asset Management Plan. In 2010/11 this exercise created a further 1125 linear metres of collections storage space, equivalent to six months intake. A new method for storing microfilm reduced the costs of this from £3 to 34p per microfilm.

Technical infrastructure improvements were made with the creation of a new server room in Causewayside and a server virtualisation programme, which resulted in major savings from a reduction in energy usage and provided a significant contribution to the achievement of carbon emission reductions.

A new finance system, based on a shared service with the National Galleries of Scotland was implemented and went live on 1st April 2011. Improvements in our procurement procedures resulted in a higher rating under the Scottish Government's Procurement Capability Assessment standard.

A voluntary early exit scheme was introduced during the year, which resulted in 20 staff leaving the organisation. Ongoing recruitment restrictions resulted in a further reduction of the workforce through natural attrition, helping NLS to meet the budget reductions applied for the current and future years.

The Library is working with the National Galleries on developing shared services for corporate support activities. A shared finance system has been delivered and major progress made on integrating the technical infrastructures, which will enable further shared service developments. A shared services programme board and a governance group are in place and the HR teams are working together under the direction of an Interim Head of Organisational Development.

Fundraising

One of the Library's key milestones during this period was the acquisition of the John Murray Archive for the nation. The acquisition has been made possible through generous contributions from private and public donations, the Scottish Government, the Heritage Lottery Fund (HLF) and National Library of Scotland funds over the past five years. The archive features a treasure trove of over 250,000 items, including letters, manuscripts and correspondence from over 16,000 of the greatest writers, politicians, explorers and scientists of the late 18th to the early 20th centuries. Charles Darwin, Lord Byron, Jane Austen, Sir Walter Scott and David Livingstone are just some of those great names published by the

Murray family since 1768. The acquisition of the archive included a commitment by NLS to make it accessible through dedicated curatorial, cataloguing, conservation, educational and digital resources and through the creation of a permanent, JMA exhibition space at the Library's George IV Bridge building in Edinburgh.

The American Associates of the National Library of Scotland (AANLS), the Library's network of supporters in the US, championed the John Murray Archive Campaign in 2010; in particular they hosted an event with the film, television and Broadway actor, Alan Cumming, in New York in November 2010, exploring Alan's many inspirations by drawing on some of the items from across the national collection, and raising nearly \$30,000 for the JMA Campaign.

The Library also has a growing network of company supporters, hiring its event spaces and sponsoring its exhibitions and events. In particular in 2010, the Library benefited from Aberdeen Asset Management's sponsorship of its 'A Swing through Time' golf exhibition, which co-incided with the 150th anniversary of the Royal Open at St Andrews.

The Library is now looking forward to new fundraising projects in 2011 and beyond, to encourage access to and exploration of the national collection

20. Disclosure of relevant audit information

As Accountable Officer, the National Librarian and Chief Executive 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.

Chairman, Board of Trustees

Date: _____

Remuneration Report

The Staffing and Remuneration Committee is appointed by the Board of Trustees.

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 calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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 effectively 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 period.

The figures in the tables below include all sums paid during the year in respect of remuneration to members of the Senior Management Team, together with the pension entitlements accruing to those individuals at 31st March 2011 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 the Senior Management (SMT):

	2010/11 Salary £000s	2009/10 Salary £000s	2010/11 Accrued Pension £000s	Real Increase in Pension £000s	CETV as at 31/3/2011 £000s	CETV as at 31/3/2010 £000s	Real Increase in CETV funded by NLS £000s
Martyn Wade National Librarian & Chief Executive	90-95	90-95	40-45	0-2.5	862	796	-
Duncan Campbell Director of Corporate Services	55-60	55-60	30-35	0-2.5	530	488	-
Alexandra Miller Director of Customer Services	55-60	55-60	5-10	0-2.5	139	115	13
Cate Newton Director of Collections and Research (left January 2011)	45-50 (55-60 FTE)	55-60	25-30	0-2.5	589	541	-
Teri Wishart Director of Development and External Relations (left March 2011)	55-60 (55-60 FTE)	50-55	0-5	0-2.5	32	23	5
Daryl Mead Acting Director of Collections and Research (from February 2011)	5-10 (50-55 FTE)	N/A	0-5	0-2.5	35	20	12

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 (2010: £Nil).

Details of pensions and Cash Equivalent Transfer Values are disclosed based upon information supplied by the Department for Work and Pensions. The increase in accrued pension is discounted for the effect of inflation.

Lump sums at 31/3/2011 were payable to Mr Wade £125k (2010: £121k) – no real increase; and Mrs Newton £78k (2010: £74k) - a real increase of £1k.

The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31/3/2010 and 31/3/2011 have both been calculated using the new factors, for consistency. The CETV at 31/3/2010 therefore differs from the corresponding figure in last year's report which was calculated using the previous factor.

Compensation for loss of office

Cate Newton left under Approved Early Retirement terms on 31 January 2011. The capitalised cost of the package she received was £13k.

Martyn Wade, National Librarian and Chief Executive and Accountable Officer

Date: _____

Statement of Responsibilities of the Board and the National Librarian and Chief Executive in relation to the Accounts

Under paragraph 8(3) of the Schedule to the National Library of Scotland Act 1925, as amended by section 18(6) of the National Heritage (Scotland) Act 1985, the Board of Trustees is required to prepare a statement of accounts for each financial year in conformity with the Accounts Direction on page 46 of these financial statements.

The accounts are prepared on an accruals basis and must show a true and fair view of the Library's state of affairs at the year-end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Board is required to:

- comply with the requirements of the Government Financial Reporting Manual and in particular to:
- observe the accounts direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual*, have been followed, and disclose and explain any material departures in the financial statements, and;
- prepare the financial statements on the going concern basis

The Principal Accountable Officer of the Scottish Administration has designated the National Librarian and Chief Executive as Accountable Officer for the Library. His relevant responsibilities as Accountable Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable, for the keeping of proper records and for safeguarding the Library's assets, are set out in his letter of appointment and the Memorandum to Accountable Officers issued by the Scottish Ministers.

Statement on Internal Control

Scope of Responsibility

As Accountable Officer and Chairman, we have joint responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives set by the Scottish Ministers, whilst safeguarding the public funds and assets for which we are personally responsible, in accordance with the responsibilities assigned to us.

As Accountable Officer, I am personally answerable to the Scottish Parliament in accordance with section 15 of the Public Finance and Accountability (Scotland) Act 2000. I am responsible for the propriety and regularity of financial transactions under my 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 annual accounts. I am 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 accounts. I have responsibility for ensuring that effective management systems are in place within the Library and that all risks are identified, assessed and managed appropriately.

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.

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 ongoing 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 process within the organisation accords with the SPFM and has been in place for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts and accords with guidance from the Scottish Ministers.

Risk and Control Framework

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 2010/11 responsibility for Corporate Risk Management continued to be managed by the Senior Management Team, which comprised the four directors and the Accountable Officer. Corporate Risk Management is overseen by the Audit Committee with reports to the Board of Trustees. Operational risk management was delegated to the directors responsible for the five departments of the Library's operations and was kept under review by the SMT. During the year the Corporate Risk Register was reviewed and updated and a system of recording Departmental and Divisional risk as part of the corporate planning process was put in place. Detailed departmental and divisional risks are being managed at division level and, where necessary, included in the Corporate Risk Register.

More generally, 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. In particular, in the period covering the year to 31 March 2011 and up to the signing of the accounts the organisation has continued with the implementation of the recommendations of the Internal Auditors.

The internal audit 2010/11 was a comprehensive review of the control environment in operation rather than the usual controls compliance on which overall assurance is based. The report does refer however to the in-house work carried out to address the findings of the Baker Tilly Forensic Investigation to ensure that procedures in place, previously assessed as providing an adequate framework of control, were being properly applied.

The Library's Corporate Information Officer ('CIO') conducted an assessment as part of the organisation's completion of the Scottish Government's SPF and Information Risk Return in September 2009. The CIO manages information assurance on a day to day basis. The role of Senior Information Officer is fulfilled at Director level. Information assurance has been raised with some delivery partners. More work will need to be done with other delivery partners, and this will be taken forwards by the CIO.

Departmental directors continue to manage risk within their departments and the risk register is revised to reflect the results of discussion and in response to any other significant changes in circumstances or controls at any other time during the year. Where risks are perceived to have increased above acceptable levels, directors are required to identify additional control mechanisms to mitigate those increased risks.

The Senior Management Team reviews internal control and manages risk as part of its routine business.

The Accountable Officer has reported on risks and controls to the Audit Committee before reporting to the full Board.

The Audit Committee receives reports from internal and external auditors at its regular meetings and advises the Accountable Officer on risk and control matters. The Audit Committee will consider the Accountable Officer's draft report to the Board prior to signing of the accounts.

The Board will consider an annual report from the Accountable Officer on internal control at an appropriate time each year.

Review of Effectiveness

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

- the executive managers 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 Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;
- comments made by the external auditors in their management letters and other reports.

Appropriate action is in place to address any weaknesses identified and to ensure the continuous improvement of the system.

Following the discovery of a financial irregularity in June 2010, the Library strengthened purchase order approval systems. In April 2011 the Library went live on a new Finance and Procurement system. It is anticipated that this system will increase the effectiveness of internal controls and financial management within the Library. Specifically, the system demands the following:

- Raising and Approval of purchase orders in advance of placing an order
- Receipt of invoices directly to finance
- Matching of invoices to purchase orders
- Electronic approval of invoices
- Effective and responsive reporting on procurement, financial commitments and spend against budget
- Increased transparency

.....
Martyn Wade
National Librarian and Chief Executive and Accountable Officer

Date: _____

.....
Professor Michael Anderson
Chairman, on behalf of the Board

Independent auditor's report to the Board of Trustees of the National Library of Scotland, the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of the National Library of Scotland for the year ended 31 March 2011 under the National Heritage (Scotland) Act 1985 and section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Income and Expenditure Account and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement 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 123 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Board of Trustees, Accountable Officer and auditor

As explained more fully in the Statement of the Board and National Librarian (Accountable Officer's) Responsibilities, the National Librarian (Accountable Officer) and Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and are also responsible for ensuring the regularity of expenditure and receipts. My 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 me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and receipts.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and receipts 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 National Librarian (Accountable Officer); and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Report of the Board of Trustees to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2011 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the National Heritage (Scotland) Act 1985 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 my opinion in all material respects the expenditure and receipts 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 my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers; and
- the information given in the Annual Report of the Board of Trustees included in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my 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
- I have not received all the information and explanations I require for my audit; or
- the Statement on Internal Control does not comply with Scottish Government guidance.

I have nothing to report in respect of these matters.

Auditor: Ruth Brown CPFA

Address Senior Audit Manager, Audit Scotland, 1-5 Osborne Terrace, Edinburgh, EH12 5HG

Date: _____

Income and Expenditure Account for the year ended 31 March 2011

		2010/11	2009/10
		£000	£000
			Restated
	Notes		
INCOME			
Gross income from revenue-earning activities	4	92	76
Gross income from grant-aided activities		1,145	1,242
		<u>1,237</u>	<u>1,318</u>
EXPENDITURE			
Staff costs	5	10,589	9,598
Other operating charges	7	4,942	5,759
Depreciation on and permanent diminution in value of fixed assets	8	1,929	4,072
		<u>17,460</u>	<u>19,429</u>
EXCESS OF EXPENDITURE OVER INCOME BEFORE INTEREST		(16,223)	(18,111)
Interest received – Unrestricted funds	3	35	4
EXCESS OF EXPENDITURE OVER INCOME		(16,188)	(18,107)
Transfer to Trust Funds and Bequests (capital)	15	-	(307)
Transfer from Trust Funds and Bequests (unspent income)	15	-	143
Release in respect of depreciation of tangible fixed assets and in respect of permanent diminution in value of assets	15	1,459	1,799
Release from Revaluation Reserve	15	(116)	(226)
Amount transferred to reserves		<u>(14,845)</u>	<u>(16,698)</u>
Transfer to Board Reserve Fund	15	12	(15)
Transfer to General Fund	15	(14,857)	(16,683)
		<u>(14,845)</u>	<u>(16,698)</u>

All activities relate to continuing operations.

The notes on pages 28 to 44 form part of these accounts.

Statement of Financial Activities for the year ended 31 March 2011

	Notes	Restricted Funds £000	Endowment funds £000	Unrestricted Funds £000	2010/11 Total £000	2009/10 Restated £000
INCOMING RESOURCES						
Grant in aid	2	1,300	-	15,822	17,122	15,943
Voluntary Income	3	270	-	541	811	1,169
Charitable donations	3	-	916	-	916	255
Revenue earning activities	4	-	-	92	92	76
Investment income	3	87	-	35	122	95
Income from charitable activities	3	-	-	900	900	919
Total Incoming Resources		1,657	916	17,390	19,963	18,457
RESOURCES EXPENDED						
Charitable activities	3	1,412	-	17,118	18,530	18,753
Cost of generating voluntary income	3	-	-	217	217	444
Cost of revenue earning activities	3	-	-	80	80	91
Investment management costs	3	8	-	-	8	8
Permanent diminution of tangible assets	8	-	-	-	-	1,561
Disposal of tangible assets	8	-	-	-	-	196
Governance costs	3	-	-	341	341	387
Total Resources Expended		1,420	-	17,756	19,176	21,440
NET INCOMING/(OUTGOING) RESOURCES before transfers						
		237	916	(366)	787	(2,983)
Transfers between funds	15	4,575	(4,582)	-	(7)	-
Release in respect of depreciation		(1,343)	-	1,343	-	-
NET INCOMING/(OUTGOING) RESOURCES after transfers						
		3,469	(3,666)	977	780	(2,983)
Increase/(Decrease) in market value of investments	10	-	156	-	156	442
Revaluation of assets	8	(2,342)	-	-	(2,342)	(10,672)
Net movement in funds		1,127	(3,510)	977	(1,406)	(13,213)
Fund balances brought forward at 1 April 2010 (Restated)	15	66,147	8,842	1,863	76,852	90,065
Fund balances carried forward at 31 March 2011		67,274	5,332	2,840	75,446	76,852

The 2009/10 restated balance is shown in note 15. The balance brought forward as at 1 April 2009 is not shown in note 15.

	Restricted Funds £000	Endowment funds £000	Unrestricted Funds £000	2010/11 Total £000	2009/10 Restated £000
Fund balances comprise:					
Capital Assets Fund	59,801	-	-	59,801	56,347
Revaluation Reserve	7,145	-	-	7,145	9,371
Collection Purchase Fund	115	-	-	115	11
John Murray Endowment	-	3,000	-	3,000	3,000
Bequest Funds	213	2,332	-	2,545	6,260
General Fund	-	-	2,563	2,563	1,598
Board Reserve Fund	-	-	277	277	265
	67,274	5,332	2,840	75,446	76,852

Summary of fund movements

	Balance at 1st April 2010 Restated	Incoming resources	Outgoing resources	Gains and Losses	Transfers	Balance at 31st March 2011
Capital Assets Fund	56,347	-	-	(1,394)	4,848	59,801
Revaluation Reserve	9,371	-	-	(2,226)	-	7,145
Collection Purchase Fund	11	1,300	(1,196)	-	-	115
John Murray Endowment	3,000	-	-	-	-	3,000
Bequest Funds	6,260	1,273	(292)	156	(4,852)	2,545
General Fund – free reserves	84	17,296	(16,335)	-	(215)	830
General Fund – designated repairs	520	-	-	-	399	919
General Fund – designated assets	994	-	-	-	(180)	814
Board Reserve Fund	265	92	(80)	-	-	277
	76,852	19,961	(17,903)	(3,464)	-	75,446

All incoming resources derive from activities in furtherance of the Library's objectives, all gains and losses for the year are included in the Statement of Financial Activities, and all activities are classed as continuing.

Summary of Bequest movements

	Balance at 1st April 2010 £000	Gains and Losses £000	Other Movements £000	Balance at 31st March 2011 £000
Bequests				
Reid Trust Fund	415	41	5	461
Alexander Grant Fund	1,224	92	(83)	1,233
Mrs R Ratcliff	318	22	6	346
Miss AN Wilson	102	-	-	102
Johnston	224	-	1	225
Other bequests	114	1	-	115
Clarke acquisition funds	34	-	(4)	30
Other Funds				
John Murray Operations	26	-	7	33
Donations	3,803	-	(3,803)	-
	6,260	156	(3,871)	2,545

The notes on pages 28 to 44 form part of these accounts.

Statement of Recognised Gains and Losses for the year ended 31 March 2011

	2010/11	2009/10
	£000	£000
		Restated
Net loss on revaluation of fixed assets	(2,342)	(10,672)
Unrealised gains/(losses) on investments	156	442
Total recognised gains and losses related to the financial year	<u>(2,186)</u>	<u>(10,230)</u>

The notes on pages 28 to 44 form part of these accounts.

Balance Sheet at 31 March 2011

		2010/11 £000	2009/10 £000
FIXED ASSETS	Notes		(restated)
Tangible Assets	8	35,688	39,556
Heritage Assets	9	32,072	32,004
UK Investments - at market value	10	934	761
Overseas Investments – at market value	10	1,052	1,078
		<u>69,746</u>	<u>73,399</u>
CURRENT ASSETS			
Debtors	11	708	656
Cash at bank and in hand	12	7,789	7,497
		<u>8,497</u>	<u>8,153</u>
CREDITORS - amounts due within one year	13	<u>(2,297)</u>	<u>(4,592)</u>
NET CURRENT ASSETS		6,200	3,561
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>75,946</u>	<u>76,960</u>
CREDITORS - amounts due after one year			
Provisions for Liabilities and Charges	14	(500)	(108)
		<u>75,446</u>	<u>76,852</u>
CAPITAL AND RESERVES			
Restricted Funds			
Capital Assets Fund	15	59,801	56,347
Revaluation Reserve - General Fund	15	7,145	9,371
Collection Purchase Fund	15	115	11
Bequest Funds - unspent income	15	213	418
		<u>67,274</u>	<u>66,147</u>
Endowment funds			
John Murray Endowment	15	3,000	3,000
Bequest Funds – capital	15	2,332	5,842
		<u>5,332</u>	<u>8,842</u>
Unrestricted Funds			
General Fund	15	2,563	1,598
Board Reserve Fund	15	277	265
		<u>2,840</u>	<u>1,863</u>
TOTAL CAPITAL AND RESERVES		<u>75,446</u>	<u>76,852</u>

The Accountable Officer authorised these financial statements for issue on _____.

.....
 Martyn Wade
 National Librarian and Chief Executive and Accountable Officer

Date:

The notes on pages 28 to 44 form part of these accounts.

Cash Flow Statement for the year ended 31 March 2011

		2010/11	2009/10
		£000	£000
	Notes		
Net Cash outflow from Operating Activities	16	(15,231)	(14,971)
Capital Expenditure	16	(1,599)	(1,397)
		<hr/>	<hr/>
		(16,830)	(16,368)
Financing	16	17,122	15,943
Increase/(Decrease) in cash		<hr/>	<hr/>
		292	(425)
		<hr/>	<hr/>

The notes on pages 28 to 44 form part of these accounts.

Notes to the Accounts for the year ended 31 March 2011

1. ACCOUNTING POLICIES

a. Basis of accounting

The accounts 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 8(3) of the schedule to the National Library of Scotland Act 1925 as amended by the National Heritage (Scotland) Act 1985. The Accounts Direction given by the Scottish Ministers is produced as an appendix to these accounts.

The accounts incorporate the transactions and balances of NLS, its Trust Funds, Bequests and other acquisition and cataloguing funds up to 31 March each year. Of these Trust Funds and Bequests, only the income from the Alexander Grant Fund is solely available for the general purposes of the Library, the other funds being restricted in use by the relevant Trust Deeds, Bequests etc.

Without limiting the information given, the accounts meet the requirements of the Companies Act 1985 and Accounting Standards issued or adopted by the Accounting Standards Board as far as those are appropriate. They also comply with the Government Financial Reporting Manual (FReM) and the Charities Statement of Recommended Practice (SORP 2005).

b. Tangible and Intangible fixed assets and depreciation

(i) Title to the Land and Buildings administered by NLS is held in the name of the Scottish Ministers. NLS 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.

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

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

Buildings	over 10 to 60 years
Leasehold Improvements	over 5 years
Motor Vehicles	over 8 years
Equipment and Machinery	over 4 to 10 years
Computer Equipment	over 4 to 5 years
Intangible Fixed Assets	over 3 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

c. Incoming resources

(i) 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 & Expenditure Statement. Donations and bequests received to defray the cost of the John Murray Archive are included in this category.

(ii) 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 now disclosed within the accounts 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 staff 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 and appeal.

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 Trust Funds have 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 trustees in accordance with the wishes of the donors and is implemented by professional investment managers. The Investment Committee has instructed Fund Managers not to invest in anything that would bring the Library into disrepute.

f. Stocks

Stocks are immediately expensed to the Income and Expenditure Account.

g. Board Reserve Fund

The net proceeds derived from trading which is not a primary purpose activity are taken to the Board Reserve Fund. This fund may be used at the discretion of the Board. The Library has 3 main areas of non-primary purpose trading. These are the rental of shelving and the trading from the café and shop. The purpose of the Visitors Centre is to encourage public access to the Library's collections.

h. Taxation

The Board has been granted charitable status by HM Revenue & Customs and as a result is able to recover tax on endowment income. The amount shown in the Income and Expenditure Account includes the tax recovered during the year.

NLS has special VAT status. It is specifically listed in Section 33A of the VAT Act 1994 and HM Revenue & Customs Notice 998. This VAT status allows NLS to recover (in full) any VAT that is incurred on expenses linked to free rights of admission. There are a couple of 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.

i. Foreign currency

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

j. Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme, 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.

k. 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.

l. 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 trustees have discretion over the use only of the Board Reserve Fund and Alexander Grant Fund. The policy is to use these funds for the benefit of the Library and the levels of reserves are disclosed in the Accounts.

m. Relationship between NLS and the Agency for the Legal Deposit Libraries

As NLS 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 accounts are not prepared on grounds of materiality.

n. Prior Year Adjustments

The Library has for a number of years included the Graham Brown Trust Fund within its Annual Report and Accounts. It was confirmed this year that this Fund is accounted for separately by the Trustees of the Fund. The carrying value of the Investment (£1,169k) and the corresponding fund value have therefore been eliminated from these accounts. This has impacted on a number of areas, including current assets and the SOFA.

HM Treasury, under the Clear Line of Sight (Alignment Project) removed the cost of capital charge from budgets and accounts from 1 April 2010. The cost of capital charge is therefore no longer applicable. The removal of the cost of capital charge is a change in accounting policy under IAS 8. Applying paragraph 31 of IAS 1 and, noting that the removal of the cost of capital charge has no effect on the balance sheets, a specific disclosure is not required. The impact on the prior year Income and Expenditure account is £Nil.

o. 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:

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

p. Heritage Assets

The Library's collections as at 1 April 2001 or items gifted are not included in the balance sheet due to data not being available to cover that period. Individual items acquired after 1 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.

The National Library of Scotland believes that the collections are of major significance for the nation and therefore cannot be valued meaningfully.

q. 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

	2010/11	2009/10
	£000	£000
<u>Grant-in-Aid Received</u>		
Running Costs	13,925	14,253
Early Severance Funding	957	-
Capital	940	390
	<hr/> 15,822	<hr/> 14,643
Purchase Grant	1,300	1,300
Total Received during year	<hr/> <hr/> 17,122	<hr/> <hr/> 15,943

3. NOTES TO THE STATEMENT OF FINANCIAL ACTIVITIES

	Restricted Funds	Endowment Funds	Unrestricted Funds	2010/11 Total	2009/10 Total Restated
	£000	£000	£000	£000	£000
Voluntary income					
Grant In Aid	1,300	-	15,822	17,122	15,943
HLF and other conditional grants	270	-	541	811	1,169
Donations to Trust Funds and Bequests	-	916	-	916	255
	<u>1,570</u>	<u>916</u>	<u>16,363</u>	<u>18,849</u>	<u>17,367</u>
Revenue earning activities					
Shelving	-	-	32	32	32
Café & Shop Income	-	-	60	60	44
	<u>-</u>	<u>-</u>	<u>92</u>	<u>92</u>	<u>76</u>
Investment income					
Investment Income	87	-	35	122	95
	<u>87</u>	<u>-</u>	<u>35</u>	<u>122</u>	<u>95</u>
Income from charitable activities					
Property rental	-	-	83	83	90
Services to Associate Company	-	-	89	89	73
Reprography	-	-	235	235	286
Sundry income	-	-	493	493	470
	<u>-</u>	<u>-</u>	<u>900</u>	<u>900</u>	<u>919</u>
Total	<u>1,657</u>	<u>916</u>	<u>17,390</u>	<u>19,963</u>	<u>18,457</u>

Prior Year comparatives have been restated following elimination of Graham Brown Trust Fund values.

Analysis of Resources Expended

	Direct Costs	Support Costs	2010/11 Total	2009/10 Total Restated
	£000	£000	£000	£000
Charitable activities				
Collection development	3,780	4,764	8,544	8,558
User access to collections	2,694	3,395	6,089	6,209
Strategy and communications	847	1,343	2,190	1,982
Collection Purchases – restricted	1,412	-	1,412	1,541
Collection Purchases - unrestricted	295	-	295	463
	<u>9,028</u>	<u>9,502</u>	<u>18,530</u>	<u>18,753</u>
Cost of generating funds				
Cost of generating voluntary income	217	-	217	444
Cost of Revenue earning activities	80	-	80	91
	<u>297</u>	<u>-</u>	<u>297</u>	<u>535</u>
Investment management costs	8	-	8	8
Permanent diminution in value of tangible assets	-	-	-	1,561
Loss on disposal of tangible assets	-	-	-	196
Governance costs	-	341	341	387
Total Resources Expended	<u>9,333</u>	<u>9,843</u>	<u>19,176</u>	<u>21,440</u>

4. REVENUE-EARNING ACTIVITIES

	2010/11 £000	2009/10 £000
<u>Income</u>		
Shelving	32	32
Café and Shop Income	60	44
	<hr/> 92	<hr/> 76
Less: costs		
Cost of sales	40	55
Direct wages	33	27
Administration	7	9
	<hr/> 80	<hr/> 91
Surplus/(Deficit) for the year: transferred to Board Reserve Fund	<hr/> <hr/> 12	<hr/> <hr/> (15)

5. EMPLOYEES

	2010/11 £000	2009/10 £000
Staff costs during the year were:		
Wages and salaries	7,510	7,521
Social Security costs	523	499
Pension costs	1,339	1,343
Agency staff costs	250	213
Early Retirement costs	967	22
	<hr/> 10,589	<hr/> 9,598

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

	Number	Number
Corporate services	78	81
Customer Services	100	103
Collection Development	93	94
Development	12	14
Other	14	15
	<hr/> 297	<hr/> 307

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.

Trustees receive no remuneration but are reimbursed for travel expenses and any childcare expenses.

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 NLS which is subject to the approval of the Scottish Government.

Pension Costs

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes: either a 'final salary' scheme (**classic, premium or classic plus**) or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the costs of benefits met by monies voted by Parliament each year. Pensions payable under **classic, premium, classic plus and nuvos** are increased annually in line with changes in the Consumer Prices Index (CPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at a rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium, classic plus and nuvos**. Benefits in **classic** accrue at a rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium** benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where s/he does make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic, premium and classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Library is unable to identify its share of the underlying assets and liabilities. The scheme was actuary valued as at 31st March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk)

For 2010-11 employers' contributions of £1,371k were payable to the PCSPS (2010: £1,343k) at one of the four rates in the range 16.7% to 24.3% of pensionable pay based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2011-12, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £10k (2010: £8k) 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 pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of 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 £1k (2010: £1k). Contributions prepaid at that date were £Nil (2010: £Nil).

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

	Total number of exit packages by cost band 2010/11	2010/11 £000	Total number of exit packages by cost band 2009/10	2009/10 £000
Exit Package Cost				
Less than £10,000	3	11	-	-
Between £10,000 - £24,999	4	70	-	-
Between £25,000 - £49,999	3	99	-	-
Between £50,000 - £99,999	8	557	-	-
Between £100,000 - £150,000	2	217	-	-
	<u>20</u>	<u>954</u>	-	-

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.

7. OTHER OPERATING CHARGES

	2010/11 £000	2009/10 £000
General		
Administration expenses	622	788
Operating lease rentals (see note below)	19	13
Travel, subsistence and hospitality	108	158
Office equipment and supplies	179	250
Publications and Exhibitions	301	508
Copyright Agency	169	169
Computer Services	827	786
Digitisation and Web Development	69	108
Record purchase	25	21
Audit fees (see note below)	53	50
Conservation & Preservation	106	175
Consultancy	341	440
	<u>2,819</u>	<u>3,466</u>
Buildings		
Utilities	439	616
Rent, rates and service charges	288	251
Buildings maintenance	1,136	1,089
Furniture	233	316
Transport	27	21
	<u>2,123</u>	<u>2,293</u>
Total	<u>4,942</u>	<u>5,759</u>

Notes:

Operating lease rentals are paid in respect of canteen vending machines and general office equipment. Included in Audit fees is £20,980 in relation to the fees for External Audit services for 2010/11 and provided by Audit Scotland (2010: £21,250).

8. TANGIBLE FIXED ASSETS

	Land and Buildings	Leasehold Improvements	Motor vehicles	Equipment & Machinery	Computer equipment	2010/11 Total
	£000	£000	£000	£000	£000	£000
COST OR VALUATION						
Balance at 1 April 2010	38,851	-	82	1,105	1,382	41,420
Additions	-	-	-	-	403	403
Disposals	-	-	-	-	(57)	(57)
Revaluation/Indexation Adjustment	(2,360)	-	-	-	-	(2,360)
Balance at 31/3/11	36,491	-	82	1,105	1,728	39,406
DEPRECIATION						
Balance at 1 April 2010	291	-	54	595	924	1,864
Charge for the year	1,344	-	8	166	411	1,929
Disposals	-	-	-	-	(57)	(57)
Revaluation/Indexation Adjustment	(18)	-	-	-	-	(18)
Balance at 31/3/11	1,617	-	62	761	1,278	3,718
NET BOOK VALUE						
At 31/3/11	34,874	-	20	344	450	35,688
At 31/3/10	38,560	-	28	510	458	39,556

Summary of total depreciation on and permanent diminution in value of fixed assets

	2010/11	2009/10
Depreciation during year	1,929	2,315
Impairment	-	1,561
Loss on disposal of fixed assets	-	196
	1,929	4,072

Land and buildings include £825k (2010 - £825k) in respect of land which is not depreciated.

At 31st March 2010 all Land and Buildings were revalued by District Valuer Services, an executive agency of HM Revenue and Customs, on the basis of Depreciated Replacement Cost for buildings of a specialised nature and on the basis of Open Market Value or existing use for other buildings. The qualification of the District Valuer undertaking the valuation was MRICS. Depreciated replacement costs 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

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.

National Library of Scotland has rich and complex collections which have been built via legal deposit of the national imprint (both print and electronic) as well as purchase and donation. As well around 14 million printed items, the Library has over 100,000 manuscripts, around 2 million maps and 25,000 newspaper and magazine titles. We receive around 320,000 new items every year and have material in 490 languages.

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. This Strategy document shows our 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.

Collections as at 1 April 2001 are not included in the balance sheet as data are 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 1 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. Collection items prior to 1 April 2001 are excluded because reliable cost information is not available. National Library of Scotland considers that the valuation of the collections and donations would be impracticable.

The Trustees 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.

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

	2010/11	2009/10
	£000	£000
Balance of capitalised items at 1 April	32,004	31,896
Other additions in year of individual items with a value exceeding £5,000	68	108
Balance at 31 March	<u>32,072</u>	<u>32,004</u>

10. BEQUESTS FUNDS

	2010/11 £000	2009/10 £000
		Restated
Cash deposits held within investment pool	20	48
UK Investments – at market value	914	713
UK Investments – at market value	934	761
Overseas Investments – at market value	1,052	1,078
Capital, at market value	1,986	1,839
Cash balances held by the Library	559	4,421
Total Bequest Funds holdings	2,545	6,260
Listed investments - at cost	1,306	1,129

Movements in year	Listed investments £000	Cash and other balances £000	2010/11 Total £000	2009/10 Total £000
				Restated
Donations	-	916	916	558
Income from investments	50	37	87	91
Other trust fund income	-	270	270	381
Expenditure	(8)	(554)	(562)	(396)
Transfers	(50)	(4,532)	(4,582)	(143)
Purchase of investments*	(355)	-	(355)	(152)
Disposal of investments*	325	-	325	59
Other changes in market value*	186	-	186	537
Net movement	148	(3,863)	(3,715)	935
Balance at 1 April 2010	1,838	4,422	6,260	5,325
Balance at 31 March 2011	1,986	559	2,545	6,260

Analysis of income from investments

	Restricted £000	Unrestricted £000	Total £000	2009/10 £000
Income from listed investments	50	-	50	56
Interest on cash and other balances	37	35	72	39
	87	35	122	95

* - The total of Purchase of investments, Disposal of investments and Other changes in market value represents the increase/decrease in market value shown within the Statement of Financial Activities.

With the exception of the Professor T Graham Brown Trust, for which the firm of Lindsays WS act as an additional, external, Trustee, the Trustees and management of NLS have operational control of the balances of Trust Funds and Bequests, and for this reason they are included in these Accounts. All funds, excluding smaller charitable donations, are treated as endowment funds, in that the capital is preserved, in accordance with Trustees' 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. The main

exceptions to this are the Alexander Grant Fund which is for the general purposes of the Library, and the Ratcliff Fund which is for the educational benefit of the people of, and visitors to, Scotland. Detailed Accounts for the Trust Funds and Bequests are prepared separately and can be produced for inspection on request.

11. DEBTORS

	2010/11 £000	2009/10 £000
Trade debtors	174	205
Provision for bad debts	(8)	(38)
Prepayments and accrued income	30	112
Other debtors	294	129
VAT recoverable	218	248
	<u>708</u>	<u>656</u>
Intra Government balances, included in above balances, Balances with other Central Govt bodies	<u>520</u>	<u>260</u>

12. CASH AT BANK AND IN HAND

	2010/11 £000	2009/10 £000
Government Banking Services (formerly Office of the Paymaster General)	7,381	2,743
Other current accounts	348	215
Term Deposits	55	4,535
Cash	5	4
Total	<u>7,789</u>	<u>7,497</u>

13. CREDITORS - amounts falling due within one year

	2010/11 £000	Restated 2009/10 £000
John Murray Archive	-	3,230
Accruals and deferred income	1,230	374
Other creditors	689	760
Deferred Pension Costs	190	36
Other taxation and social security	188	192
	<u>2,297</u>	<u>4,592</u>
Intra Government balances, included in above balances, Balances with other Central Govt bodies	<u>771</u>	<u>416</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

	2010/11 £000	2009/10 £000
Deferred Pension: Amounts due within 1 year	190	36
Deferred Pension: Amounts due outwith 1 year	500	108
	<u>690</u>	<u>144</u>
	2010/11	2009/10
	£000	£000
Early Retirement Provision		
Opening balance at 1 April 2010	144	287
Less net amount released during current year in respect of Opening Balance	(39)	(166)
Charge to current year income and expenditure	964	23
Less amount released in relation to Early Severance 2010/11	(379)	-
	<u>690</u>	<u>144</u>
Closing balance at 31 March 2011	<u>690</u>	<u>144</u>

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 retirement or early departure are recognised in full in the year in which an individual leaves the Library's service.

15. RESERVES

	RESTRICTED FUNDS				ENDOWMENT FUNDS		UNRESTRICTED FUNDS		2010/11 Total	2009/10 Total
	Capital Assets Fund	Revaluation Reserve	Collection Purchase Fund	Bequest Funds (unspent income)	John Murray Endowment	Bequest Funds (Capital)	General Fund	Board Reserve Fund		
	£000	£000	£000	£000	£000	£000	£000	£000		
Balances at 31 March 2010	56,347	9,371	11	524	3,000	6,929	1,598	265	78,045	106,842
Prior Year Adjustment	-	-	-	(106)	-	(1,087)	-	-	(1,193)	(15,800)
Restated as at 1 April 2010	56,347	9,371	11	418	3,000	5,842	1,598	265	76,852	91,042
Other Transfer	-	-	-	-	-	-	-	-	-	3
Government Funding received	-	-	1,300	-	-	-	15,822	-	17,122	15,943
Other Restricted funding received	-	-	-	270	-	-	-	-	270	1,169
Collection items with a value in excess of £5,000	68	-	(68)	-	-	-	-	-	-	-
Donations and bequests received	-	-	-	-	-	916	-	-	916	251
Dividend, interest income and other	-	-	-	87	-	-	-	-	87	133
Expenditure / Use of Reserves										
Release to Income & Expenditure Account in respect of depreciation	(1,459)	116	-	-	-	-	-	-	(1,343)	(1,573)
Collection items with a value in excess of £5,000	-	-	68	-	-	-	-	-	68	108
Purchases funded by restricted funding	-	-	(1,196)	(292)	-	-	-	-	(1,488)	(2,500)
Changes in market value of holdings	-	-	-	-	-	156	-	-	156	677
(Deficit) on revaluation	-	(2,342)	-	-	-	-	-	-	(2,342)	(10,674)
John Murray Acquisition Adjustment	4,845	-	-	(270)	-	(4,582)	-	-	(7)	-
Surplus/(Deficit) from Income and Expenditure Account	-	-	-	-	-	-	(14,857)	12	(14,845)	(16,534)
Balance as at 31st March 2011	59,801	7,145	115	213	3,000	2,332	2,563	277	75,446	78,045

16. NOTES TO THE CASH FLOW STATEMENT

	2010/11 £000	2009/10 £000 Restated
Reconciliation of operating deficit to net cash outflow from operating activities		
Deficit for the financial year	(16,188)	(18,107)
Transfer to trust funds	-	(164)
Depreciation on tangible and intangible fixed assets	1,929	4,072
Net cash movement in restricted funds held by Trustees	985	521
(Increase)/decrease in stock	-	76
(Increase)/decrease in debtors	(53)	691
(Decrease)/Increase in creditors and provisions	(1,904)	(2,060)
Net cash outflow from operating activities	<u>(15,231)</u>	<u>(14,971)</u>
Capital Expenditure		
Additions to fixed assets	(403)	(139)
Purchase of other items for the collections	(1,196)	(1,258)
Net capital expenditure for year	<u>(1,599)</u>	<u>(1,397)</u>
Financing		
Scottish Government funding for year	17,122	15,943
Total Financing received	<u>17,122</u>	<u>15,943</u>
Analysis of changes in cash during the year		
Opening balance at 1 April 2010	7,497	7,922
Net cash inflow/(outflow) during the year	292	(425)
Closing balance at 31 March 2011	<u>7,789</u>	<u>7,497</u>

17. CAPITAL COMMITMENTS

	2010/11 £000	2009/10 £000
Commitments contracted but not provided for in the accounts at 31 March 2011 are:	<u>475</u>	<u>-</u>

18. RELATED PARTY TRANSACTIONS

NLS 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.

During the year, none of the Trustees, members of key management staff or other related parties has undertaken any material transactions with NLS. In addition, NLS has had a number of material transactions with other government departments, central government bodies, local government, non-departmental public bodies and similar organisations.

19. LEASE COMMITMENTS

Annual commitments as at 31 March 2011 under non-cancellable operating leases are as follows:

	2010/11 £000	2009/10 £000
Operating leases which expire within one year	-	-
In the second to fifth year inclusive	71	65
In over five years	-	-
	71	65

20. FINANCIAL INSTRUMENTS

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

21. CONTINGENT LIABILITY

There are no contingent liabilities as at 31 March 2011 (2010: £Nil).

22. LOSSES AND SPECIAL PAYMENTS

As disclosed in the accounts for the year ended 31 March 2010, NLS management detected a financial irregularity involving a financial misappropriation relating to procurement and invoicing. The value identified was £568k, £32k related to 2010/11 (2010: £245k).

23. POST BALANCE SHEET EVENTS

There are no material post balance sheet events that require to be adjusted in the accounts or to be disclosed.

24. ASSOCIATE COMPANY

National Library of Scotland is the parent company of the Agency for the Legal Deposit Libraries. It is considered that the Agency for the Legal Deposit Libraries is an Associate of the National Library of Scotland rather than a Subsidiary for the following reasons.

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 prohibits the articles from being altered or disapplied 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 of residual assets.

The Agency for the Legal Deposit Libraries is incorporated in Scotland. Its principal place of business is 161 Causewayside, Edinburgh EH9 1PH. Accounts for the Agency for the Legal Deposit Libraries are available from that address. As NLS has not prepared consolidated financial statements, the following disclosure shows the effects of including them. NLS holds a stake of 20% in the Agency for the Legal Deposit Libraries (ALDL), insofar as ALDL holds no share capital, it is controlled by the five Legal Deposit Libraries.

The share of NLS in the net assets and results of ALDL is 20% of the company and is summarised below:

	2010/11 £000	2009/10 £000
Net assets at 31 March	119	125
Turnover	151	222
Surplus for the year	(2)	78

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 we are expected to have resource budget cover for these items.

	2010/11 Outturn	2010/11 Offer Letter
	£000	£000
Cash Items		
Running Costs	13,895	13,895
Joint Working Fund	30	30
Revenue – VES/VER costs	957	957
Purchases	1,300	1,300
Capital – Various	940	940
	<u>17,122</u>	<u>17,122</u>
Non Cash Items (notional)		
Depreciation	1,929	2,315
	<u>1,929</u>	<u>2,315</u>
Total Grant in Aid	<u>19,051</u>	<u>19,437</u>

Appendix - National Library of Scotland Accounts Direction



NATIONAL LIBRARY OF SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of paragraph 8(3) of the Schedule to the National Library of Scotland Act 1925 as amended by section 18(6) of the National Heritage (Scotland) Act 1985, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2006, 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 21 November 2002 is hereby revoked.

A handwritten signature in black ink, appearing to be 'R. G. G.', written over a horizontal line.

Signed by the authority of the Scottish Ministers

Dated 31 March 2006