



## **NATIONAL LIBRARY OF SCOTLAND ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010**

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The Accountable Officer authorised these financial statements for issue on 8 DEC 2010

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

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

### Introduction

The Library has taken its most significant single step in making its collections and resources physically accessible to a wider audience with the opening of our new Visitor Centre in September. Opened by the Minister for Culture, Europe and External Affairs along with broadcaster Kirsty Wark, the new facilities enable us to offer three exhibition areas and an expanded events space in addition to a café and shop, with computer terminals, wi-fi access, plasma screens and a more welcoming and accessible Reader Registration area.

The Visitor Centre has been a great success, with positive feedback and increased visitor numbers, including many who would previously never have thought of the Library as a place that they would want, or even be allowed to visit. In the first week alone, aided by the rare opportunity to see the last letter of Mary Queen of Scots in our new Treasures area, we were delighted to welcome over 15,000 people through our doors.

That is only part of the story, of course, and we have been working to make our collections accessible to users throughout Scotland, with outreach activities and, most importantly, our expanding programme of digital activity. A successful pilot has been carried out for Remote Registration, a facility which will allow users across Scotland to gain access to large parts of our Licensed Digital Collections, a vast range of electronic resources which, in most cases, would be out of reach for the casual researcher.

In addition, we continue to make more and more of our own collection available online through digitisation, including images, documents, maps and archive film footage. We have also been working to make such material available through social media outlets to improve the chances of people being able to discover our resources and collections and to share them with others. We are also undertaking projects in partnership with other organisations in this area, from bespoke online learning resources to the digitisation of thousands of Scottish Street Directories.

The printed collections, of course, continue to grow, with notable acquisitions detailed in section 20 including a letter from Jean Armour, widow of Robert Burns, which came to us with the assistance of the American Associates of NLS. Legal Deposit continues to be the largest source for incoming material and, in that regard, we have seen the Agency for Legal Deposit Libraries, the body which deals with the intake and distribution of legal deposit material for all Legal Deposit Libraries (other than the British Library) establish itself on NLS premises at Causewayside.

As Scotland's National Library, we look, of course, to the future of our organisation and our collections. Our Property Asset Management Plan will enable us to get the best out of our physical premises. We are hopeful that, having contributed to a recent DCMS consultation on legislation to extend Legal Deposit to online publications, we will soon be able to start collecting in earnest the published digital output of Scotland, and we have been developing our IT infrastructure accordingly. And finally, we have published a report, *Thriving or Surviving: The National Library of Scotland in 2030*, which looks at the challenges and the opportunities presented to us by the changing nature of publishing, information and researchers in the 21<sup>st</sup> century and will inform our strategic approach going forward.

.....  
Martyn Wade  
National Librarian & Chief Executive

Date: ..... 2 Dec 2010

## 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 17<sup>th</sup> century on the initiative of the King's Advocate, Sir George Mackenzie of Rosehaugh. During the 18<sup>th</sup> and 19<sup>th</sup> 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 trustee for a number of trust funds and bequests as explained in note 9 to the accounts.

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 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. The Library seeks to achieve its purpose through the planning process which is set out over the four areas of Developing the Collections, Consultation & Communication, Building Relationships and Widening Access. Progress against these areas is stated in section 20 below Objectives and Achievements.

### 3. Financial Results for the Current Year

The National Library of Scotland's results in 2009/10 are dominated by changes in the value of tangible assets.

During the financial year, a revaluation of its estate was instructed. This uncovered a significant error in the previous valuation undertaken by the District Valuer in 2008. As a result of this fundamental error there has been

a prior year adjustment resulting in the 2009 balances being restated. The revaluation reserve has dropped as a result.

As part of a review of the Fixed Asset Register, the investment in the Visitors Centre Project has been written off as an impairment in this financial year. This expenditure successfully delivered a welcoming environment for customers – encouraging visitors to the Library and use of the collections. There was, however, no value added to the George IV Bridge building revaluation.

Furthermore, a thorough review of the Fixed Asset Register resulted in a small write off through the financial statements relating to items below the capitalisation threshold and where there was no residual Net Book Value.

More generally, the Library is making use of the exceptional income realised in 2008/9. £360k has been spent on both property repairs and the Library's Accommodation plan which seeks to deliver increased storage capacity.

The Library has a reserves policy 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 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 £21,453k, the outturn was £21,794k (note 28). The variance of £341k related mostly to impairment and write off of tangible fixed assets. The excess has been approved by Scottish Government.

#### 4. Significant changes to Fixed Assets

Fixed Assets of £139k (2009: £1,371k) were capitalised during the year. Upon the completion of the Visitors Centre, a revaluation of the estate was instructed early to ensure that the carrying value of assets was accurate. The revaluation uncovered an administrative error made by the Valuation Office. This has resulted in a significant reduction in the revaluation reserve. The Library has also, in conjunction with its external and internal auditors, undertaken a thorough review of the Fixed Asset register.

#### 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
<b>Chairman</b> (appointed by the Crown)	
Professor M Anderson, OBE, MA, PhD, FBA, FRSE	2, 3, 4, 6
<b>Trustees</b>	
<b>Ex-officio</b>	
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	4
Andrea M Batchelor (one vacancy)	3

Appointed by the Faculty of Advocates

Mungo Bovey QC	
The Hon Lord Coulsfield, QC (until December 2009)	2
Malcolm C.N. Scott, QC	
Malcolm G Thomson, QC	1
James Wolffe, QC (one vacancy)	5, 6

Appointed by the Universities

Professor G D Caie, MA, PhD, FRSA, FEA, FRSE	2, 5
Dr P Kemp, MA, PhD	3, 4
Dr Richard Parsons (from July 2009)	1
Dr Judith Vincent, BA, PhD	5

Appointed by the Convention of Scottish Local Authorities

Councillor Martin Greig (until 22 June 2009)	
Councillor Gordon Low (from November 2009)	
Councillor Kathy Morrice	

Co-opted

Lady Balfour of Burleigh, MA, DPhil, FSA Scot, FRSE	2, 5, 6
Ms Moira Methven, MCILIP	3, 4
Stephen Dunn (from 7 April 2009)	3
Charles Lovatt (from 7 April 2009)	1, 6
Mohsin Mehdi (from 7 April 2009)	6

- 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 Major Projects Committee
- 6 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 £1,288 (2009: £1,533) 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. An Induction/Development day occurred in April 2009 and another is planned for 2010.

The Board met four times during the year to effect general management and control over NLS. Two additional meetings were held during the year to consider Corporate Planning and Induction/Development.

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 (which first met in December 2009). 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 is:

Duncan Campbell	Director of Corporate Services
Alexandra Miller	Director of Customer Services
Cate Newton	Director of Collections and Research
Teri Wishart	Director of Development and External Relations

## **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 (2009: 21 days). A random sample of invoices taken from those paid during the year ended 31<sup>st</sup> March 2010 showed that 79% (2009 - 71%) of invoices were paid within the terms agreed with suppliers. The Library is working towards paying suppliers within the 10 day target. At present 19% of suppliers are paid within 10 days (2009: 18%).

## **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 disabled employees**

NLS is an equal opportunities employer and is committed to promoting diversity. The Library's policy for training, career development and promotion are in line with its equal opportunities policy and in this regard disabled employees are treated the same as all other staff. The Library aims to develop an adaptable, well-motivated and well-trained staff, possessing a complex blend of knowledge and skills in managerial, technical and specialist disciplines.

## **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. Sickness absence was an average of 12.3 days during 2009/10 (2009- 13.5 days).

## **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 2010-11.

## **12. Equal Opportunities and Diversity**

The National Library of Scotland fully subscribes to the Government's Race Equality, Disability and Gender Equality Schemes. The Library is committed to advancing equality and diversity as key features in all its activities and in the way it treats customers and employees. All of our strategies and actions are underpinned by our belief in fairness for all and we promote equal opportunities in all that we do. We believe that diversity is ethically right and socially responsible. More, we believe that equality and diversity enrich the Library by enhancing the skills base of its staff and by bringing fresh ideas and perceptions into its services. We acknowledge and promote the following basic rights for everyone associated with the Library:

- To be treated with respect and dignity; and
- To be treated fairly at all times.

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. It reports formally to the Board of Trustees once a year. The Group manages the production and oversight of the Library's statutory Equality Schemes for disability, gender and race. All these documents can be accessed on the Library's website

### **13. 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 meets four times a year, chaired by the National Librarian and Chief Executive. A union representative attends meetings of the Board of Trustees as an observer. For direct communication and consultation with staff, the Library organises two all-staff meetings a year 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. The Library regularly holds a Learning at Work Week for staff and Trustees.

### **14. Environmental matters and social and community issues**

During 2009/10 NLS:

- Participated in the TUC Green Workplaces Project. This, together with the filling of the Prospect Green Representative role, has revitalised the Green NLS group, and is proving key to releasing the energy and ideas of staff to reduce energy waste.
- Recycled over 60% of all waste arisings and has reduced its total waste relative to 2004/05 by 30%. This included the introduction of three new waste streams, including a significant closed loop recycling stream which will reduce costs by approximately £2k p.a. The way in which batteries and lamps are recycled was also changed so that this is now done at no cost to NLS
- Started working with the Carbon Trust and produced a Carbon Management Plan (CMP) which commits NLS to reducing the CO<sub>2</sub> emissions from its operation by 30% by the end of financial year 2014/15 from 2008/09 levels. Projected recurring savings once this target is met are approx. £160k p.a
- Joined the 10:10 campaign and will reduce CO<sub>2</sub> emissions from its operation by 10% by the end of calendar year 2010/11 from 2009/10 levels.
- Engaged in a shared services initiative with the National Galleries of Scotland (NGS) regarding the future of collection storage standards and low energy storage.

### **15. Changes since 31 March 2010**

There have been no significant changes since 31 March 2010.

### **16. Future Developments**

The Library is preparing a new corporate strategy which will be in place by September 2010. This will guide the priorities over the next three years, which are expected to be challenging in terms of public funding. A central challenge will be to develop and invest in digital 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 will be introduced no later than early in 2011 to reform the governance of NLS, replacing the 1925 National Library of Scotland Act.

### **17. Appointment of Auditors**

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

The agreed fee for audit services was £21,250 (2009 - £19,930) 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

## 18. 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

## 19. 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 accordingly 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 Registers.

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

## 20. Objectives & Achievements

During 2009-10, 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 through both legal deposit and traditional routes including purchase acquisitions and donations, and some highlights will be covered below. However, of even greater importance is the work being done to meet our strategic objective of making the material we already have accessible to more people, and a number of digital projects are worthy of mention in this regard.

- 13,000 Ordnance Survey maps (which are compatible with Google maps for an overlay), plus OS aerial photos of post-war Scotland.
- 3,000 largely out-of-print, out-of-copyright Gaelic books digitised in collaboration with the Internet Archive and imminently available through the NLS website.
- Start of a mass-digitisation project for Post Office Directories
- Over 100 complete films from the Scottish Screen Archive digitised and made available online
- Addition of digitised material to both the Digital Library on [www.nls.uk](http://www.nls.uk) and to social media channels including Flickr and Youtube
- There are now a total of 125,000 records in the Bibliography of Scotland.

In terms of new acquisitions, arguably the most significant single item added to the collection was a letter from Jean Armour, widow of Robert Burns. Not only an exceedingly rare and exciting acquisition in its own right, as demonstrated by the substantial media coverage it received, the letter was also the first major collection donation to be facilitated by the offices of the American Associates of NLS, to whom we are grateful. Other significant

donations of papers included collections related to George Mackay Brown, John Telfer Dunbar, Ian Hamilton Finlay, Nigel Tranter and Tom Weir. There were also several important purchases including papers of mountaineer PR Oliver (including the diary of a 1938 Everest expedition), the literary archives of JT McIntosh and Janet Paisley, a previously unrecorded atlas of sea charts, mainly of the East coast of Scotland, and Earth, the largest atlas in modern production. Major film acquisitions included material from Red Star Cinema (left-wing 'agit-prop' films from the 70s and 80s) and the Don McLachlan collection including a wealth of early colour films. Major rare book acquisitions included an extremely rare first edition of John Barclay's "Euphormionis Lusinini Sanyricon" printed in Paris in 1605, miniature books printed by David Bryce of Glasgow and a collection of early 20th-century pictorialist photographs by Alexander Wilson Hill

### **Research**

The Library's Research Strategy was adopted by Trustees. The strategy was developed in order to ensure that staff research is encouraged, recorded and made publicly available for the benefit of the wider community. One major piece of research published by NLS was into the future of National Libraries. Entitled 'Thriving or Surviving', the report looks at the challenges and opportunities presented by the changing information landscape over the next 20 years.

The Library has continued its support for the CILIP's chartership programme. There have been three major projects undertaken with the support of AHRC; PhD studentships for research into Bartholomew Archive, a project on Urban web-mapping, and research into travel writing, focussing on the John Murray Archive. Work continues on the Wellcome funded project on the medical history of British India, and the Library's South Asian collections were also the subject of interest at the Kolkata Book Fair.

NLS curators across departments and subjects have been involved in many outreach talks to historical, literary and professional societies across Scotland, as well as public events including the NLS Roadshow, which took place in Dundee in November, and have also been involved in hosting numerous seminars here at the Library including one on palaeography for Gaelic students, and another for University of Edinburgh Classics postgraduates. We collaborated with two universities on the creation of a rare books librarianship distance-learning module, and conducted numerous workshops in Aberdeen Central Library and at Royal College of Physicians on how to report holdings to ESTC.

### **ii) Building Relationships**

The Library participated in several consultations and working groups throughout the period, most notably the DCMS consultation on the collection of digital publications. The consultation refers to legislation required to enable NLS (and other legal deposit libraries) to address a gap in the national collection which is growing at an increasing rate, namely those items published online. At the moment, we cannot comprehensively collect this material, and so a substantial proportion of the published record of Scotland and the UK is being lost. The Library hosted and gave submissions to working groups on Literature in Scotland and Traditional Arts in Scotland.

The year of Homecoming was celebrated through the travelling exhibition, Zig-Zag: the paths of Robert Burns, which continued touring to Dumfries and Glasgow. Our summer exhibition, The Original Export also marked Homecoming, and we took part in the closing celebrations by hosting the Saltire Society Literary Awards and with a particularly Scottish-themed display in the Treasures Area.

The Library built on relationships throughout the country with numerous outreach activities including the Dundee Roadshow, support for the Ullapool Book Festival and numerous events, exhibition loans and film screenings across the country and in collaboration with many other institutions from local to national level, including an expanded involvement with the Edinburgh International Book Festival. The Library continues to support the Elizabeth Soutar Bookbinding Competition and the Callum Macdonald Memorial Award for pamphlet poetry.

In turn, numerous collaborative events were hosted including launches for Edinburgh Napier University's Robert Louis Stevenson web resource, the STANZA poetry programme and Alexander McCall Smith's new book 'Precious and the Puggies', translated into Scots. Several seminars were also hosted across a diverse range of subjects and audiences, from sprinkler safety to the Newsplan national newspaper archive resource with representatives from public libraries.

A memorandum of understanding with Scottish Enterprise will enable us to further promote business information resources. We have also joined the Early English Books Online (EEBO) Text Creation Partnership, which is creating searchable full text of items on EEBO. (This will be paid for over 5 years from the Rare Books allocation

of the Collections Purchase Fund.) Our EEBO users will find a growing number of EEBO items available in text format, which is very useful for books in difficult fonts, and can search across them all.

Our customer magazine, Discover NLS, won Customer Magazine of the Year at the Scottish Magazine Awards and corporate magazine of the year at the Corpcomm awards. The Library also received considerable media coverage throughout the period, with major coverage for the opening of the Visitor Centre, the display of the last letter of Mary Queen of Scots as well as other Treasures displays, the Curtain Up Theatre exhibition and associated events, and the acquisition of a letter from Jean Armour Burns.

The Library's social media presence has grown, with the addition of presence on Twitter and the development of a Facebook following of over 1,000 fans as well as a wealth of content made available through content-sharing sites such as Youtube and Flickr. We have also made audio recordings of selected events available online as well as some films made by NLS staff.

The success and value of these and other activities is reflected in the fact the public awareness of the Library has risen from 39% last year to 49% this year.

### **iii) Widening Access to Knowledge**

#### **Visitor Centre**

The most significant single step towards widening access to the Library for all was taken in September, with the formal opening of the Visitor Centre, performed by Culture Minister Michael Russell MSP and broadcaster Kirsty Wark. The new facilities open up the ground floor of the Library to public access, with three exhibition spaces, a refurbished events space, PC terminals and plasma screens and a new shop and café, which was recently awarded 'best newcomer' by Edinburgh Fairtrade. Aided by the brief display of the last letter of Mary Queen of Scots and a high-profile media campaign, the Library attracted over 15,000 people in the first week alone, a figure which exceeded the normal footfall for the entire run of the previous year's winter exhibition.

#### **Exhibitions & Events**

Taking advantage of the expanded and improved display areas, the breadth and depth of the collections was showcased in a diverse exhibition programme across the main exhibitions and the Treasures area. As well as key treasures such as Mary's last letter and the Order for the Massacre of Glencoe, there were smaller displays on Chopin and astronomer James Ferguson, plus major exhibitions on emigration and Scottish Theatre. The John Murray Archive exhibition was also refreshed to tie in with the 150<sup>th</sup> anniversary of the publication of Darwin's Origin, with the introduction of new characters Charles Lyell and the Duke of Argyll.

An expanded events programme, particularly since the completion of the boardroom refurbishment, has seen public events with figures such as Ian Rankin, Peter Tatchell, Alasdair Gray and many others, and we were pleased to welcome over 200 people for guided 'behind the scenes' tours on Doors Open Day.

#### **Education & Outreach**

A number of innovative initiatives and projects have taken place in the last year. On Mull, schoolchildren learned from travel resources in the John Murray Archive before developing their own 21<sup>st</sup> century equivalents in the form of walking tours of the island on PDAs in the Great Escapes project.

Designed and produced in partnership with Learning Teaching Scotland and teachers themselves, 'A Guid Cause' is a new online resource about the suffragette movement in Scotland which encourages pupils to critically assess primary archive resources in order to learn more about historical topics.

The anniversaries of Darwin and Origin were celebrated with two key projects. Evolving Words, in partnership with poet Anita Govan and the North Edinburgh Arts Centre saw young adults develop original poetry inspired by Darwin and his work, which they then performed at the Library and in an event at the Wellcome Trust in London. 'This View of Life' drew on the work of JMA writer-in-residence Peter Arnott, who scripted a play based on his interaction with Darwin's correspondence. The play was then staged by schoolchildren for other schools groups at the Library and at venues in Stirling and Glasgow with the help of TAG Theatre company.

School groups were also involved in World Book Day debates, where they listened to NLS curators talking about their own favourites and voted for their favourites.

In partnership with Scottish Screen and Learning Teaching Scotland, the Scottish Screen Archive contributed to an interactive web-based educational resource *Scotland on Screen*, which gives students and teachers free access to

archive film documenting over a century of Scottish social, economic and environmental change. The material has been selected and tagged for its relevance to learning and teaching in Scottish schools, particularly the Curriculum for Excellence, and the resource was shortlisted for the UK Learning on Screen Awards.

Access for hearing impaired users was also increased with the purchase of a portable induction loop in partnership with Arlink and other Edinburgh venues. In addition to improved registration procedures, 'Call slip' has been implemented for Rare Books, meaning that such material can be accessed more readily than before.

#### **Digital Services**

A pilot has been running with a view to the introduction of Remote Access and Registration, further streamlining the registration process and, for the first time, enabling users from across Scotland to access many of the Library's extensive Licensed Digital Collections from home, without having to first come physically into the Library in order to register.

An extensive usability study was carried out among users of the Library's website, and the results will inform a redesign of the main pages to improve accessibility and resource discovery. Those resources continue to grow, with the constant addition of web features, digitised material, images, film footage, and will grow even more quickly if and when legislation enabling Legal Deposit Libraries to collect material published and made freely available online is passed.

#### **iv) Developing the Organisation**

The library has developed a Property Asset Management Plan that identifies the most effective and efficient use of our buildings. Included is an ongoing space rationalisation project that could enable our existing estate to provide our collections storage requirements for 25 years. In addition we are contributing to the Scottish Government's environmental sustainability agenda by implementing a carbon reduction plan that aims to reduce our carbon emissions by 30% over the next five years.

In order to meet the future challenges of the digital information landscape, the Library has been expanding its digital infrastructure with the development of increased digital storage capacity. Work in this area was recognised in the form of a 'Laureate' Award from the Computerworld Information Technology Awards Foundation.

Whilst the impact of the flooding incident in February 2009 on the collections was relatively limited, substantial work has been carried out to remedy and mitigate damage to estates, with drying, dehumidification and mould removal, as well as repair work on those collection items which were affected in addition to ongoing reviews of business continuity procedures to cover a range of potential emergency situations.

A drive towards greater efficiency has underpinned much of the Library's activity over the last year. As such, we have been actively pursuing the shared services agenda in order to realise cost savings and process benefits. Progress is being made in the areas of central services including HR and Information systems, and a concrete example comes in the area of Health and Safety, where the National collections have jointly invested in a software package which will track and manage training issues and risk across the organisations, leading to anticipated efficiency savings in the joint procurement of relevant equipment and training.

As well as cost efficiency, environmental efficiency is a priority, and the work of the Green NLS group, bringing together staff, trade union and management to work on areas for improvement was recently recognised in the form of a case study presented in a TUC paper.

#### **Fundraising**

We are now entering the final stages of the Library's major fundraising campaign in recent years; acquiring the renowned John Murray publishing archive and make it accessible for everyone to enjoy. Over £30 million has been raised so far with the help of the Heritage Lottery Fund, the Scottish Government and many philanthropic individuals, charitable trusts and foundations and company supporters. We now have just under 10% of the fundraising target remaining as we enter the final year of the Campaign in 2010/11

The American Associates of the National Library of Scotland (AANLS) continues to grow; it welcomed two new Board members in 2010 and it made a major contribution (\$70,000) to the John Murray Archive project through its network of supporters in the US. The AANLS was also delighted to accept a donation in kind from a friend of the Library, Nancy Groce, who discovered a lost letter to the wife of Robert Burns, Jean Armour Burns, in a junk shop in New York. The AANLS Board is now looking forward to promoting the Library and its national collection to friends and supporters in the US in 2010/11 through a series of activities and events.

The Library completed the fundraising project for its new Visitor Centre, receiving major contributions from two corporate supporters in 2009/10 – John Menzies Plc and William Grant & Sons (Grant's is a 2<sup>nd</sup> installment of a pledge). Supporters of the Visitor Centre Project have enabled the Library to open up access to its main entrance hall and its exhibitions and events spaces, encouraging many more new visitors to explore its collections and services.

**21. 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: 8 Dec 2010

## Remuneration Report

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

### UNAUDITED INFORMATION

#### Policies

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.

#### Report

Most of the staff are employed on permanent contracts. There is a small number of staff who are employed on short term contracts which match the duration of the projects on which they are engaged. 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. All senior managers in post during the year were employed on permanent contracts.

#### Pension scheme

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 Retail Prices Index (RPI). 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 1/80<sup>th</sup> 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 1/60<sup>th</sup> 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](http://www.civilservice-pensions.gov.uk)

The Principal Civil Service Pension Scheme (PSCPS) 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 31<sup>st</sup> March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk))

For 2009-10 employers' contributions of £1,343k were payable to the PCSPS (2009: £1,372k) 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 2010-11, 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 2009-10 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 £8k (2009 - £5k) 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 (2009 - £1k). Contributions prepaid at that date were £Nil (2009 - £Nil).

### **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 31<sup>st</sup> March 2010 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 salary and pension entitlements of Senior Management were as follows:

Name	Job Title	2009/10	2008/9
		Aggregate Remuneration (£)	Aggregate Remuneration (Restated*) (£)
Mr M Wade	National Librarian and Chief Executive	115 – 120,000	115 – 120,000
Mr D Campbell	Director of Corporate Services	70 – 75,000	70 – 75,000
Mr G Hunt (left July 2008)	Director of Customer Services (to June 2008)	N/A	15 – 20,000
Mrs A Miller	Director of Customer Services	70 – 75,000	70 – 75,000
Mrs C Newton	Director of Collections	70 – 75,000	70 – 75,000
Ms T Wishart	Director of Development	65 – 70,000	60 – 65,000

\* - 2008/9 Figures have been restated to include pension contributions.

Salary

Salary includes gross salary, and overtime. Amounts relate to NLS employment only and do not include earnings from positions elsewhere in the civil service.

Remuneration

Comprises gross salary, overtime and employer pension contributions.

Benefits In Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. In 2009/10 this value was £Nil (2009: £Nil).

Name	Job Title	Real Increase in Pension at age 60	Real Increase in Lump Sum at age 60	Value of Accrued pension at age 60	Value of related lump sum at age 60	Cash		Real Increase in Cash Equivalent
						Transfer Value at 31 <sup>st</sup> March 2009	Transfer Value at 31 <sup>st</sup> March 2010	
Mr M Wade	National Librarian and Chief Executive	0 – 2,500	2,500 – 5,000	40 – 45,000	120 – 125,000	784,000	859,000	31,000
	Mrs A Miller	Director of Customer Services	0 – 2,500	N/A*	5 – 10,000	N/A*	93,000	122,000
Mr D Campbell	Director of Corporate Services	0 – 2,500	N/A*	25 – 30,000	N/A*	484,000	529,000	17,000
Ms T Wishart	Director of Development	0 – 2,500	N/A*	0 – 5,000	N/A*	20,000	29,000	6,000
Mrs C Newton	Director of Collections	0 – 2,500	2,500 – 5,000	20 – 25,000	70 – 75,000	506,000	560,000	16,000

Details of pensions and Cash Equivalent Transfer Values are disclosed based on information supplied by the Department for Work and Pensions.  
 Note: Mr G Hunt left the Library during 2008/9.

  
 Marilyn Wade, National Librarian and Chief Executive

Date: .....*Ms Wade*.....*21/3/10*.....

## 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 2010 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 2009/10 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 2010 and up to the signing of the accounts the organisation has continued with the implementation of the recommendations of the Internal Auditors.

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 CIP 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 each of its 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.

In June 2010, Library management detected a financial irregularity involving financial misappropriations relating to procurement and invoicing, dating back to 2004. Internal audit has carried out an investigation and the matter has now been referred to the police. Internal investigations are continuing and a member of staff has resigned. The Library has incurred a loss, and an amount will be identified once investigations have been concluded. It is understood that a criminal prosecution is being pursued.


In addition, in line with the Library's fraud prevention policy, investigations into the circumstances of the fraud have been initiated and legal action commenced by the Library.

The financial irregularity was identified as a result of work being carried out to improve financial control through the introduction of a new finance system. This replacement system aims to deliver a number of benefits and efficiencies to the Library when it goes live on 1 April 2011. Significantly it seeks to strengthen procurement by the introduction of electronic approval of purchase orders prior to committing to expenditure. It will also allow improved reporting, and therefore scrutiny, of non-contracted expenditure / suppliers. In this way the Library seeks to enforce procurement guidelines more effectively.

Upon discovery of the financial irregularity, the Library immediately put additional procedures in place.

  
Martyn Wade  
National Librarian and Chief Executive and Accountable Officer

Date: 8 DEC 2010

  
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 National Library of Scotland for the year ended 31 March 2010 under the National Heritage (Scotland) Act 1985 and section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. These comprise the Statement of Financial Activities, the Income and Expenditure Account and Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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 the Board of Trustees, Accountable Officer and auditor**

The Board of Trustees and the National Librarian are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers. The National Librarian is also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of Responsibilities of the Board and the National Librarian.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers and the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulation 2006. I report to you whether, in my opinion, the information which comprises the Report of the Board of Trustees included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

In addition, I report to you if, in my opinion, any information contained in the statement of accounts is inconsistent with the trustees' Annual Report, the body has not kept proper accounting records, if the body's statement of accounts is not in agreement with these accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the body's compliance with the Scottish Government's guidance, and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the body's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the National Librarian's Introduction to the Annual Report, and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Basis of audit opinion

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Board of Trustees and Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## Opinions

### Financial statements

#### In my opinion

- the financial statements give a true and fair view, in accordance with National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers, of the state of affairs of the National Library of Scotland as at 31 March 2010 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers and the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations; and
- information which comprises the Report of the Board of Trustees included with the Annual Report, is consistent with the financial statements.

### Qualified Opinion on Regularity

As disclosed in the Statement of Internal Control, in June 2010, NLS management detected a financial irregularity involving a financial misappropriation relating to procurement and invoicing. Internal audit have carried out an investigation and the matter has now been referred to the police. Internal investigations are continuing and a member of staff has resigned. The estimated value of the financial irregularity in this financial year is in excess of our materiality for the audit. I have therefore concluded that the audit evidence I have obtained is sufficient and appropriate to provide a basis for a qualified audit opinion that the expenditure was not incurred in accordance with applicable enactments and guidance issued by Scottish Ministers.

In my opinion, except for the matter, referred to above, in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

  
Auditor: Ruth Brown CPFA

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

Date: 8.12.10.....

**Income and Expenditure Account for the year ended 31 March 2010**

		2009/10 £000	2008/9 £000 Restated
<b>INCOME</b>			
Gross income from revenue-earning activities	4	76	108
Gross income from grant-aided activities		1,242	603
		<u>1,318</u>	<u>711</u>
<b>EXPENDITURE</b>			
Staff costs	5	9,598	9,992
Other operating charges	6	5,759	4,448
Depreciation on and permanent diminution in value of fixed assets	7, 8	4,072	2,447
		<u>19,429</u>	<u>16,887</u>
<b>EXCESS OF EXPENDITURE OVER INCOME BEFORE INTEREST</b>		(18,111)	(16,176)
Other income		-	1,614
Interest received – Unrestricted funds	3	4	282
<b>EXCESS OF EXPENDITURE OVER INCOME BEFORE NOTIONAL COSTS</b>		<u>(18,107)</u>	<u>(14,280)</u>
Notional interest on capital employed	1(1), 18	(1,737)	(2,270)
<b>EXCESS OF EXPENDITURE OVER INCOME AFTER NOTIONAL COSTS</b>		(19,844)	(16,550)
Reversal of notional interest on capital employed	1(1), 18	1,737	2,270
Transfer to Trust Funds and Bequests (capital)	16	(307)	(200)
Transfer from Trust Funds and Bequests (unspent income)	16	143	-
Release in respect of depreciation of tangible fixed assets and in respect of permanent diminution in value of assets	16	1,799	2,154
Release from Revaluation Reserve	16	(226)	9
<b>Amount transferred to reserves</b>		<u>(16,698)</u>	<u>(12,317)</u>
Transfer to Board Reserve Fund	16	(15)	31
Transfer to General Fund	16	(16,683)	(12,348)
		<u>(16,698)</u>	<u>(12,317)</u>

All activities relate to continuing operations.

The notes on pages 29 to 46 form part of these accounts.

## Statement of Financial Activities for the year ended 31 March 2010

	Notes	Unrestricted Funds £000	Restricted Funds £000	Endowment funds £000	2009/10 Total £000	2008/9 Restated £000
<b>INCOMING RESOURCES</b>						
Grant in aid	2	14,643	1,300	-	15,943	15,364
Voluntary Income	3	783	386	-	1,169	747
Charitable donations	3	4	-	251	255	777
Revenue earning activities	4	76	-	-	76	27
Investment income	3	4	133	-	137	538
Income from charitable activities	3	919	-	-	919	2,290
<b>Total Incoming Resources</b>		<b>16,429</b>	<b>1,819</b>	<b>251</b>	<b>18,499</b>	<b>19,743</b>
<b>RESOURCES EXPENDED</b>						
Cost of generating voluntary income	3	444	-	-	444	348
Cost of Revenue earning activities	3	91	-	-	91	77
Investment management costs	3	-	12	-	12	371
Charitable activities	3	17,212	1,598	-	18,810	17,275
Permanent diminution of tangible assets	7,8	1,561	-	-	1,561	-
Disposal of tangible assets	7,8	196	-	-	196	-
Governance costs	3	387	-	-	387	344
Notional cost of capital	18	1,737	-	-	1,737	2,270
<b>Total Resources Expended</b>		<b>21,628</b>	<b>1,610</b>	<b>-</b>	<b>23,238</b>	<b>20,685</b>
<b>NET INCOMING/(OUTGOING) RESOURCES</b>						
<b>before transfers</b>		(5,199)	209	251	(4,739)	(942)
Transfers between funds	16	(164)	(143)	307	-	-
Release in respect of depreciation		1,573	(1,573)	-	-	-
<b>NET INCOMING/(OUTGOING) RESOURCES</b>		<b>(3,790)</b>	<b>(1,507)</b>	<b>558</b>	<b>(4,739)</b>	<b>(942)</b>
<b>after transfers</b>						
Increase/(Decrease) in market value of investments	9	-	-	677	677	(752)
Revaluation of assets	7,8	-	(10,672)	-	(10,672)	(924)
Reversal of notional cost of capital		1,737	-	-	1,737	2,270
<b>Net movement in funds</b>		<b>(2,053)</b>	<b>(12,179)</b>	<b>1,235</b>	<b>(12,997)</b>	<b>(348)</b>
Fund balances brought forward at 1 April 2009	16	3,916	78,432	8,694	91,042	91,390
Fund balances carried forward at 31 March 2010		1,863	66,253	9,929	78,045	91,042

The 2008/9 restated balance is shown in note 16. The balance brought forward as at 1 April 2008 is not shown.

Notes	Unrestricted Funds £000	Restricted Funds £000	Endowment funds £000	2009/10 Total £000	2008/9 £000 Restated
<b>Fund balances comprise:</b>					
Capital Assets Fund	-	56,347	-	56,347	58,040
General Fund	1,598	-	-	1,598	3,636
Board Reserve Fund	265	-	-	265	280
Revaluation Reserve	-	9,371	-	9,371	19,816
Trust Funds and Bequests	9	524	9,929	10,453	9,304
Collection Purchase Fund	-	11	-	11	(34)
	1,863	66,253	9,929	78,045	91,042

**Summary of fund movements**

	Balance at 1st April Restated	Incoming resources	Outgoing resources	Gains and Losses	Transfers	Balance at 31 <sup>st</sup> March
Capital Assets Fund	58,040	108	-	(1,799)	(2)	56,347
General Fund – free reserves	(144)	16,353	(20,844)	3,911	808	84
General Fund – designated repairs	1,385	-	(693)	-	(172)	520
General Fund – designated assets	2,395	-	-	(603)	(798)	994
Board Reserve Fund	280	76	(91)	-	-	265
Revaluation Reserve	19,816	-	-	(10,445)	-	9,371
Trust Funds and Bequests	9,304	766	(458)	677	164	10,453
Collection Purchase Fund	(34)	1,196	(1,151)	-	-	11
	91,042	18,499	(23,237)	(8,259)	-	78,045

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 Trust Fund movements**

	Balance at 1st April 2009 £000	Gains and Losses £000	Other Movements £000	Balance at 1st March 2010 £000
<b>Trust Funds</b>				
Reid Trust Fund	301	117	(3)	415
Graham Brown Fund	978	235	(19)	1,194
Alexander Grant Fund	936	260	29	1,225
<b>Bequests</b>				
Miss AN Wilson	101	-	1	102
Johnston	223	-	1	224
Mrs R Ratcliff	250	61	7	318
Keppie Bequest Fund	25	1	(1)	25
Other bequests	49	(2)	-	47
<b>Other Funds</b>				
Clarke acquisition funds	24	12	(2)	34
Donations	3,229	-	574	3,803
John Murray	3,140	-	(114)	3,026
Other	48	(7)	(1)	40
	9,304	677	472	10,453

The notes on pages 29 to 46 form part of these accounts.

**Statement of Recognised Gains and Losses for the year ended 31 March 2010**

	Notes	2009/10 £000	2008/9 £000
Net loss on revaluation of fixed assets		(10,674)	(1,206)
Unrealised gains/(losses) on investments		677	(733)
<b>Total recognised gains and losses related to the financial year</b>		<b>(9,997)</b>	<b>(1,939)</b>

The notes on pages 29 to 46 form part of these accounts.

**Balance Sheet at 31 March 2010**

		2009/10 £000	2008/9 £000 (restated)
<b>FIXED ASSETS</b>	Notes		
Tangible Assets	7	39,556	54,160
Intangible Assets	8	-	-
Collection - capitalised items	20	32,004	31,896
UK Investments - at market value	9	1,726	1,472
Overseas Investments – at market value	9	1,281	905
		<u>74,567</u>	<u>88,433</u>
<b>CURRENT ASSETS</b>			
Stocks	10	-	76
Debtors	11	656	1,347
Cash at bank and in hand	12	7,497	7,922
		<u>8,153</u>	<u>9,345</u>
<b>CREDITORS - amounts due within one year</b>	13	<u>(4,567)</u>	<u>(3,118)</u>
<b>NET CURRENT ASSETS</b>		<u>3,586</u>	<u>6,227</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>78,153</u>	<u>94,660</u>
<b>CREDITORS - amounts due after one year</b>	14	-	(3,480)
<b>Provisions for Liabilities and Charges</b>	15	(108)	(138)
		<u>78,045</u>	<u>91,042</u>
<b>CAPITAL AND RESERVES</b>			
<b>Restricted Funds</b>			
Capital Assets Fund	16	56,347	58,040
Revaluation Reserve - General Fund	16	9,371	19,816
Purchase Fund	16	11	(34)
Trust Funds and Bequests - unspent income	16	524	610
		<u>66,253</u>	<u>78,432</u>
<b>Endowment funds</b>			
Trust Funds and Bequests – capital	16	9,929	8,694
<b>Unrestricted Funds</b>			
General Fund	16	1,598	3,636
Board Reserve Fund	16	265	280
		<u>1,863</u>	<u>3,916</u>
<b>TOTAL CAPITAL AND RESERVES</b>		<u>78,045</u>	<u>91,042</u>

Date: 5 DEC 2010

Martyn Wade  
National Librarian and Chief Executive and Accountable Officer

The notes on pages 29 to 46 form part of these accounts.

**Cash Flow Statement for the year ended 31 March 2010**

		<b>2009/10</b>	<b>2008/9</b>
		<b>£000</b>	<b>£000</b>
	Notes		
Net Cash outflow from Operating Activities	17	(14,971)	(13,751)
Capital Expenditure	17	(1,397)	(2,819)
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		(16,368)	(16,570)
Financing	17	15,943	15,947
Increase/(Decrease) in cash		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		(425)	(623)
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

The notes on pages 29 to 46 form part of these accounts.

## Notes to the Accounts for the year ended 31 March 2010

### I. 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 (FRM) 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 updated in intervening years by applying appropriate cost indices. Fixed assets other than land and buildings are held at cost.

(ii) All items of capital expenditure costing in excess of £5,000 are treated as additions to fixed assets and, with the exception of capitalised collection items (see below), are subject to annual revaluation.

(iii) The Library's collections existing at 31 March 2001 have not been capitalised in these accounts in line with HM Treasury guidance for non-operational heritage assets because the cost would outweigh the benefit. Individual items acquired or donated after 1 April 2001 with a value at the date of acquisition in excess of £5,000 are capitalised. 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, capitalised collection items are not depreciated or revalued.

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

Buildings	over 10 to 50 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. If the Library receives any donations of fixed assets, including items for the collections, their market value (if it exceeds of the capitalisation limit) will be credited to a donated assets reserve and amortised over the expected useful lives of the assets acquired. 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.

**f. Stocks**

Stocks are written off to the Income & 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. An initial review of trading activities occurred during 2008/9. 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 which started during 2009/10 following the completion of the Visitors Centre. 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. Notional costs**

In accordance with the requirements of the FREM, the Income and Expenditure Account includes notional costs where this is necessary to the disclosure of the full cost of the Library's activities. The calculation of notional interest on capital employed is explained in note 18.

**m. 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.

**n. 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.

**o. Prior Year Adjustment**

A valuation of estate was instructed during 2009/10 which uncovered a fundamental error in the previous 2008 valuation carried out by the District Valuer Services. The value of Salisbury Place was previously valued at Gross Replacement Cost of £47m rather than its Depreciated Replacement Cost of £31m. As a result a prior year adjustment has been included in the accounts, the net effect being to reduce the Net Book Value of Fixed Assets and the revaluation reserve by £16m. The depreciation charges have also been restated resulting in lower charges than previously, affecting the brought forward values on the revaluation reserve. Depreciation in 2009/10 is £734k less than it would have been.

**p. Impairment**

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

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

**q. Restatement of Revenue Earning Activities**

With the conclusion of the Visitors Centre Project, the Library operates a shop and café. Professional advice on charitable trading was sought and the revenue headings reflect the situation with effect from 1 April 2008.

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

	<b>2009/10</b>	<b>2008/9</b>
	<b>£000</b>	<b>£000</b>
Grant-in-Aid Received		
Running Costs	14,253	13,934
Capital	390	130
	<hr/> 14,643	<hr/> 14,064
Purchase Grant	1,300	1,300
Total Received during year	<hr/> 15,943	<hr/> 15,364

## 3. NOTES TO THE STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted Funds	Restricted Funds	Endowment Funds	2009/10 Total	2008/9 Total Restated
	£000	£000	£000	£000	£000
<b>Voluntary income</b>					
Grant In Aid	14,643	1,300	-	15,943	15,364
HLF and other conditional grants	783	386	-	1,169	747
Donations to Trust Funds and Bequests	4	-	251	255	777
	<u>15,430</u>	<u>1,686</u>	<u>251</u>	<u>17,367</u>	<u>16,888</u>
<b>Revenue earning activities</b>					
Shelving	32	-	-	32	27
Café & Shop Income	44	-	-	44	-
	<u>76</u>	<u>-</u>	<u>-</u>	<u>76</u>	<u>27</u>
<b>Investment income</b>					
Interest received	4	133	-	137	538
	<u>4</u>	<u>133</u>	<u>-</u>	<u>137</u>	<u>538</u>
<b>Income from charitable activities</b>					
Property rental	90	-	-	90	60
Services to Associate Company	73	-	-	73	18
Reprography	286	-	-	286	80
Sundry income	470	-	-	470	2,132
	<u>919</u>	<u>-</u>	<u>-</u>	<u>919</u>	<u>2,290</u>
<b>Total</b>	<u>16,429</u>	<u>1,819</u>	<u>251</u>	<u>18,499</u>	<u>19,743</u>

Prior Year comparatives have been restated following an independent review of Trading activities.

**Analysis of Resources Expended**

	Direct Costs	Support Costs	2009/10 Total	2008/9 Total Restated
	£000	£000	£000	£000
<b>Charitable activities</b>				
Collection development	2,800	3,409	6,209	8,100
User access to collections	3,859	4,699	8,558	5,899
Strategy and communications	650	1,332	1,982	2,119
	<u>7,309</u>	<u>9,440</u>	<u>16,749</u>	<u>16,118</u>
<b>Cost of generating funds</b>				
Cost of generating voluntary income	235	209	444	348
Cost of Revenue earning activities	91	-	91	77
	<u>326</u>	<u>209</u>	<u>535</u>	<u>425</u>
<b>Investment management costs</b>	12	-	12	371
<b>Collection Purchases – restricted</b>	1,598	-	1,598	1,157
- unrestricted	463	-	463	-
<b>Permanent diminution in value of tangible assets</b>	1,561	-	1,561	-
<b>Loss on disposal of tangible assets</b>	196	-	196	-
<b>Governance costs</b>	-	387	387	344
<b>Notional cost of capital</b>	-	1,737	1,737	2,270
<b>Total Resources Expended</b>	<u>11,465</u>	<u>11,773</u>	<u>23,238</u>	<u>20,685</u>

**4. REVENUE-EARNING ACTIVITIES**

	2009/10 £000	2008/9 £000 Restated
Income		
Shelving	32	27
Café and Shop Income	44	-
	<u>76</u>	<u>27</u>
Less: costs		
Cost of sales	55	35
Direct wages	27	35
Administration	9	7
	<u>91</u>	<u>77</u>
Other amount	-	81
Surplus for the year: transferred to Board Reserve Fund	<u>(15)</u>	<u>31</u>

**5. EMPLOYEES**

	2009/10 £000	2008/9 £000
Staff costs during the year were:		
Wages and salaries	7,521	7,352
Social Security costs	499	515
Pension costs	1,343	1,640
Agency staff costs	213	485
Early Retirement costs	22	-
	<u>9,598</u>	<u>9,992</u>

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

	Number	Number
Corporate services	81	79
Customer Services	103	103
Collection Development	94	94
Development	14	12
Other	15	17
	<u>307</u>	<u>305</u>

Pension costs of £Nil (2009: £1,640k). There were no individuals who retired early on health grounds during the year.

**6. OTHER OPERATING CHARGES**

	2009/10 £000	2008/9 £000
<b>General</b>		
Administration expenses	788	660
Operating lease rentals (see note below)	13	8
Travel, subsistence and hospitality	158	188
Office equipment and supplies	250	249
Publications & Exhibitions	508	321
Copyright Agency	169	144
Computer Services	786	647
Digitisation and Web Development	108	54
Record purchase	21	28
Audit fees	50	31
Conservation & Preservation	175	92
Consultancy	440	291
	<hr/> 3,466	<hr/> 2,713
<b>Buildings</b>		
Utilities	616	651
Rent, rates & service charges	251	212
Buildings maintenance	1,089	739
Furniture	316	71
Transport	21	62
	<hr/> 2,293	<hr/> 1,735
<b>Total</b>	<hr/> 5,759	<hr/> 4,448

**Notes:**

Operating lease rentals are paid in respect of canteen vending machines and general office equipment.

Included in Audit fees is £21,250 in relation to the fees for External Audit services for 2009/10 and provided by Audit Scotland (2009: £19,930)

## 7. TANGIBLE FIXED ASSETS

	Land and Buildings	Leasehold Improvements	Motor vehicles	Equipment & Machinery	Computer equipment	2009/10 Total
<b>COST OR VALUATION</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Reported at 31 March 2009	70,966	610	93	2,458	2,344	76,471
Prior Year Adjustment	(16,426)					(16,426)
Restated as at 1 April 2009	54,540	610	93	2,458	2,344	60,045
Additions	-	-	-	114	25	139
Disposals	-	(645)	(11)	(1,467)	(987)	(3,110)
Impairment	(1,689)	-	-	-	-	(1,689)
Revaluation/Indexation Adjustment	(14,000)	35	-	-	-	(13,965)
Balance at 31/3/10	38,851	-	82	1,105	1,382	41,420
<b>DEPRECIATION</b>						
Reported at 31 March 2009	2,794	488	57	1,601	1,571	6,511
Prior Year Adjustment	(626)	-	-	-	-	(626)
Restated as at 1 April 2009	2,168	488	57	1,601	1,571	5,885
Other adj	(3)	-	-	-	-	(3)
Charge for the year	1,573	129	8	281	324	2,315
Disposals	-	(645)	(11)	(1,287)	(971)	(2,914)
Impairment	(128)	-	-	-	-	(128)
Revaluation/Indexation Adjustment	(3,319)	28	-	-	-	(3,291)
Balance at 31/3/10	291	-	54	595	924	1,864
<b>NET BOOK VALUE</b>						
At 31/3/10	38,560	-	28	510	458	39,556
At 31/3/09 (Restated)	52,372	122	36	857	773	54,160

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

	2009/10
Depreciation during year	2,315
Impairment	1,561
Loss on disposal of fixed assets	196
	<u>4,072</u>

At 31st March 2010 all Land and Buildings were revalued by District Valuer Services, an executive agency of HM Revenue & 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).

The valuation uncovered a fundamental error in the previous 2008 valuation carried out by the District Valuer Services when the value of Salisbury Place was reported to the Library at its Gross Replacement Cost of £47m rather than its Depreciated Replacement Cost of £31m. As a result a prior year adjustment has been included in the accounts, the net effect being to reduce the Net Book Value of Fixed Assets and the revaluation reserve by £16m. The District Valuer has introduced new controls to avoid similar mistakes in the future.

Land and buildings include £825k (2009 - £925k) in respect of land which is not depreciated.

**8. INTANGIBLE FIXED ASSETS**

<b>COST OR VALUATION</b>	<b>Computer software £000</b>
Reported at 31 March 2009	82
Additions	-
Disposals	(82)
Revaluation	-
Balance at 31/3/10	<u>-</u>
<b>DEPRECIATION</b>	
Reported at 31 March 2009	82
Charge for the year	-
Disposals	(82)
Revaluation	-
Balance at 31/3/10	<u>-</u>
<b>NET BOOK VALUE</b>	
At 31/3/10	<u>-</u>
At 31/3/09	<u>-</u>

<http://www.pdf-tools.com>

**9. TRUST FUNDS AND BEQUESTS**

	<b>2009/10</b>	<b>2008/9</b>
	<b>£000</b>	<b>£000</b>
Listed investments - at market value	2,913	2,108
Cash deposits held within investment pool	94	269
<b>Capital, at market value</b>	<b>3,007</b>	<b>2,377</b>
Cash balances held by the Library	7,446	6,927
<b>Total Trust Funds and Bequests holdings</b>	<b>10,453</b>	<b>9,304</b>
Listed investments - at cost	2,080	2,075

Movements in year	Listed	Cash and	2009/10	2008/9
	investments	other	Total	Total
	£000	balances	£000	£000
		£000		
Donations	-	558	558	922
Income from investments	98	35	133	100
Other trust fund income	-	381	381	365
Expenditure	(12)	(446)	(458)	(370)
Transfer to general fund	(134)	(9)	(143)	-
Purchase of investments*	(280)	-	(280)	(1,323)
Disposal of investments*	198	-	198	1,432
Other changes in market value*	760	-	760	(862)
<b>Net movement</b>	<b>630</b>	<b>519</b>	<b>1,149</b>	<b>264</b>
Balance at 1 April 2009	2,377	6,927	9,304	9,040
Balance at 31 March 2010	3,007	7,446	10,453	9,304

#### Analysis of income from investments

	Restricted	Unrestricted	Total	2008/9
	£000	£000	£000	£000
Income from listed investments	98	-	98	97
Interest on cash deposits held within the investment pool	-	-	-	3
Interest on cash and other balances	35	4	39	438
	133	4	137	538

\* - 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.

**10. STOCKS**

	2009/10 £000	2008/9 £000
Stock held for resale – publications	-	12
Conservation materials	-	64
	<u>-</u>	<u>76</u>

Stocks are now written off to the Income & Expenditure Account.

**11. DEBTORS**

	2009/10 £000	2008/9 £000
Trade debtors	205	490
Provision for bad debts	(38)	(35)
Prepayments and accrued income	112	146
Other debtors	129	416
VAT recoverable	248	330
	<u>656</u>	<u>1,347</u>
Intra Government balances, included in above balances, Balances with other Central Govt bodies	<u>260</u>	<u>512</u>

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

	2009/10 £000	2008/9 £000
Government Banking Services (formerly Office of the Paymaster General)	2,743	4,147
Other current accounts	215	64
Term Deposits	4,535	3,660
Citibank (Foreign Payments Account)	-	47
Cash	4	4
<b>Total</b>	<u>7,497</u>	<u>7,922</u>

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

	2009/10 £000	2008/9 £000
John Murray Archive	3,230	1,000
Accruals	374	687
Other creditors	927	1,282
Deferred Pension Costs	36	149
	<u>4,567</u>	<u>3,118</u>
Intra Government balances, included in above balances, Balances with other Central Govt bodies	<u>416</u>	<u>540</u>

**14. CREDITORS - amounts falling due after more than one year**

	2009/10 £000	2008/9 £000
John Murray Archive	-	3,480

**15. PROVISIONS FOR LIABILITIES AND CHARGES**

	2009/10 £000	2008/9 £000
<b>Early Retirement Provision</b>		
Opening balance at 1 April 2009	287	379
Less net amount released during current year	(166)	(90)
Charge to current year income and expenditure	23	(2)
Closing balance at 31 March 2010	144	287

	2009/10 £000	2008/9 £000
Deferred Pension: Amounts due within 1 year	36	149
Deferred Pension: Amounts due outwith 1 year	108	138
	144	287

**16. RESERVES**

	General Fund	Board Reserve Fund	Capital Assets Fund	Revaluation Reserve	Collection Purchase Fund	Trust Funds & Bequests (Capital)	Trust Funds & Bequests (unspent Income)	2009/10 Total	2008/9 Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balances at 31 March 2009	3,636	280	58,040	35,616	(34)	8,694	610	106,842	107,990
Prior Year Adjustment	-	-	-	(15,800)	-	-	-	(15,800)	-
Restated as at 1 April 2009	3,636	280	58,040	19,816	(34)	8,694	610	91,042	107,990
Other Transfer	2	-	(2)	3	-	-	-	3	-
Government Funding received	14,643	-	-	-	1,300	-	-	15,943	15,364
Other Restricted funding received	783	-	-	-	4	-	382	1,169	791
Collection items with a value in excess of £5,000	-	-	108	-	(108)	-	-	-	-
Donations and bequests received	-	-	-	-	-	251	-	251	722
Dividend, interest income and other	-	-	-	-	-	-	133	133	256
<u>Expenditure / Use of Reserves</u>									
Release to Income & Expenditure Account in respect of depreciation	-	-	(1,799)	226	-	-	-	(1,573)	(2,679)
Collection items with a value in excess of £5,000	-	-	-	-	108	-	-	108	291
Purchases funded by restricted funding	(783)	-	-	-	(1,259)	-	(458)	(2,500)	(1,818)
Changes in market value of holdings	-	-	-	-	-	677	-	677	(752)
(Deficit) on revaluation	-	-	-	(10,674)	-	-	-	(10,674)	(1,206)
Surplus/(Deficit) from Income and Expenditure Account	(16,683)	(15)	-	-	-	307	(143)	(16,534)	(12,117)
Balance as at 31st March 2010	1,598	265	56,347	9,371	11	9,929	524	78,045	106,842

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

	2009/10 £000	2008/9 £000 Restated
<b>Reconciliation of operating deficit to net cash outflow from operating activities</b>		
Deficit for the financial year	(19,844)	(16,550)
Transfer to trust funds	(164)	(200)
Notional loss on fixed assets	-	7
Notional charges	1,737	2,270
Depreciation on tangible and intangible fixed assets	4,072	2,447
Net cash movement in restricted funds held by Trustees	521	998
(Increase)/decrease in stock	76	(18)
(Increase)/decrease in debtors	691	778
(Decrease)/increase in creditors and provisions	(2,060)	(3,483)
<b>Net cash outflow from operating activities</b>	<b>(14,971)</b>	<b>(13,751)</b>
<b>Capital Expenditure</b>		
Additions to fixed assets	(139)	(1,371)
Purchase of other items for the collections	(1,258)	(1,448)
<b>Net capital expenditure for year</b>	<b>(1,397)</b>	<b>(2,819)</b>
<b>Financing</b>		
Scottish Government funding for year	15,943	15,364
HLF grant received for John Murray Archive	-	583
<b>Total Financing received</b>	<b>15,943</b>	<b>15,947</b>
<b>Analysis of changes in cash during the year</b>		
Opening balance at 1 April 2009	7,922	8,545
Net cash inflow/(outflow) during the year	(425)	(623)
<b>Closing balance at 31 March 2010</b>	<b>7,497</b>	<b>7,922</b>

**18. INTEREST ON CAPITAL EMPLOYED**

In accordance with the accounting requirements laid down for Non-Departmental Public Bodies (NDPBs), the deficit for the year is shown in the Income and Expenditure Account after charging notional interest on Capital Employed, calculated, as set out below, on the stated balances in respect of grant-aided activities at a rate of 3.5% (2009 - 3.5%) applied to the average balance during the year.

The purpose of including notional costs is to enable disclosure of the full cost of the NDPB's activities that would have been incurred if the NDPB had been a commercial organisation. However, there is no related funding, to match these notional costs and therefore the deficit or surplus for the financial year after notional costs, as disclosed in the Income and Expenditure Account, is not indicative of the result for the year in terms of under- or over-spending in relation to grant income.

	2009/10 £000	2008/9 £000 Restated
Average balance during the year	49,619	64,860
Notional interest at 3.5% (2009 – 3.5%)	1,737	2,270

**19. CAPITAL COMMITMENTS**

	2009/10 £000	2008/9 £000
Commitments contracted but not provided for in the accounts at 31 March 2010 are:	-	300

**20. COLLECTIONS - CAPITALISED ITEMS**

In accordance with accounting policy note 1b(iii), acquisitions for the collections of individual items with a value at date of acquisition in excess of £5,000 have been capitalised. No collection items were capitalised before 31 March 2001.

	2009/10 £000	2008/9 £000
Balance of capitalised items at 1 April	31,896	31,605
Other additions in year of individual items with a value exceeding £5,000	108	291
Balance at 31 March	32,004	31,896

**21. 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.

**22. LEASE COMMITMENTS**

Annual commitments as at 31 March 2010 under non-cancellable operating leases are as follows:

	2009/10 £000	2008/9 £000
Operating leases which expire within one year	-	-
In the second to fifth year inclusive	65	60
In over five years	-	-
	65	60

### 23. 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.

### 24. CONTINGENT LIABILITY

There are no contingent liabilities as at 31 March 2010.

### 25. LOSSES AND SPECIAL PAYMENTS

Losses and Special Payments during the year amounted to £20k (2009: £Nil).

There were no individual losses or special payments of more than £250,000.

In June 2010, Library management detected a financial irregularity involving a financial misappropriation relating to procurement and invoicing, dating back to 2004. Internal audit have carried out an investigation and the matter has now been referred to the police. Internal investigations are continuing and a member of staff has resigned. The Library has incurred a loss, and an amount will be identified once investigations have been concluded.

### 26. POST BALANCE SHEET EVENTS

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

### 27. 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 disappplied without the consent of all five Legal Deposit Libraries;
- The National Library of Scotland's liability in case of insolvency of the Agency is £1;
- Should the Agency be wound up, National Library of Scotland does not have any rights 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:

	2009/10 £000	2008/9 £000
Net assets at 31 March	125	46
Turnover	222	109
Surplus for the year	78	46

**28. 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. This has been funded within the Culture resource budget by the Scottish Government and no grant-in-aid for 2009/10 or 2010/11 will be clawed back in respect of this.

	2009/10 Outturn £000	2009/10 Offer Letter £000
<b>Cash Items</b>		
Running Costs	13,895	13,895
Scottish Screen Archive Pensions Transfer	268	268
Purchase Grant	1,300	1,300
Joint Working Fund	90	90
Capital – Various	390	390
	<u>15,943</u>	<u>15,943</u>
<b>Non Cash Items (notional)</b>		
Notional Interest on Capital Employed	1,737	2,547
Depreciation	2,315	2,963
Impairment and write off of tangible fixed assets	1,799	-
	<u>5,851</u>	<u>5,510</u>
<b>Total Grant in Aid</b>	<u>21,794</u>	<u>21,453</u>

In relation to the non-cash items, assurance have been given by the Scottish Government that there will be no recovery of the excess non-cash items against the cash items in the 2010/11 year.

**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 (FR&M) 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 read 'R. A. G. W.', written over a horizontal line.

Signed by the authority of the Scottish Ministers

Dated 31 March 2006