**FRAMEWORK DOCUMENT BETWEEN THE SCOTTISH GOVERNMENT AND THE NATIONAL LIBRARY OF SCOTLAND**

**Introduction**

# This Framework Document has been drawn up by the Scottish Government (SG) in consultation with National Library of Scotland (NLS). It sets out the broad framework within which NLS will operate and defines key roles and responsibilities that underpin the relationship between NLS and the SG. While this document does not confer any legal powers or responsibilities, it forms a key part of the accountability and governance framework and should be reviewed and updated as necessary and at least every 3 years. Any proposals to amend the Framework Document either by the SG or NLS will be taken forward in consultation and in the light of SG and NLS priorities and policy aims. Any question regarding the interpretation of the document shall be determined by the SG after consultation with NLS. Legislative provisions shall take precedence over any other considerations in respect of any part of the document.

# NLS must comply with provisions contained in the [Scottish Public Finance Manual](https://www.gov.scot/publications/scottish-public-finance-manual/) (SPFM) on the proper handling and reporting of public funds. NLS shall not establish new subsidiaries or enter into joint ventures without the express approval of the SG. NLS shall ensure that the actions of any subsidiaries do not put it (NLS) in breach of the SPFM.

# Copies of the document will be published on the NLS website.

**Purpose**

# NLS will contribute to the achievement of the Scottish Ministers’ objectives and priorities by aligning its aims and objectives with the [National Performance Framework](https://nationalperformance.gov.scot/), [Scotland’s Economic Strategy](https://www.gov.scot/publications/scotlands-economic-strategy/) and [Programme for Government](https://www.gov.scot/programme-for-government/).

# NLS’s statutory functions are set out in section 2 of the [National Library of Scotland Act 2012](http://www.legislation.gov.uk/asp/2012/3/contents/enacted).

# NLS’s strategic aims and objectives, as agreed with the Scottish Ministers, are those set out in the latest NLS Strategy approved by Scottish Ministers. These aims shall support the statutory responsibilities of NLS and Ministerial objectives and shall be such as to enable compliance with this Framework Document. As a charitable organisation, NLS is also subject to the governance requirements of the Office of the Scottish Charity Regulator (OSCR).

**Relationship between Scottish Government and National Library of Scotland**

7. Effective strategic engagement between the SG and NLS is essential in order that they work together as effectively as possible to maintain and improve public services and deliver improved outcomes. Both the SG and NLS will take all necessary steps to ensure that their relationship is developed and supported in line with the jointly agreed principles set out in the statement on ‘[Strategic Engagement between the Scottish Government and Scotland’s NDPBs](https://beta.gov.scot/publications/strategic-engagement-between-the-scottish-government-and-ndpbs/).

**Governance and accountability**

**Legal origins of powers and duties**

# 8. The National Library of Scotland (NLS) is established under the National Library of Scotland Act 2012. The constitution of NLS is set out in Schedule 1 of the Act. NLS does not carry out its functions on behalf of the Crown.

**Ministerial responsibilities**

# 9. Scottish Ministers are accountable to the Scottish Parliament for the activities of NLS and its use of resources. Scottish Ministers are not however responsible for day to day operational matters as founding legislation prevents them from directing NLS. Their responsibilities include:

* agreeing NLS’s strategic aims and objectives and key targets as part of the strategic planning process
* agreeing the budget and the associated grant in aid requirement to be paid to NLS, and securing the necessary Parliamentary approval
* carrying out responsibilities specified in the National Library of Scotland Act 2012 such as appointments to NLS’s Board, approving the terms and conditions of Board members, and approving the appointment of the National Librarian
* other matters such as approving the National Librarian’s and staff pay remits in line with SG [Pay Policy](http://www.gov.scot/publicsectorpay) and laying the accounts (together with the annual report) before the Parliament

**NLS Board Responsibilities**

# 10. The NLS Board, including the Chair, normally consists of 9-14 members appointed by the Scottish Ministers in line with the [Code of Practice](https://www.ethicalstandards.org.uk/publication/code-practice) for Ministerial Public Appointments in Scotland. The role of the Board is to provide leadership, direction, support and guidance to ensure NLS delivers and is committed to delivering its functions effectively and efficiently and in accordance with the aims, policies and priorities of the Scottish Ministers. It has corporate responsibility, under the leadership of the Chair, for the following:

* taking forward the strategic aims and objectives for NLS agreed with the Scottish Ministers
* determining the steps needed to deal with changes that are likely to impact on strategic aims and objectives of NLS or on the attainability of its operational targets
* promoting the efficient, economic and effective use of staff and other resources by NLS consistent with the principles of [Best Value](https://beta.gov.scot/publications/scottish-public-finance-manual/best-value/best-value/), including, where appropriate, participation in shared services arrangements
* ensuring that effective arrangements are in place to provide assurance on risk management (including in respect of personnel, physical and cyber risks/threats/hazards), governance and internal control. The Board must set up an [Audit Committee](https://www.gov.scot/publications/scottish-public-finance-manual/audit-committees/audit-committees/) chaired by a non-executive member to provide independent advice and assurance on the effectiveness of the internal control and risk management systems
* in reaching decisions taking into account relevant guidance issued by the Scottish Ministers

* approving the annual accounts and ensuring Scottish Ministers are provided with the annual report and accounts to be laid before the Scottish Parliament. The National Librarian as the Accountable Officer of NLS is responsible for signing the accounts and ultimately responsible to the Scottish Parliament for their actions
* ensuring that the Board receives and reviews regular financial information concerning the management and performance of NLS and is informed in a timely manner about any concerns regarding the activities of NLS
* appointing [with the approval of the Scottish Ministers] the NLS National Librarian, following appropriate approval of the National Librarian’s remuneration package in line with SG [Pay Policy for Senior Appointments](http://www.gov.scot/Topics/Government/public-sector-pay/senior-appointment-pay). New contracts for Chief Executives/National Librarians should include a notice period of no more than 3 months. Where a business case can be made, the notice period may be set at a maximum of 6 months. In consultation with the SG, appropriate performance objectives should be set which give due weight to the proper management and use of resources within the stewardship of the NLS and the delivery of outcomes
* demonstrating high standards of corporate governance at all times, including openness and transparency in its decision making
* fulfilling its role as the employer of the National Librarian and staff as set out in section 6 of Schedule 1 of the National Library of Scotland Act 2012
* authorising functions to be delegated to the National Librarian, staff or committees as set out in Schedule (1) (9) of the National Library of Scotland Act 2012.

Further guidance on how the Board should discharge its duties is provided by OSCR including their [Guidance for Charity Trustees](https://www.oscr.org.uk/guidance-and-forms/guidance-and-good-practice-for-charity-trustees), in appointment letters and in ‘[On Board: A Guide for Board Members of Public Bodies in Scotland](http://www.scotland.gov.uk/Topics/Government/public-bodies/On-Board).

**The Chair’s Responsibilities**

# 11. The Chair is accountable to the Scottish Ministers and, in common with any individual with responsibility for devolved functions, may also be held to account by the Scottish Parliament. Communications between the NLS Board and the Scottish Ministers should normally be through the Chair. They are responsible for ensuring that NLS’s policies and actions support the Scottish Ministers’ wider strategic policies and that its affairs are conducted with probity.

# 12. In leading the Board, the Chair must ensure that:

* the work of the Board is subject to regular self-assessment and that the Board is working effectively
* the Board, in accordance with recognised good practice in corporate governance, is diverse both in terms of relevant skills, experience and knowledge appropriate to directing NLS business, and in terms of protected characteristics under the Equality Act and the [Gender Representation on Public Boards Act](https://www.legislation.gov.uk/asp/2018/4/contents/enacted) and [Guidance](https://www.gov.scot/publications/gender-representation-public-boards-scotland-act-2018-statutory-guidance/), where these apply.
* the Board members are fully briefed on terms of appointment, duties, rights and responsibilities
* they, together with the other Board members, receives appropriate induction training, including on financial management and reporting requirements and, as appropriate, on any differences that may exist between private and public sector practice
* succession planning takes place to ensure that the Board is diverse and effective, and the Scottish Ministers are advised of NLS’s needs when Board vacancies arise
* there is a code of conduct for Board members in place, approved by the Scottish Ministers.
* and, in consultation with the SG, setting appropriate performance objectives which give due weight to the proper management and use of resources within the stewardship of NLS and the delivery of outcomes

13. The Chair assesses the performance of individual Board members on a continuous basis and undertakes a formal appraisal at least annually. The Chair, in consultation with the Board, is also responsible for undertaking an annual appraisal of the performance of the National Librarian.

**Individual Board Members’ Responsibilities**

# 14. Individual Board members should act in accordance with the responsibilities of the Board as a whole and comply at all times with the code of conduct adopted by NLSand with the rules relating to the use of public funds and to conflicts of interest. (In this context “public funds” means not only any funds provided to NLS by the Scottish Ministers but also any other funds falling within the stewardship of NLS, including trading and investment income, gifts, bequests and donations). General guidance on Board members’ responsibilities is included in the [OSCR Guidance for Charity Trustees](https://www.oscr.org.uk/guidance-and-forms/guidance-and-good-practice-for-charity-trustees), summarised in their appointment letters and is also provided in [On Board: A Guide for Board Members of Public Bodies in Scotland](http://www.scotland.gov.uk/Topics/Government/public-bodies/On-Board).

**National Librarian responsibilities**

15. The National Librarian of NLS is employed and appointed by the Board with the approval of the Scottish Ministers. They are the Board’s principal adviser on the discharge of its functions and is accountable to the Board. Their role is to provide operational leadership to NLS and ensure that the aims and objectives of NLS are met and NLS’s functions are delivered and targets met through effective and properly controlled executive action. Their general responsibilities include the performance, management and staffing of NLS. General guidance on the role and responsibilities of the National Librarian are contained in [On Board](http://www.gov.scot/Resource/0051/00514817.pdf) .

 Specific responsibilities to the Board include:

* advising the Board on the discharge of its responsibilities - as set out in this document, in the founding legislation and in any other relevant instructions and guidance issued by or on behalf of the Scottish Ministers - and implementing the decisions of the Board
* ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that appropriate financial appraisal and evaluation techniques, consistent with the [Appraisal and Evaluation](https://beta.gov.scot/publications/scottish-public-finance-manual/appraisal-and-evaluation/appraisal-and-evaluation/) section of the [Scottish Public Finance Manual](https://beta.gov.scot/publications/scottish-public-finance-manual/) (SPFM), are followed
* ensuring that NLS adheres, where appropriate, to the SG’s [Programme and project management principles](https://www.gov.scot/publications/programme-and-project-management-principles/).
* having robust performance and risk management arrangements - consistent with the [Risk Management](http://www.scotland.gov.uk/Topics/Government/Finance/spfm/risk) section of the SPFM - in place that support the achievement of NLS’s aims and objectives and that facilitate comprehensive reporting to the Board, the SG and the wider public. Risk management arrangements should include full consideration of organisational resilience to physical, personnel and cyber risks/threats/hazards
* ensuring that adequate systems of internal control are maintained by NLS, including effective measures against fraud and theft consistent with the [Fraud](https://beta.gov.scot/publications/scottish-public-finance-manual/fraud-and-gifts/fraud/) section of the SPFM
* establishing appropriate documented internal delegated authority arrangements consistent with the [Delegated Authority](https://beta.gov.scot/publications/scottish-public-finance-manual/delegated-authority/delegated-authority/) section of the SPFM
* advising the Board on the performance of NLS compared with its aims and objectives
* preparing NLS’s Strategy and Annual Plans, in the light of the strategic aims and objectives agreed by the Scottish Ministers
* ensuring effective relationships with SG officials
* ensuring that timely forecasts and monitoring information on performance and finance are provided to the SG; that the SG is notified promptly if over or under spends are likely and that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the SG in a timely fashion
* ensuring staff pay proposals are in line with SG [Pay Policy](http://www.gov.scot/Topics/Government/public-sector-pay/staff-pay) and submitted in time and the necessary approvals are obtained prior to implementing any annual award.

# **NLS Accountable Officer responsibilities**

16. The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the SG) will designate the National Librarian as the Accountable Officer for NLS. Accountable Officers are personally answerable to the Scottish Parliament for the exercise of their functions, as set out in the [Memorandum to Accountable Officers for Other Public Bodies](http://www.scotland.gov.uk/Topics/Government/Finance/spfm/Accountability/aomemoother). These include:

# ensuring the propriety and regularity of NLS’s finances and that there are sound and effective arrangements for internal control and risk management

# ensuring that the resources of NLS are used economically, efficiently and effectively and that appropriate arrangements are in place to secure Best Value and deliver Value for Money for the Public Sector as a whole

* ensuring compliance with relevant guidance issued by the Scottish Ministers, in particular the SPFM and SG [Pay Policy](http://www.gov.scot/Topics/Government/public-sector-pay/staff-pay)

# signing the annual accounts and associated governance statements

* a [statutory duty](https://www.gov.scot/publications/scottish-public-finance-manual/accountability/annex-1-memorandum-to-accountable-officers-scottish-administration/) to obtain written authority from the Board/Chair before taking any action which they consider would be inconsistent with the proper performance of the Accountable Officer functions. The Accountable Officer should also notify the relevant portfolio Accountable Officer.

17. It is incumbent on the National Librarian, where they are the Accountable Officer, to combine the Accountable Officer responsibilities to the Scottish Parliament with their wider responsibilities to the Board. The Board/Chair should be fully aware of, and have regard to, the Accountable Officer responsibilities placed upon the National Librarian, including the statutory duty described above.

**Portfolio Accountable Officer responsibilities**

# 18. The Principal Accountable Officer for the Scottish Administration will designate the Director-General Strategy and External Affairs as the Portfolio Accountable Officer for the SG portfolio budget for NLS. The responsibilities of a Portfolio Accountable Officer are set out in detail in the [Memorandum to Accountable Officers for Parts of the Scottish Administration](https://www.gov.scot/Topics/Government/Finance/spfm/Accountability/aomemo). They are personally answerable to the Scottish Parliament for ensuring that:

### the financial and other management controls applied by the SG are appropriate and sufficient to safeguard public funds and, more generally that those being applied by NLS conform to the requirements both of propriety and of good financial management

### the key roles and responsibilities which underpin the relationship between the SG and NLS are set out in a Framework Document - and that this document is regularly reviewed

### effective relationships are in place at Director and Deputy-Director level between the SG and NLS in accordance with the strategic engagement principles

### there is effective continuous assessment and appraisal of the performance of the Chair of NLS, in line with the requirements of the [Code of Practice for Ministerial Public Appointments in Scotland](file:///C%3A%5CUsers%5Cfn792ag%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CSU0H4S16%5CCode%20of%20Practice%20for%20Ministerial%20Appointments).

**Scottish Government Director and Deputy Director**

19. The Director for Culture and Major Events and Deputy Director for Cultural Access and Organisations have responsibility for overseeing and ensuring effective relationships between the SG and NLS which support alignment of NLS’s business to the SG’s Purpose and National Outcomes and performance by NLS. They will work closely with the National Librarian and be answerable to the Portfolio Accountable Officer for maintaining and developing positive relationships with NLS characterised by openness, trust, respect and mutual support. They will be supported by a sponsor unit in discharging these functions. The Director for Culture and Major Events shall be responsible for assessing the performance of the NLS Chair, at least annually.

**Sponsor unit responsibilities**

# 20. The SG sponsor unit for NLS is the Sponsorship and Historic Environment Team. It is the normal point of contact for NLS in dealing with the SG. The unit, under the direction of the Director/ Deputy Director, is the primary source of advice to the Scottish Ministers on the discharge of their responsibilities in respect of NLS and undertakes the responsibilities of the Portfolio Accountable Officer on their behalf.

# Specific responsibilities include:

* discharging sponsorship responsibilities in line with the principles and framework set out in the document ‘[Strategic Engagement between the Scottish Government and Scotland’s NDPBs’](http://www.gov.scot/Topics/Government/public-bodies/pubs/StrategicEngagement) and ensuring that sponsorship is suitably flexible, proportionate and responsive to the needs of the Scottish Ministers and NLS
* ensuring that appointments to NLS’s Board are made timeously and, where appropriate, in accordance with the [Code of Practice for Ministerial Appointments to Public Bodies](http://www.ethicalstandards.org.uk/site/uploads/publications/406ebe2cdaa457e47217d07aaa11f566.pdf) in Scotland
* proportionate monitoring of NLS’s activities through an adequate and timely flow of appropriate information, agreed with NLS, on performance, budgeting, control and risk management
* addressing in a timely manner any significant problems arising in NLS, alerting the Portfolio Accountable Officer and the responsible Minister(s) where considered appropriate
* ensuring that the objectives of NLS and the risks to them are properly and appropriately taken into account in the SG’s risk assessment and management systems
* informing NLS of relevant SG policy in a timely manner.

**Internal audit**

# 21. NLS shall:

* establish and maintain arrangements for internal audit in accordance with the [Public Sector Internal Audit Standards](https://www.gov.uk/government/publications/public-sector-internal-audit-standards) and the [Internal Audit](http://www.scotland.gov.uk/Topics/Government/Finance/spfm/internaud) section of the SPFM
* set up an Audit Committee of its Board, in accordance with the [Audit Committees](https://beta.gov.scot/publications/scottish-public-finance-manual/audit-committees/audit-committees/) section of the SPFM, to advise both the Board and the National Librarian in their capacity as NLS’s Accountable Officer
* forward timeously to the SG the audit charter, strategy, periodic audit plans and annual audit assurance report, including NLS’s Head of Internal Audit opinion on risk management, control and governance and other relevant reports as requested
* keep records of, and prepare and forward timeously to the SG an annual report on fraud and theft suffered by NLS and notify the SG at the earliest opportunity of any unusual or major incidents.

# 22. The SG’s Internal Audit Directorate has a right of access to all documents held by NLS’s internal auditor, including where the service is contracted out. The SG has a right of access to all NLS records and personnel for any purpose, subject to any legal restrictions on releasing such data.

**External audit**

# 23. The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, NLS’s annual accounts and passes them to the Scottish Ministers who shall lay them before the Scottish Parliament, together with the auditor’s report and any report prepared by the AGS. For the purpose of audit the auditors have a statutory right of access to documents and information held by relevant persons. NLS shall instruct its auditors to send copies of all management reports (and correspondence relating to those reports) and responses to the SG.

# 24. The AGS, or examiners appointed by the AGS, may carry out examinations into the economy, efficiency and effectiveness with which NLS has used its resources in discharging its functions. The AGS may also carry out examinations into the arrangements made by NLS to secure Best Value. For the purpose of these examinations the examiners have a statutory right of access to documents and information held by relevant persons. In addition, NLS shall provide, in contracts and any conditions to grants, for the AGS to exercise such access to documents held by contractors and sub-contractors and grant recipients as may be required for these examinations; and shall use its best endeavours to secure access for the AGS to any other documents required by the AGS which are held by other bodies.

**Annual report and accounts**

# 25. NLS must publish an annual report of its activities together with its audited accounts after the end of each financial year. The annual report must cover the activities of any corporate, subsidiary or joint ventures under the control of the NLS. As a registered charity NLS should comply with the Charity Accounts (Scotland) Regulations 2006 and the accounting and reporting by charities Statement of Recommended Practice (The Charities SORP) and provide any additional disclosures required in the Government. [Financial Reporting Manual](https://www.gov.uk/government/publications/government-financial-reporting-manual-2020-21) (FReM) and outline the NLS main activities and performance against agreed objectives and targets for the previous financial year.

# 26. Any financial objectives or targets set by the Scottish Ministers should be reported on in the accounts and will therefore be within the scope of the audit. Any subsidiary or joint venture owned or controlled by NLS shall be consolidated in its accounts in accordance with International Financial Reporting Standards as adapted and interpreted for the public sector context.

# 27. The draft report should be submitted to the SG for comment, and the draft accounts for information, by 31 August. The final version should be available for laying before the Scottish Parliament by the Scottish Ministers in sufficient time for them to meet the statutory date for laying and publishing accounts audited by the AGS, ie by 31 December. Following the close of the previous financial year, there is an expectation on the part of the Scottish Ministers that accounts will be laid and published as early as possible. The accounts must not be laid before they have been formally sent by the AGS to the Scottish Ministers and must not be published before they have been laid. NLS shall be responsible for the publication of the report and accounts.

**Management Responsibilities**

**Annual Plan**

# 28. NLS must ensure that an Annual Plan is in place and published on its website. The finalised Plan shall reflect NLS’s strategic aims and objectives as agreed by the Scottish Ministers, indicative budgets and any priorities set by the Scottish Ministers. It shall demonstrate how NLS will contribute to the achievement of the Scottish Ministers’ objectives and priorities by aligning its aims and objectives with the [National Performance Framework](https://nationalperformance.gov.scot/), [Scotland’s Economic Strategy](https://www.gov.scot/publications/scotlands-economic-strategy/) and [Programme for Government](https://www.gov.scot/programme-for-government/). The Plan for NLS should include:

an analysis of the environment in which NLS operates

* the purpose and principal aims of NLS
* key objectives and associated key performance targets for the period of the Plan, the strategy for achieving those objectives and how these will contribute towards the achievement of the SG’s primary purpose and alignment with the NPF
* indicators against which performance can be judged
* details of planned efficiencies, describing how NLS proposes to achieve better value for money, including through collaboration and shared services
* other matters as agreed between the SG and NLS.

# 29. The Plan for NLS should include key targets and milestones for the year immediately ahead, aligned to the NPF, and be linked to budgeting information so that, where possible, resources allocated to achieve specific objectives can be identified. A copy of the Plan should be provided to the sponsor unit prior to the start of the relevant financial year.

**Budget Management**

30. Each year, in the light of decisions by the Scottish Ministers on the allocation of budgets for the forthcoming financial year, the SG will send to NLS a formal statement of its budgetary provision, and a note of any related matters and details of the budget monitoring information required by the SG. The terms of that letter, referred to as the Budget Allocation and Monitoring letter, should be viewed as complementing the content of this document. The monthly monitoring is the primary means of in-year budgetary control across the SG. As such bodies must comply with the format and timing of the monitoring together with any requests for further information. The statement of budgetary provision will set out the budget within the classifications of resource Departmental Expenditure Limits (RDEL), capital DEL (CDEL) and Ring-fenced (non-cash) (RfDEL). NLS will inform the sponsor unit at the earliest opportunity if a requirement for Annually Managed Expenditure (AME) budget is identified. The SG should also be advised in the event that estimated net expenditure is forecast to be lower than budget provision.Transfers of budgetary provision between the different classifications require the prior approval of the SG Finance Directorate. Any proposals for such transfers should therefore be submitted to the sponsor unit. Transfers of provision within the classifications may be undertaken without reference to the SG, subject to any constraints on specific areas of expenditure e.g. the approved pay remit.

# 31. If the trading and other resource income - or the net book value of disposals of non-current assets - realised is less than included in the most up to date agreed budget NLS shall, unless otherwise agreed with the SG, ensure a corresponding reduction in its gross expenditure. (The extent to which NLS exceeds agreed budgets shall normally be met by a corresponding reduction in the budgets for the following financial year.) Excluding income resulting from gifts, grants bequests or donations, if the amounts realised or expected to be realised in-year are significantly more than estimated, NLS shall discuss the financial impact with the sponsor team before using any excess to support additional expenditure. NLS must still keep the SG informed about income resulting from gifts, grants, bequests and donations so the SG can settle the associated public expenditure treatment. Such income should be spent in-year by NLS, transferred to restricted reserves in line with the Charities SORP or transferred to the NLS Foundation to avoid building up significant levels of general reserves.

**Cash management**

# 32. Any [grant in aid](https://beta.gov.scot/publications/scottish-public-finance-manual/grant-and-grant-in-aid/grant-and-grant-in-aid/) (i.e. the cash provided to NLS by the SG to support the allocated budget) for the year in question must be authorised by the Scottish Parliament in the annual Budget Act. Grant in aid will normally be paid in monthly instalments on the basis of updated profiles and information on unrestricted cash reserves. Payment will not be made in advance of need, as determined by the level of unrestricted cash reserves and planned expenditure. Unrestricted cash reserves held during the course of the year should be kept to the minimum level consistent with the efficient operation of NLS, the level of funds required to meet any relevant liabilities at the year-end and the requirements of the Charities SORP. Grant in aid not drawn down by the end of the financial year shall lapse.

# 33. The banking arrangements adopted by NLS must comply with the [Banking](https://beta.gov.scot/publications/scottish-public-finance-manual/banking/banking/) section of the SPFM.

**Risk management**

# 34. NLS shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of generally recognised best practice in corporate governance, and develop a risk management strategy, consistent with the [Risk Management](https://beta.gov.scot/publications/scottish-public-finance-manual/risk-management/risk-management/) section of the SPFM. Reporting arrangements should ensure that the sponsor unit is made aware of relevant risks and how they are being managed. The NLS Audit Committee is also required, at the earliest opportunity, to notify the SG Audit and Risk Committee if it considers that it has identified a significant problem which may have wider implications.

**Organisational security and resilience**

# 35. As part of risk management arrangements, the NLS shall ensure that it has a clear understanding at Board level of the key risks, threats and hazards it may face in the personnel, physical and cyber domains, and take action to ensure appropriate organisational resilience to those risks/threats/hazards. It should have particular regard to the following key sources of information to help guide its approach:

* [Having and Promoting Business Resilience (part of the Preparing Scotland suite of guidance](http://www.gov.scot/Publications/2013/12/8006/downloads))
* [The Scottish Public Sector Action Plan on Cyber Resilience](https://beta.gov.scot/publications/cyber-resilience-strategy-scotland-public-sector-action-plan-2017-18/) and associated guidance, in particular the [Cyber Resilience Framework](https://www.gov.scot/publications/cyber-resilience-framework/)

**Counter Fraud Arrangements**

# 36. NLS should adopt and implement policies and practices to safeguard itself against fraud and theft, in accordance with the [Fraud](https://beta.gov.scot/publications/scottish-public-finance-manual/fraud-and-gifts/fraud/) section of the SPFM. Application of these processes must be monitored actively, supported by a fraud response plan and robust reporting arrangements. This includes the establishment of avenues to report any suspicions of fraud.

**Performance management**

# 37. NLS shall operate management information and accounting systems that enable it to review, in a timely and effective manner, its financial and non-financial performance against the strategic aims, objectives, targets and milestones set out in the Strategy and Annual Plans. The results of such reviews should be reported on a regular basis to the NLS Board and copied to the SG. The SG shall assess NLS’s performance proportionately, on a continuous basis and undertake a formal review meeting at least twice a year. The responsible Cabinet Secretary / Scottish Minister shall meet the NLS Chair at least once a year.

**NLS staff management**

**Broad responsibilities for NLS staff**

# 38. NLS will have responsibility for the recruitment, retention and motivation of its staff.

# The responsibilities toward its staff are to ensure that:

* HR policies, practices and systems comply with employment and equalities legislation, and standards expected of public sector employers
* the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness (subject to the SG [Pay Policy for Staff Pay Remits](http://www.gov.scot/Topics/Government/public-sector-pay/staff-pay))
* the performance of its staff at all levels is satisfactorily appraised and NLS’s performance measurement systems are reviewed from time to time
* its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve NLS’s objectives
* proper consultation with staff takes place on key issues affecting them
* adequate grievance and disciplinary procedures are in place
* effective whistle-blowing policy and procedures consistent with the Public Interest Disclosure Act 1998 are in place
* a code of conduct for staff is in place based on the Model Code for Staff of Executive NDPBs

***Pay and conditions of service***

39. NLS will comply with SG Pay Policy in relation to staff and the National Librarian. NLS shall submit to the SG for approval (normally annually unless a multi-year deal has been agreed) a pay remit in line with the SG [Pay Policy for Staff Pay Remits](http://www.gov.scot/Topics/Government/public-sector-pay/staff-pay) and negotiate a pay settlement within the terms of the approved remit. Payment of salaries should also comply with the [Tax Planning and Tax Avoidance](http://www.gov.scot/Topics/Government/Finance/spfm/taxavoidance) section of the SPFM. Proposals on non-salary rewards must comply with the guidance in the [Non-Salary Rewards](http://www.gov.scot/Topics/Government/Finance/spfm/nonsalrewards) section of the SPFM. NLS will also seek appropriate approval under the SG [Pay Policy for Senior Appointments](http://www.gov.scot/Topics/Government/public-sector-pay/senior-appointment-pay) for the National Librarian’s remuneration package prior to appointment, annually or when a new appointment or change to the remuneration package is being proposed.

***Pensions, redundancy and compensation***

# 40. Superannuation arrangements for NLS staff are subject to the approval of the Scottish Ministers. NLS staff shall normally be eligible for a pension provided by Principal Civil Service Pension Scheme (PCSPS). Staff may opt out of the occupational pension scheme provided by NLS, but the employers’ contribution to any personal pension arrangement, including stakeholder pension, shall normally be limited to the contribution that would have been made under a PCSPS pension.

# 41. Any proposal by NLS to move from existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of the Scottish Ministers. Proposals on compensation payments must comply with the [Settlement Agreements, Severance, Early Retirement and Redundancy Terms](http://www.scotland.gov.uk/Topics/Government/Finance/spfm/severanceetcterms) section of the SPFM. This includes referral to the SG of any proposed severance scheme (for example, a scheme for voluntary exit), business case for a settlement agreement being considered for an individual, or proposal to make any other compensation payment. In all instances, NLS should engage with the SG prior to proceeding with proposed severance options, and prior to making any offer either orally or in writing.

**Asset and property management**

42. NLS shall maintain an accurate and up-to-date record of its current and non-current assets consistent with the [Property: Acquisition, Disposal & Management](http://www.scotland.gov.uk/Topics/Government/Finance/spfm/PropertyManagement) section of the SPFM. NLS must seek advice from Property Division at the earliest opportunity when an acquisition or disposal of property or interest in a property is being considered where the property is held or will be held in the name of the Scottish Ministers. “Fixed” assets should be disposed of in accordance with [Disposal of Assets](http://www.gov.scot/Topics/Government/Finance/spfm/PropertyManagement#Asset Registers) section of the SPFM (this must include notifying Property Division of the surplus asset at the earliest opportunity in order that it may be [internally advertised](https://beta.gov.scot/binaries/content/documents/govscot/publications/advice-and-guidance/2018/09/scottish-public-finance-manual/documents/spfm-surplus-property-internal-advertisement/spfm-surplus-property-internal-advertisement/govscot%3Adocument); a process known as The Trawl). Any proposal to acquire land, buildings or other rights in property should comply with the Acquisition of Property section of the SPFM. NLS is subject to the [SG Asset Management Policy](http://www.scotland.gov.uk/Publications/2009/02/26142659/1), including the requirement for the acquisition of a new lease, continuation of an existing lease, decision not to exercise a break option in a lease or purchase of property for accommodation / operational purposes, to be approved in advance by Scottish Ministers*.* The Property Controls Team should be consulted as early as possible in this process. All assets (property, plant and equipment) are to be properly recorded and updated as necessary by NLS on the Government Property Unit’s [electronic Property Information Mapping System](https://e-pims.cabinetoffice.gov.uk/ePIMSNet/epims_login.aspx?ReturnUrl=%2fepimsnet) (e-PIMS).

**Specific financial provisions**

**Delegated authorities**

# 43. NLS’s specific delegated financial authorities - as agreed in consultation between NLS and the SG - are set out in the attached **Appendix**. NLS shall obtain the SG’s prior written approval before entering into any undertaking to incur any expenditure that falls outside these delegations. NLS shall also comply with any requirements for prior SG approval included in the SPFM and/or this document. Prior SG approval must always be obtained before incurring expenditure for any purpose that is or might be considered novel, contentious or repercussive or which has or could have significant future cost implications.

**Income generation**

44. NLS shall seek to optimise income - grant in aid does not qualify as income - from all sources and ensure that the SG is kept informed.  Novel or contentious proposals for new sources of income or methods of fundraising must be approved by the SG.  Fees or charges for any services supplied by the NLS shall be determined in accordance with the [Fees & Charges](http://www.scotland.gov.uk/Topics/Government/Finance/spfm/feescharges) section of the SPFM.

# 45. Gifts, bequests or donations received by NLS, which happen regularly as part of normal operational activity, should be provided for in the agreed resource DEL and capital DEL budgets, updated as necessary in consultation with the SG. However, NLS should be able to demonstrate that expenditure funded by gifts etc is additional to expenditure normally supported by grant in aid (i.e. SG core funding) or by trading and other income. Before accepting such gifts etc NLS shall consider if there are any associated costs in doing so or any conflicts of interests arising. NLS shall keep a written record of any such gifts etc and what happened to them.

Financial investments

# 46. The Library is free to invest non grant in aid income e.g. donations, endowments, bequests and gifts in line with any guidance from OSCR. Unless covered by a specific delegated authority NLS shall not make any financial investments from grant in aid income without the prior approval of the SG. That would include equity shares in ventures which further the objectives of NLS. NLS shall not invest in any venture of a speculative nature.

Borrowing

# 47. Borrowing cannot be used to increase NLS spending power. All borrowing by NLS - excluding agreed overdrafts - shall be from the Scottish Ministers in accordance with guidance in the [Borrowing, Lending & Investment](https://beta.gov.scot/publications/scottish-public-finance-manual/borrowing-lending-and-investment/borrowing-lending-and-investment/) section of the SPFM.

Lease arrangements

# 48. Unless covered by a specific delegated authority NLS shall not enter into any, property or accommodation related lease or Memorandum of Terms of Occupation (MOTO) arrangement – including the extension of an existing lease or the non-exercise of a tenant’s lease break option - without the SG’s prior approval. Before entering/ continuing such arrangements NLS must be able to demonstrate that the lease or MOTO offers better value for money than purchase and that all options of sharing existing public sector space have been explored. Property Division must be consulted. Non-property/ accommodation related leases are subject to a specific delegated authority. NLS must have capital DEL provision for finance leases and other transactions which are in substance borrowing.

**Tax arrangements**

# 49. Non-standard tax management arrangements should always be regarded as novel and/or contentious and must therefore be approved in advance by the SG. Relevant guidance is provided in the [Tax Planning and Tax Avoidance](https://beta.gov.scot/publications/scottish-public-finance-manual/tax-planning-and-tax-avoidance/tax-planning-and-tax-avoidance/) section of the SPFM. NLS must comply with all relevant rules on taxation, including VAT. All individuals who would qualify as employees for tax purposes should be paid through the payroll system with tax deducted at source. It is the responsibility of NLS to observe VAT legislation and recover input tax where it is entitled to do so. The implications of VAT in relation to procurement and shared services should be considered at an early stage to ensure that financial efficiency is achieved. The NLS must also ensure that it accounts properly for any output tax on sales or disposals.

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Lending and guarantees

# 50. Any lending by NLS must adhere to the guidance in the [Borrowing, Lending & Investment](http://www.scotland.gov.uk/Topics/Government/Finance/spfm/borrowingetc) section of the SPFM on undertaking due diligence and seeking to establish a security. Unless covered by a specific delegated limit NLS shall not, without the SG’s prior approval, lend money, charge any asset, give any guarantee or indemnity or letter of comfort, or incur any other contingent liability (as defined in the [Contingent Liabilities](http://www.scotland.gov.uk/Topics/Government/Finance/spfm/contingentliabs) section of the SPFM)***,***whether or not in a legally binding form. Guarantees, indemnities and letters of comfort of a standard type given in the normal course of business are excluded from this requirement.

**Third party grants**

# 51. Unless covered by a specific delegated authority NLS shall not, without the SG’s prior agreement, provide grant funding to a third party. Such funding would be subject to the guidance in the [Subsidy Control](https://www.gov.scot/publications/scottish-public-finance-manual/subsidy-control/subsidy-control/) section of the SPFM. Guidance on a framework for the control of third party grants is provided as an annex to the [Grant & Grant in Aid](https://www.gov.scot/publications/scottish-public-finance-manual/grant-and-grant-in-aid/grant-and-grant-in-aid/) section of the SPFM.

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Impairments, provisions and write-offs

# 52. Assets should be recorded on the balance sheet at the appropriate valuation basis in accordance with the relevant accounting standards.. Where an asset - and that includes investments - suffers impairment it is important that the prospective impairment and background is communicated to the Scottish Government at the earliest possible point in the financial year to determine the implications for NLS’s budget. Similarly any significant movement in existing provisions or the creation of new provisions should be discussed in advance with the SG. Write-off of bad debt and/or losses scores against NLS’s resource DEL budget classification and is subject to specific delegated limit.

Insurance

# 53. NLS is subject to the SG policy of self-insurance. Commercial insurance must however be taken out where there is a legal requirement to do so and may also be taken out in the circumstances described in the [Insurance](https://beta.gov.scot/publications/scottish-public-finance-manual/insurance/insurance/) section of the SPFM - where required with the prior approval of the SG. In the event of uninsured losses being incurred the SG shall consider, on a case by case basis, whether or not it should make any additional resources available to NLS. Specific arrangements are in place regarding objects loaned to NLS under cover of the Government indemnity Scheme. The SG will provide NLS with a Certificate of Exemption for Employer's Liability Insurance.

**Procurement and payment**

# 54. NLS’s procurement policies shall reflect relevant guidance in the [Procurement](https://beta.gov.scot/publications/scottish-public-finance-manual/procurement/procurement/) section of the SPFM and relevant guidance issued by the SG’s Procurement and Commercial Directorate. Procurement should be undertaken by appropriately trained and authorised staff and treated as a key component of achieving NLS’s objectives consistent with the principles of [Value for Money](https://beta.gov.scot/publications/scottish-public-finance-manual/best-value/best-value/), the highest professional standards and any legal requirements. All external consultancy contracts over the value of £120,000 or any proposal to award a contract without competition (non-competitive action) over the value of £50,000 must be endorsed in advance by the National Librarian.

# 55. Any major investment programmes or projects undertaken by NLS shall be subject to the guidance in the [Major Investment Projects](http://www.scotland.gov.uk/Topics/Government/Finance/spfm/majinvest) section of the SPFM and is also subject to a specific delegated authority. The sponsor unit must be kept informed of progress on such programmes and projects and Ministers must be alerted to any developments that could undermine their viability. ICT investment plans must be reported to the SG’s Office of the Chief Information Officer.

# 56. NLS shall pay all matured and properly authorised invoices relating to transactions with suppliers in accordance with the [Expenditure and Payments](https://beta.gov.scot/publications/scottish-public-finance-manual/expenditure-and-payments/expenditure-and-payments/) section of the SPFM, and in doing so shall seek wherever possible and appropriate to meet the SG’s target for the payment of invoices within 10 working days of their receipt.

Gifts made, special payments and losses

# 57. Unless covered by a specific delegated authority, NLS shall not, without the SG’s prior approval, make gifts or special payments or write-off of losses. Special payments and losses are subject the guidance in the [Losses and Special Payments](https://beta.gov.scot/publications/scottish-public-finance-manual/losses-and-special-payments/losses-and-special-payments/) section of the SPFM. Gifts by management to staff are subject to the guidance in the [Non-Salary Rewards](https://beta.gov.scot/publications/scottish-public-finance-manual/non-salary-rewards/non-salary-rewards/) section of the SPFM.

**Clawback**

# 58. Where NLS has financed expenditure on assets by a third party, NLS shall make appropriate arrangements to ensure that any such assets above an agreed value are not disposed of by the third party without NLS’s prior consent. NLS shall put in place arrangements sufficient to secure the repayment of its due share of the proceeds - or an appropriate proportion of them if NLS contributed less than the whole cost of acquisition or improvement. NLS shall also ensure that if assets financed by NLS cease to be used by the third party for the intended purpose an appropriate proportion of the value of the asset shall be repaid to NLS.

**Subsidy Control**

59. The EU State aid regime was effectively revoked from UK law from 1 January. Following this, subsidy control provisions were covered by the UK-EU Trade and Cooperation Agreement (TCA) and the UK’s international obligations, including various Free Trade Agreements and those arising as a consequence of World Trade Organisation membership. However,  a new UK subsidy control regime came into force on 4 January 2023 as a result of UK Government’s [Subsidy Control Act 2022](https://www.legislation.gov.uk/ukpga/2022/23/enacted). Currently, any activity that a public body undertakes itself, or funds other bodies to undertake, that can be offered on a commercial market for goods and services, is subject to the regulations set out in the Subsidy Control Act 2022.  A full assessment is required prior to disbursing any funding, subject to the guidance in the [subsidy control section](https://www.gov.scot/publications/scottish-public-finance-manual/subsidy-control/subsidy-control/) of the SPFM.

**Board expenses**

# 60. Remuneration (daily fees), allowances and expenses paid to Board members [and any pension arrangements] must comply with the SG [Pay Policy for Senior Appointments](http://www.gov.scot/Topics/Government/public-sector-pay/senior-appointment-pay) and any specific guidance on such matters issued by the Scottish Ministers.

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| --- | --- | --- | --- |
| Approved | Version | Next Review  | Signed by |
| August 2023 | 1 | As required, but before August 2026  | Christina McKelvie, Minister for Culture, Europe and International DevelopmentKen Thompson, Director General, Strategy and External Affairs |

**APPENDIX**

**NATIONAL LIBRARY OF SCOTLAND**

**SPECIFIC DELEGATED FINANCIAL AUTHORITIES**

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| --- | --- | --- |
|  |  | **Delegated Limit** |
| External business and management consultancies |  | £120,000 |
| Non-competitive action |  | £50,000 |
| Leases – other than property/accommodation related leases |  | £50,000 |
| Gifts |  | £1,000 per gift |
| Special payments |  | £1,000  |
| Claims waived or abandoned |  | £10,000 |
| Write-off of bad debt and/or losses |  | £10,000 |
| Major Investment Programmes or Projects |  | £2,000,000 |
| Grants from grant in aid |  | £100,000 per grant |
|  |  |  |