



**NATIONAL LIBRARY OF SCOTLAND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2019**

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

Annual Report of the Board

1. History of the National Library of Scotland

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

The National Library of Scotland is the largest library in Scotland, with over 31 million items, and it is among the half dozen largest libraries in the British Isles. It has extensive and varied collections of printed material (maps, music, newspapers, etc. as well as books) and large collections of manuscripts and increasingly important digital collections. Its special characteristics derive from its status as a national and legal deposit library. Since 1710 the Library has had the right, under successive Copyright Acts, to acquire all books published in the United Kingdom, and it now seeks to obtain, through legal deposit, books and other publications that are within the scope of the Library's collection development policy. By reciprocal legislation the British Copyright Libraries have similar rights in the Republic of Ireland. The Library also acquires, mainly by purchase, but also by gift and deposit, older books, maps and music, modern foreign publications, and manuscripts.

2. Statutory Background

The National Library of Scotland Act 1925 established the Library 'on the foundation of the Library gifted for that purpose by the Faculty of Advocates, and for purposes connected therewith'. This legislation has been replaced by the National Library of Scotland Act 2012 which modernises the Library's governance arrangements and updates its powers and functions. It came into force in February 2013. The National Heritage (Scotland) Act 1985 made the Library a Non-Departmental Public Body (NDPB), grant-aided by the Scottish Government.

The Library is a registered charity. The name of the charity is National Library of Scotland. Its principal address is George IV Bridge, Edinburgh, EH1 1EW. The Library is one of six Legal Deposit Libraries in the British Isles. As a registered charity its purpose is the advancement of education and the advancement of arts, heritage, culture and science.

Board Members are appointed under the terms of the National Library of Scotland Act 2012. The Board's principal function is responsibility for the stewardship and governance of the National Library of Scotland. This includes approval of the Strategy, Library Plan and Annual Budget.

3. The Board

Board appointments are made by Scottish Ministers after advertising vacancies. One of the members is selected from persons nominated by the Dean of the Faculty of Advocates. The names of the Board Members who served between 1st April 2018 and the date of signing the financial statements are as follows.

Chair

Kenneth Calman

Members

Noreen Adams	3
Elizabeth Carmichael (from 01/03/2019)	
Ruth Crawford*	
Helen Durndell	2
Dianne Haley	1
Alan Horn (from 01/03/2019)	
Simon Learoyd	1
Iain Marley	1
Neil McIntosh (to 31/01/2019)	2
Lesley McPherson (from 01/03/2019)	
Fiona Robertson (to 31/01/2019)	3
Adrienne Scullion	2
Amina Shah	3
Melissa Terras	2
Carmel Teusner (to 28/02/2019)	2
Robert Wallen (from 01/03/2019)	

* Nomination from the Dean of the Faculty of Advocates

Committee Membership

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

The Library maintains a Board Members' Register of Interests, which complies with the requirements of the Ethical Standards in Public Life (Scotland) Act 2000 and is available for inspection on the National Library of Scotland website. Board Members are required to update the register within 28 days of a change to their registerable interests.

New Board Members are provided with an induction pack that contains a range of documentation including the Scheme of Delegation (Board), Responsibilities of the Board, Code of Conduct, Rules on Declaration of Interest, the Strategy and the Library Plan. A full induction and training programme for Board Members has been prepared in line with the guidance in 'On Board' to ensure that new members are provided with all required and relevant information on taking up appointment with the Library. Each Board Member is provided with the opportunity to meet with the National Librarian and other senior staff and to visit each of the Library's buildings and facilities.

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

The Audit Committee and the Staffing and Remuneration Committee have delegated responsibility for certain matters under the Scheme of Delegation. In addition, the Governance Committee has continued to consider appropriate ways to improve governance

of the Library. Responsibility for delivering the Strategy and Operational objectives is devolved, under a Board approved Scheme of Delegation, to the National Librarian, supported by the Library Leadership Team. The National Librarian is also the Chief Executive of the Library and the Accountable Officer for the use of public resources.

Library Leadership Team

Dr John Scally	National Librarian
Anthony Gillespie	Director of Business Support
Jackie Cromarty	Associate Director of External Relations & Governance (from 01/06/2018)
Robin Smith	Associate Director of Collections & Research
John Coll	Associate Director of Access
Graeme Forbes	Associate Director of Collections Management (to 31/03/2019)
Stuart Lewis	Associate Director of Digital

4. Strategy & Operational Objectives

The Library's function remains what it has long been – that of a large general research library with a particular focus on Scotland and the Scots.

In 2015 the Library agreed a strategy 'The Way Forward' for the period 2015-2020. The strategy can be found on the [Library's website](#). The vision is to be recognised as one of the leading national libraries in Europe and the strategy outlines six priorities for the period. These are:

Safeguarding collections - We will be the guardian of the published and recorded memory of Scotland for current and future generations.

Improving access - We will make it easier to access our collections. By 2025 – the centenary of the Library's foundation – we will complete a full listing of the Library's holdings and have a third in digital format.

Promoting research - We will encourage and promote research as a defining characteristic of the Library.

Supporting learning - We will ensure our collections and services make an important contribution to the education, learning and advancement of our citizens and the success of our nation.

Inspiring engagement - We will design and deliver public engagement programmes that will educate, entertain and inspire the communities of Scotland.

Reaching out - We will develop the National Library of Scotland as an exciting and memorable destination for both onsite and online visitors.

5. Performance in the year

At the start of 2018/19 the Board agreed the [Library Plan](#) which detailed the specific objectives, linked to the Strategy, which would be pursued over the coming year. For 2018/19 the Plan comprised 50 separate objectives. The Library also monitored a number of Key Indicators and used these to help assess the achievement of its objectives.

On a quarterly basis the results of progress with the Library Plan plus the Key Indicators were reported to the Board. Progress was also reported on the Library's [website](#). At the end of the

year 46 of the 50 objectives had been fully or largely completed. Those which are yet to complete will be carried forward and undertaken in 2019/20.



Strategic Priority No	Description	Red	Amber	Green	Total	Strategic Priority No	Description	Red	Amber	Green	Total
1	Safeguarding Collections - We will be the guardian of the published and recorded memory of Scotland for current and future generations	0	2	3	5 of 5	5	Inspiring Engagement - We will design and deliver public engagement programmes that will educate, entertain and inspire the communities of Scotland.	1	0	4	5
2	Access - We will make it easier to access our collections. By 2025 – the centenary of the Library's foundation – we will complete a full listing of the Library's holdings and have a third in digital format	0	0	6	6 of 6	6	Reaching Out - We will develop the National Library as an exciting and memorable destination for both onsite and online visitors.	0	1	5	6
3	Promoting Research - We will encourage and promote research as a defining characteristic of the Library	0	0	7	7 of 7	7	Enablers - Delivering the Strategy	2	1	7	10
4	Supporting Learning - We will ensure our collections and services make an important contribution to the education, learning and advancement of our citizens and the success of our nation	1	1	9	11 of 11						
Overall Performance		4	5	41	50						
By Objectives		8.0%		10.0%		82.0%					

The results in relation to Key Indicators are detailed in the table below. Targets were set for 15 Key Indicators during 2018/19 and all but one of these were achieved. When compared to 2017/18, performance improved in 9 out of 15 categories and declined in 4. For the remainder it is not possible to compare between the years. Over the past four years while the number of visitors to the reading rooms has declined, it has been more than offset by a significant increase in visitors seeking to access the Library's collections digitally. We expect this trend to continue.

KEY INDICATORS 2018/2019							
Strategy Element	Indicator	Target for 2018/19 (Where Applicable)	Result for 2018/19	Target met for 2018/19?	Equivalent for 2017/18	Performance compared to 2017/18	Comments
Safeguarding Collections	Environmental Compliance	95%	98.3%	✓	99.0%	↓	Conformance at main sites was 99.4% over the period.
Safeguarding Collections	Growth in Collections	1.03 million	2.40 million	✓	1,052 million	↑	
Improving Access	Availability of non-print legal deposit access	99%	100.0%	✓	99.0%	↑	
Improving Access	Percentage Reduction in Hidden Collections	10%	9.1%	✗	7.2%	↑	This is the cumulative reduction since this target was introduced.
Improving Access	Percentage of collections available in a digital format	14%	19.0%	✓	13.90%	↑	
Promoting Research	Number of research collaborations.	20	47	✓	36	↑	
Reaching Out	Reading Room Visits	62,000-67,000	63,340	✓	68,787	↓	Overall reading room visits were within the target range for 18/19 although down 8% on the 17/18 year.
Supporting Learning	On-site learning & community events/Outreach learning & community events/	130-160	405	✓	371	↑	
Inspiring Engagement	Exhibition Visitors	35,000-40,000	51,398	✓	118,950	↓	As anticipated due to building programme and no main summer exhibition in 2019.
Reaching Out	Website Usage (Web sessions)	5.0-5.5 million	5.4 million	✓	5.1 million	↑	Figures up 5% for the whole year.
Enablers	Physical Collections Capacity	6,753	22,963	✓	n/a	—	
Enablers	Staff Absence Rate (Days per Employee)	7.1-7.4	7.40	✓	6.70	↓	
Enablers	Percentage raised against Fundraising target	100%	185%	✓	91%	↑	
Enablers	Central Support costs as a percentage of Income	10.7%	9.00%	✓	8.40%	—	Basis of calculation has changed between the years and figures are not directly comparable.
Enablers	Staff Engagement	66%	70%	✓	66%	↑	

6. Achievements in the Year

Some of the key achievements in the year were as follows;

- The Library continued to add to the national collections, receiving over 2.4 million items over the year from legal deposit and adding a number of key archives such as those of William McIlvanney and Ian Rankin.
- A new Library Services Platform was introduced which enhances how users can discover and access the collections.

- The project to bring the South Reading Room back into use as a Learning Space was completed within budget and within timescale.
- The project of retro-conversion of the remaining manuscript manual catalogues is working well and is ahead of schedule.
- The establishment of the Scottish hub for the 'Unlocking our Sound Heritage' project at Kelvin Hall.
- A new digital storage system was installed and the Library made good progress with the plan to have three copies of collection data.

7. Financial Review

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

The main headline for the 2018/19 financial year is that the Library has ended the year with a small reduction of £7k in its General Reserves. The equivalent in 2017/18 was an increase in General Reserves of £193k. Within the financial statements, the place where this is best shown is at the bottom section of the Statement of Financial Activities on Page 24 and the Reserves Note at Page 45. Both these show the balance on the Library's Unrestricted General Fund reserve decreasing from £540k to £533k over the year.

Restricted Reserves increased by approximately £500k. There are many reasons for this including the addition of donated assets. However, the increase in grant income received in the year but to be used in future years was notable at £67k.

Total income in the year was £17.14 million. This was a reduction from the 2017/18 figure of £19.9 million. The primary reason for this was the reduction in capital funding as the result of the completion of works to the Causewayside building during 2017/18. Most of the Library's income (89%) continues to come from the Scottish Government and there was a 2.7% increase in the amount of revenue funding which the Library received. In addition, it continued to receive valuable resources from the Scottish Government to support the purchase of collections. Throughout the year we continued to develop other initiatives to diversify the sources of our income. There were significant increases in the levels of grant income, bequests and donations – with the Library receiving one significant bequest (£150k) during 2018/19.

Total expenditure in the year, including depreciation, was £18.18 million with most of this split between Collection Development and User Access. Staffing continues to be the Library's biggest cost – though there was large amount spent on building maintenance (£1.03 million). The average number of staff increased slightly as the Library invested in new digitisation facilities, digital scholarship and recruited for grant funded activities.

The 2018/19 financial year was also notable for the amount that the Library added to its assets. The best place this can be seen is on the Tangible Assets Note (Page 40) and on the Heritage Assets Note (Page 41). These show that the Library added over £1.34 million of tangible assets – mainly on the refurbishment of parts of the Library's estate and on new and replacement IT kit and storage. This is the highest amount over the past seven years.

Gross spending on adding to the collections during the year totalled over £989k of which £288k was added to Heritage Assets. This included a letter from David Hume and correspondence between David Livingstone and his publisher. In addition, a further £391k of items was donated to the Library. This included the Ian Rankin archive and archival items from the Willie Gallacher Library.

Each year the Library plans to spend 100% of its Collection Fund budget. In 2018/19 it managed to spend 98.9% of the total. This means that there was a small underspend which has been set aside in the Collection Purchase Reserve. This can be seen within Note 16 on Page 45. This will be used for a planned archive purchase.

There was an increase of £445k in the value of the Library's endowments due to positive investment returns over the year and the receipt of a bequest totalling £150k. The endowment funds also generated just over £203k in income.

Balancing the budget is always a challenge as the Library seeks to improve what it does and to expand into new areas. During the year it reviewed services within its Reading Room and its opening hours making some savings to help fund its ongoing work.

Going forward, the Library approved a balanced budget on 27th March 2019 for the 2019/20 financial year. It is aware though that it faces a number of significant financial challenges including the increased cost to the employer of staff pensions, the need to fund deferred maintenance and fire protection work and the requirement to generate funds to implement the strategy.

8. Policy in relation to Reserves

The Audit Committee reviews the Reserves Policy and reserves at least once a year. The review includes the nature of the income and expenditure streams, the requirements of the Library as a NDPB, the need to match potentially variable income streams with fixed commitments and the nature of the reserves.

At the end of the 2018/19 financial year the Library's reserves were as follows;

	Library Reserves at 31/03/2018	Library Reserves at 31/03/2019
	£000	£000
Restricted Reserves		
Capital Assets Fund	64,522	63,827
Revaluation Reserve	36,895	37,101
Donated Assets	255	646
Collection Purchase	130	173
Designated Purchase	5,031	5,747
Voluntary Income	317	175
Endowment - Capital	7,286	7,872
Unrestricted Reserve		
General Fund	540	533
Total	114,976	116,074

The Library holds reserves for a number of reasons. Those relating to Capital Assets, Revaluation and Donated Assets are not available to the Library for general use.

The use of a Collection Purchase Reserve has been agreed by the Board to help supplement the purchase of specific collection items.

The balance on the Designated Purpose Reserve represents a combination of the grants received to create assets other than Land & Buildings and the funding held for specified future purposes as agreed with a donor or a funder. These amounts will be released in future years to match any expenditure in the year.

The Voluntary Income Fund represents the unspent income from endowments. These amounts will be used in future years to further the specific purpose of the endowment to which it relates.

The Endowment - Capital Reserve comprises the total capital value of the bequests and large donations to the Library where either there is a restriction that capital should be preserved, attached to the bequest, or the Board have elected to preserve the principal amount.

The Library's policy in relation to unrestricted reserves is largely governed by its position as a Non Departmental Public Body (NDPB) and the requirement of its sponsoring body to spend grant-in-aid received and to not build up significant unrestricted reserves. However, reserves are needed to bridge the timing differences between spending and the receiving of payment from funders and to cover contingencies and potential events which may disrupt normal operational activities.

The Audit Committee has agreed that the minimum level of unrestricted reserves which should be held by the Library is £250k – representing approximately 25% or 3 months cover for the Library's annual Charitable and Trading Income. It is expected that this minimum level will rise over the coming years to match the level of financial uncertainty. The current level of unrestricted reserves is £533k which is considered satisfactory considering the Library's status as a NDPB.

9. Principal Risks and Uncertainties

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

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

During the 2018/19 year the Strategic Risk Register continued to be refined and updated. The risk appetite is also reviewed by the Audit Committee.

The current Strategic Risk Register identifies eight strategic risks and the actions required to mitigate these. The key risks along with the risk appetite and current assessment are identified below:

Number	Risk	Risk Appetite	Current Assessment
S1	Significant loss or damage to the collections	Low	Low/Medium
S2	Loss or interruption in service	Low/Medium	Low/Medium
S3	Failure to comply with legal and/or statutory requirements	Low	Low
S4	Significant Reduction in financial resources	Medium	Medium
S5	Failure to effectively manage and engage staffing resource	Low	Low
S6	Major Projects are not delivered successfully within agreed parameters	Low/Medium	Low
S7	Loss/Damage to external partnerships	Low	Low
S8	Duty of Care	Low	Low

There is one strategic risk (S1 – Significant loss or damage to the collection) where the current assessment is above the agreed risk appetite. This reflects a review of fire protection measures and the identification of the requirement for some remedial works to bring the risk within the agreed appetite. In this instance, there is Programme of Work underway but it is likely this risk will remain elevated over a period of time until funding is secured and those works are completed. Key milestones in this Programme are being reported to the Audit Committee and Board. Some of this work will require funding from external sources.

This high level risk register provides the platform for ensuring that all major business risks are adequately controlled, thereby reducing the risk that the Library does not achieve its objectives. Brexit continues to feature as a risk across a number of the strategic risks listed above.

10. Investments

The Trustees Act 2000 governs the Board Members' investment powers. The Board Members have agreed the Library's investment policy and receive a report on performance of the portfolio on an annual basis. The Library has agreed a balanced approach to risk in terms of investment return and capital protection and growth. It has also instructed the investment advisers not to knowingly invest in anything that will bring the Library into disrepute.

Investment advisers are appointed to manage the majority of the Library's investments and their performance is measured by comparing their return with appropriate benchmarks.

Over the year the total value of investments increased from £6.77 million to £7.41 million as the result of investment growth and the deposit of new sums. Across the whole portfolio, returns were above the benchmark set for the year.

11. Our People

The Library is dependent on the drive, creativity and expertise of its staff to achieve its aims and objectives. It places great emphasis on employee consultation and engagement.

The Library remunerates staff under an agreed Pay & Grading system designed and introduced in 2014 to ensure fair and equitable treatment. The current system was developed with the staff unions through the collective bargaining arrangements. All staff are covered by this Pay & Grading system with the exception of the National Librarian. The remuneration of the National Librarian is determined by the Board of the Library but must comply with the Scottish Government's Pay Policy for Senior Public Appointments and is approved and monitored by the Scottish Government. During 2018/19 the Library became an accredited Living Wage Employer.

The Library operates delegated pay and grading arrangements and is responsible for negotiating pay settlements within a pay remit agreed with the Scottish Government. Any pay settlement is agreed by the Staffing & Remuneration Committee.

Although staff are not civil servants, the Library follows the principles of the Civil Service Commissioners' Recruitment Code, which requires all appointments to be made on merit on the basis of fair and open competition.

The majority of Library staff are employed on permanent contracts though a number are employed on fixed term contracts. All 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.

In October 2018 the Library, for the fourth time, took part in the national Civil Service People Survey to measure levels of engagement. The survey results for 2018 showed a 4% increase in the engagement index when compared to the previous year, particularly around the areas of My Manager, Learning & Development, My Work and My Team. The overall engagement level puts the Library in the top 12% of all participating organisations. There are a few well defined areas for improvement. An action plan has been developed, approved and is now being acted upon. Actions flowing from the survey results will continue throughout the year. The survey will run again in October 2019.

The Library recognises three trade unions, First Division Association (FDA), Public & Commercial Services Union (PCS), and Prospect, and works closely with both local and national union officials on matters such as health and safety, training and development and employee well-being. In addition, there is a formal joint consultative mechanism with the trade unions, the Whitley Council, which currently meets four times a year. The Whitley meetings are chaired by the National Librarian. Additionally a union representative attends meetings of the Board as an observer. Monthly informal meetings are held with the trade unions and HR to discuss and take forward a number of matters.

The Library is committed to developing effective communications with all employees to enable them to be informed, motivated and able to support the Library's objectives and users. All-staff meetings are held on a quarterly basis where the National Librarian provides an update on recent developments. Departments and teams also hold regular staff meetings. There is a cascade system for decisions from the Library Leadership Team and the intranet is also heavily used for both formal and informal communication. There are also well-maintained and current notice boards in all buildings.

Should staff have serious concerns about what is happening at work, there is a Whistleblowing Policy which allows for concerns to be raised confidentially with a range of internal and external contacts. The Library's Whistleblowing Policy is compliant with the Public Concern at Work (PCaW) Code of Practice and the Library was one of the 'First 100' signatories.

The Library has an Attendance Management Policy and Procedure which aims to provide a framework to manage and support attendance, reduce absence and provide a basis for fair and consistent decision-making on the management of employees who are not attending for work regularly. Average sickness absence for 2018/19 was 7.4 days (2017/18: 6.7 days) which was an increase on the previous year but within the target range of 7.1-7.4 days set by the Library.

12. Suppliers Payment Policy

The policy of the Library is to pay creditors within agreed commercial terms or within 30 days of receipt of a valid invoice - whichever is sooner. During the year the Library took an average of 22 days to settle invoices (2017/18: 22 days). The Library recognises, supports and is working towards the Scottish Government target of paying suppliers within ten days. During the year 38% of invoices were paid within ten working days (2017/18: 41%)

13. Environmental matters

The Library is aiming to reduce its CO2 emissions from its operations by 50% by 2020 and is on target to meet this commitment. By the end of 2018/19 it has achieved a reduction in CO2 emissions of 69% compared to its baseline year.

The Library now uses 4.2 MWh less energy, consumes 3,308 cubic metres less water, recycles 67% of its waste and travels 583,000 fewer miles than it did ten years ago. The Library's Public Sector Sustainability Report 2018/19 which is available on the [Library's website](#) provides comprehensive data relating to the Library's sustainability activity.

14. Management of Information

The Library is fully committed to the data protection principles as detailed in the EU General Data Protection Regulation (GDPR) and has a framework in place to help compliance with the specific requirements.

There were two breaches of personal data during the year. Both were assessed as minor and none were reportable to the Information Commissioner's Office.

15. Fundraising

The National Library of Scotland is an active fundraiser and directly employs a small team of professional fundraisers for this purpose. The Library does not currently use any external professional agencies or commercial operators.

All fundraising activity undertaken by the National Library of Scotland is compliant with the Code of Fundraising Practice and the Scottish Fundraising Standards Panel Fundraising Guarantee. Any persons fundraising in a voluntary capacity for the Library will receive a full briefing and will be asked to adhere to the Code of Fundraising Practice and the Library's Ethical Fundraising policies. Their compliance with the Code of Fundraising Practice will be reviewed on an annual basis. There have been no complaints about fundraising activity during the year.

The National Library of Scotland has developed policies and procedures for working with vulnerable supporters, handling donations, ethical fundraising and financial accountability. It also has policies and procedures in place relating to the appropriate and proportionate processing and retention of personal data for fundraising purposes.

16. Policy in relation to equalities

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

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

The Library maintains, develops and monitors equality objectives and in April 2019 published this information on the Library website in the form of an [Equalities Mainstreaming Progress Report](#). The Library also conducts equality impact assessments as required, and offers training and awareness events in this area.

In April 2019 it also published a [Gender Pay Gap](#) report which detailed a mean gender pay gap of 0.88% in favour of men and a median gender pay gap of 3.97% in favour of women.

17. Plans for the Future

Over the coming year the Library will continue to focus on implementing its strategy. It will continue to develop as a digital destination but at the same time will continue to improve what is on offer inside our buildings. The coming year will be marked by the development of a new Treasures Space within our George IV Bridge building. The Library is also targeting a significant reduction in its hidden collections over the coming year. It will also focus on improving cyber-security.

18. Appointment of Auditors

The financial statements of the Library are audited by independent auditors appointed by the Auditor General for Scotland. Audit Scotland, 102 West Port, Edinburgh, EH3 9DN were appointed from 1st April 2016 for a period of 5 years. The agreed fee for audit services was £20,810 (2018: £20,410) which relates wholly to the provision of statutory audit services.

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

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

19. Statement of Board Members' responsibilities

The Board Members are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The law applicable to charities in Scotland requires the Board Members to prepare financial statements for each financial year. Under that law the Board Members have prepared the financial statements in accordance with the Charities SORP (FRS 102) and applicable law. Under that law the Board Members must not approve the financial statements unless they

are satisfied that they give a true and fair view of the state of the affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Board Members are required to:

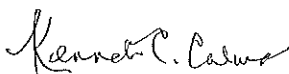
- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgments and estimates that are reasonable and prudent
- State that applicable UK Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Board Members are responsible for keeping accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provision of the charity's constitution. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board Members are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

20. Other Professional Advisers and Bankers

Investment Advisers	Brewin Dolphin	Sixth Floor Atria 1, 144 Morrison Street, Edinburgh
	Brown Shipley	2 Multrees Walk Edinburgh
Legal Advisers	Anderson Strathern	1 Rutland Court, Edinburgh
Bankers	Bank of Scotland	The Mound, Edinburgh
	National Westminster Bank	135 Bishopsgate, London
Tax Advisers	Scott Moncrieff	Exchange Place, 3 Semple Street, Edinburgh



.....
 Professor Sir Kenneth Calman
 Chair of the National Library of Scotland

Date: ...25/9/19

Governance Statement

Introduction

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

Scope of Responsibility

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

The respective responsibilities of the Scottish Ministers, the Board and the National Librarian are outlined in the Framework Document between the Scottish Government and Library.

The role of the Board is to provide leadership, direction, support and guidance to ensure the Library delivers its functions effectively and efficiently in line with the aims, policies and priorities of the Scottish Ministers.

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

Discharge of Board Responsibilities

To discharge their responsibilities the Board has met six times over the financial year. Every quarter the Board receives a report from the National Librarian covering key operational matters, a report on the progress with the annual Library Plan along with performance against key indicators, a finance report, minutes of Committee meetings and reports on specific topics as necessary. The management of the key strategic risks is also regularly considered by the Board. Other significant matters considered by the Board during 2018/19 included the following:

- The potential development of the George IV Bridge building and the approval of a Feasibility Study to progress investigatory work;
- Protection of the Library's collections against fire;
- The implementation of a new Library Services Platform; and
- Ongoing updates to the Library's governance documents such as the Scheme of Delegation and Committee remits.

Each year the Board will also hold an Away Day to develop a shared understanding of the challenges and opportunities facing the Library over the coming years and to assess progress with the strategy. The 2018/19 Away Day focused on the development of the 2020-25 strategy for the Library.

The Board has delegated certain responsibilities to Committees of the Board. These are as follows:

- Audit Committee;
- Governance Committee; and
- Staffing & Remuneration Committee.

Work of the Audit Committee over the year

The Audit Committee supports the Board in fulfilling its responsibilities for issues of risk and control and associated assurance through a process of constructive challenge. It makes recommendations to the Board and National Librarian on all aspects of finance, audit, risk and control.

The Audit Committee held four physical meetings and two teleconferences over the financial year. In addition to the Committee members, the Director of Business Support, the Associate Director of External Relations and Governance, the internal auditors and the external auditors are invited to attend meetings. It is also attended by a representative from the Faculty of Advocates.

An Effectiveness Survey on the work of the Audit Committee was carried out in 2018. This concluded that the Committee was effective in undertaking its work. Two improvements were identified. These related to the ability of the Committee to capture emerging risk and the communication between the Committee and the Board. To address these, the Committee now considers emerging risks as part of a 'Horizon Scanning' agenda item at each meeting. The Committee also now provides a written report to each meeting of the Board.

During the year the Committee considered the:

- Draft Annual Accounts with particular attention to the critical accounting policies and disclosure obligations. Specific discussion was had on the appropriate level of reserves to be held by the Library;
- Work of the external auditor including their proposed annual audit report including ISA 260 requirement;
- Detailed quarterly financial reports and whether adequate progress was being made with the Library's short and medium term financial plans;
- Fire Risk Management;
- Progress made in relation to cyber security and more general IT plans;
- Long term financial sustainability of the Library;
- Procurement Policy;
- Treasury Management & Investment Policy;
- Presentations from the Library's investment managers; and
- The annual Procurement Report and progress being made in reducing 'off contract' spend across the Library

Henderson Loggie (HL) were appointed to provide internal audit services to the Library. All audits conducted are fully compliant with the required Public Sector Internal Audit Standard (PSIAS).

The internal audit activity in 2018/19 focussed on the following areas:

Area Covered	Assessment
Procurement & Contract Management	Satisfactory
Data Protection Compliance	Satisfactory
Financial Controls	Good
Publicity & Marketing	Satisfactory
ICT Strategy	Satisfactory

Reports are produced for each of the areas and actions, timescales and staff responsibilities relating to the recommendations are agreed. The reports are then considered by the Audit Committee. There is also a regular exercise to ensure that recommendations are being implemented in line with the agreed timescales.

During the year the Audit Committee continued to review the Library's system of risk management. In particular it focused on Fire Risk Management.

- The August 2018 meeting received a report on Fire Risk Management. This included details of the current mitigation measures in place and details of the work to confirm the resilience or otherwise of the existing measures, while also identifying any areas requiring improvement.
- At the February 2019 meeting the Committee received a report outlining the results of the survey and testing work detailed above and the actions that were now planned to better manage the risk. A Programme of Works has been developed and completion of these will be monitored by the Audit Committee at future meetings.
- During March 2019 a teleconference was held which considered the report of the Culture, Tourism, Europe and External Affairs Committee of the Scottish Parliament into the Glasgow School of Art fire. The aim of this meeting was to consider whether there were any 'lessons learned' particularly in relation to the governance of fire risk and whether the Strategic Risk Register for the Library fully captures the current position.

It also continued to consider other reports linked to the Library's specific strategic risks. The May meeting received a report on the progress made with the Collections Audits which is linked to Strategic Risk 1 (Significant Loss or Damage to the Collections). An annual report is also made on any Losses/Thefts from the collections.

As a result of this and other assurance work, the internal auditors have concluded, within the Annual Audit Report and Opinion, that during the year, the Library operated an adequate internal control framework. In addition the internal audit work carried out, did not identify any fraud, alleged fraud or suspected fraud affecting the Library in the year to 31st March 2019.

During the course of its work in 2018/19, the Audit Committee is satisfied that it has highlighted any significant matters for the Board's attention.

Work of the Governance Committee

The Governance Committee supports the Board in fulfilling its governance responsibilities. It makes recommendations to the Board and National Librarian on all aspects of governance.

The Governance Committee met twice during the year. It considered:

- The principal governance documents such as Standing Orders and Scheme of Delegation, recommending some changes to the Board;
- The minutes of the NLS Foundation;
- The draft Framework document with the Scottish Government; and
- The results of changes made to the Library's website aimed at improving transparency.

Work of the Staffing and Remuneration Committee

The Staffing and Remuneration Committee supports the Board in fulfilling its governance responsibilities relating to employment. It makes recommendations to the Board and National Librarian on all aspects of remuneration, benefits and employment conditions.

The Staffing and Remuneration Committee met twice during the year. At each meeting it receives a Staff Report detailing key operational staffing information and issues of relevance to the Committee. As a matter of course it meets with staff representatives informally before the regular Committee meetings. Over the year the Committee has considered:

- The annual pay award for staff and the National Librarian, recommending both pay awards to the Board;
- The results of the annual Staff Engagement survey and the progress made with actions agreed as part of previous survey responses;
- Updates to various human resources policies such as Grievance, Annual Leave & Public Holidays and Adverse Weather & Travel Disruption;
- The actions being taken with regard to health & safety and employee wellbeing;
- The reporting of progress made in relation to the duties contained in the Equality Act 2010 and subsequent regulations;
- Review of Succession Planning;
- The work being done in relation to staff training and development and the arrangements in place for appraisals;
- Presentations from staff on topics such as the new video production facilities.

Purpose of the System of Internal Control

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

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

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

The process within the organisation accords with the SPFM and has been in place for the year ended 31st March 2019 and up to the date of approval of the financial statements and accords with guidance from the Scottish Ministers.

Risk and Control Framework within the Library

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

The Library Leadership Team reviews internal control and manages risk as part of its routine business. Associate Directors are responsible for managing risk within their departments and for maintaining, reviewing and updating the Departmental Risk Registers to reflect significant

changes in circumstances. Where risks are perceived to have increased above acceptable levels, Associate Directors are required to identify additional actions to mitigate those increased risks.


Review of Effectiveness

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

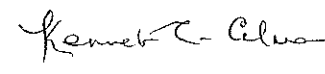
- The Associate Directors & Directors within the organisation who have responsibility for the development and maintenance of the internal control framework;
- The work of the internal auditors, who submit to the organisation's Audit Committee regular reports which include the Annual Audit Report and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

Assessment of Corporate Governance

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



.....
Dr John Scally
National Librarian



.....
Professor Sir Kenneth Calman
Chair of the National Library of Scotland

Date: ...25/9/19

Date: ...25/9/19

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

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and financial statements of National Library of Scotland for the year ended 31 March 2019 under the National Library of Scotland Act 2012 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Library of Scotland Act 2012 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2019 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the National Library of Scotland Act 2012 and directions made thereunder by the Scottish Ministers, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 18 July 2016. The period of total uninterrupted appointment is 3 years. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Board Members' Responsibilities, the Board is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board members are responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the annual report and financial statements

The Board is responsible for the other information in the annual report and financial statements. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and financial statements and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Annual Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Library of Scotland Act 2012 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Library of Scotland Act 2012 and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

I am required by The Charities Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and financial statements, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

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 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



Asif A Haseeb OBE
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

25th September 2019

Asif A Haseeb OBE is eligible to act as an auditor in terms of section 21 of the Public Finance and Accountability (Scotland) Act 2000.

Statement of Financial Activities for the year ended 31st March 2019

2018	Note(s)	Restricted Funds	Endowment Funds	Unrestricted Funds	2019 Total
£000		£000	£000	£000	£000
Income & Endowments from:					
581 Donations & Legacies	3	182	-	670	852
593 Charitable Activities	3	-	-	662	662
123 Other Trading Activities	3,4	-	-	129	129
189 Investments	3	206	-	9	215
18,421 Other - Grant-in-Aid	2	1,064	-	14,216	15,280
19,907 Total		1,452	-	15,686	17,138
Expenditure on:					
341 Raising Funds	5	42	-	340	382
7,946 Collection Development	5	132	-	7,362	7,494
7,341 User Access to Collections	5	-	-	5,656	5,656
693 Strategy and Communications	5	-	-	509	509
656 Collection Purchases	5	711	-	21	732
482 Governance	5	-	-	509	509
366 Other	5	-	-	-	-
2,726 Depreciation	5	-	-	2,899	2,899
20,551 Total	5	885	-	17,296	18,181
51 (Losses)/Gains on investments	10	-	226	-	226
(593) Net Income/(Expenditure)		567	226	(1,610)	(817)
Transfers between Funds					
- Release in respect of depreciation		(2,365)	-	2,365	-
- Other Transfers		402	360	(762)	-
Other recognised Gains					
5,927 Gains on the revaluation of fixed assets	8	1,524	-	-	1,524
170 Donated Assets	16	391	-	-	391
5,504 Net movement in Funds		519	586	(7)	1,098
Reconciliation of Funds					
109,472 Fund balances brought forward at 1 April	16	107,150	7,286	540	114,976
114,976 Fund balances carried forward at 31 March	16	107,669	7,872	533	116,074

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

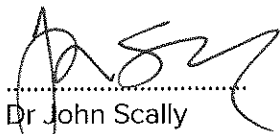
There is no material difference between the outgoing resources for the financial year stated above and their historical cost equivalents.

The notes on pages 27 to 48 form part of these financial statements.

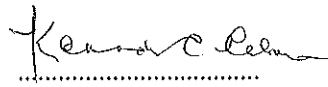
Balance Sheet as at 31st March 2019

		2018	2019
		£000	£000
Fixed Assets	Note		
Tangible Assets	8	65,584	65,555
Heritage Assets	9	38,429	39,108
Investments	10	6,776	7,411
Total fixed assets		<u>110,789</u>	<u>112,074</u>
Current Assets			
Stocks	12	32	30
Debtors	11	3,563	3,648
Cash at bank and in hand	13	3,247	2,172
Total current assets		<u>6,842</u>	<u>5,850</u>
Creditors - amounts falling due within one year	14	<u>(2,653)</u>	<u>(1,850)</u>
Net current assets		<u>4,189</u>	<u>4,000</u>
Total assets less current liabilities		<u>114,978</u>	<u>116,074</u>
Provisions for Liabilities and Charges	15	(2)	-
Net assets		<u>114,976</u>	<u>116,074</u>
The funds of the charity:			
Endowment funds	16	7,286	7,872
Restricted funds			
Capital Assets Fund	16	64,522	63,827
Revaluation Reserve	16	36,895	37,101
Donated Assets	16	255	646
Collection Purchase	16	130	173
Designated Purpose	16	5,031	5,747
Voluntary Income	16	317	175
Unrestricted Funds			
General Fund	16	540	533
Total Charity Funds		<u>114,976</u>	<u>116,074</u>

The Board approved these financial statements on the 25th September 2019 and the Accountable Officer authorised them for issue on the same date.



Dr John Scally
National Librarian & Accountable Officer



Professor Sir Kenneth Calman
Chair of the National Library of Scotland

The notes on pages 27 to 48 form part of these financial statements.

Statement of Cash Flows for the year ended 31st March 2019

	Note	2018	2019
		£000	£000
Cash flows from operating activities			
Surplus/(Deficit) for the financial year as per the SOFA		(644)	(1,043)
Depreciation on tangible fixed assets	8	2,726	2,899
Loss/(Profit) on disposal of fixed assets		116	-
Non cash movement in restricted funds		42	41
Dividends & interest from investments		(189)	(206)
(Increase)/Decrease in stock	12	(14)	-
(Increase)/Decrease in debtors	11	120	(85)
Increase/(Decrease) in creditors and provisions	14	352	(963)
Net cash inflow from operating activities		<u>2,509</u>	<u>643</u>
Cash flows from investing activities			
Additions to fixed assets		(826)	(1,190)
Dividends & interest from investments		189	206
Purchase of items for the collections		(515)	(284)
Net cash (used in) investing activities		<u>(1,152)</u>	<u>(1,268)</u>
Cash flows from financing activities			
Increased investment in endowment funds		-	(450)
Net cash (used in) financing activities		<u>-</u>	<u>(450)</u>
Change in cash in the reporting year		1,357	(1,075)
Cash at 1 April	13	<u>1,890</u>	<u>3,247</u>
Cash at 31 March	13	<u>3,247</u>	<u>2,172</u>

The notes on pages 27 to 48 form part of these financial statements.

Notes to the Financial Statements for the year ended 31st March 2019

1. ACCOUNTING POLICIES

a. Basis of accounting

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

We have adopted the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1st January 2015).

The financial statements incorporate the transactions and balances of the Library, its bequests and other acquisition and cataloguing funds up to 31st March each year. Of these bequests, only the income from the Alexander Grant Fund (Net Assets: £1.796 million) is solely available for the general purposes of the Library, the other funds being restricted in use to different degrees. Amounts are rounded to the nearest thousand.

Without limiting the information given, the financial statements meet the requirements of the Companies Act 2006 and Accounting Standards issued or adopted by the Accounting Standards Board as far as those are applicable. They also comply with the Government Financial Reporting Manual (FRM), the Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2015), the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the charity's constitution. The Library is a public benefit entity as defined by FRS102 whose primary objective is to provide goods or services for the general public, community or social benefit and where any equity is provided with a view to supporting the entity's primary objectives rather than with a view to providing a financial return to equity providers, shareholders or members.

The financial statements have been prepared on a going concern basis with consistently applied accounting policies.

b. Fund Accounting

The Library applies fund accounting to the resources under its control. Fund accounting distinguishes between two primary classes of fund: those that are unrestricted in their use, which can be spent for any charitable purposes of a charity, and those that are restricted in use, which can only be lawfully used for a specific charitable purpose.

Restricted funds can only be used for particular purposes specified by or agreed with the donor. Permanent endowment funds are funds where the capital must be retained and invested. General funds may be used for any purpose within the Charity's objects.

c. Tangible fixed assets and depreciation

Title to the Land and Buildings administered by the Library is held in the name of the Scottish Ministers or in the name of the Board. The method of valuation for properties of a specialised nature, that is land and buildings for which there is effectively no market, is depreciated replacement cost. Other properties have been valued at either open market value or existing use value. Full valuations of land and buildings are undertaken every

five years and buildings are updated in intervening years by applying appropriate cost indices. Fixed assets other than buildings are held at cost. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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

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

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

No depreciation is provided on land or capitalised collection items. All assets are subject to impairment reviews where there is an indicator of potential impairment. Such reviews are conducted by reference to market value of the related asset or its value to the Library. Depreciated historic cost has been used as a proxy for the current value of motor vehicles, plant and equipment and computer equipment. All of the assets in these categories have:

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

d. Incoming resources

Government and other grants

Grant in Aid received from the Scottish Government is credited to the Statement of Financial Activities (SOFA) in the year in which it is received. When the grant is utilised in the creation of tangible assets the amount is transferred to the Capital Asset Fund, and amounts are subsequently transferred back to the General Fund as the related assets are depreciated. Grant in Aid for the purchase of items for the Library's collections is given specifically for this purpose and is credited to Restricted Funds.

Income from other grants is recognised when the Library has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Other income

All other income is accounted for on a receivable basis and recognised in the Statement of Financial Activities. Donations and Legacies are included on a cash received basis. Income from Revenue Earning Activities is disclosed within the financial statements on a gross accounting basis.

e. Resources expended

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

costs of each of those departments.

The Library's principal functions are collection development, providing user access and the development of the Library's functions. The costs of the Library's corporate services department are allocated across the charitable expenditure. These costs include the cost of maintaining the Library's buildings and providing other support services within the Library.

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

f. Investments

The Library's endowment funds are partly held in the form of listed investments from which income is derived and used to meet the specific objects of the funds. These investments are shown at market value in accordance with the Charities SORP 2015. Amounts realised on disposal of assets are reinvested within the funds. Realised and unrealised gains are included in the Statement of Financial Activities.

The investment policy is determined by the Board in accordance with the wishes of the donors and is implemented by professional investment advisers. The Board has instructed the investment advisers not to invest in anything that would bring the Library into disrepute.

g. Stocks

Stocks held for the shop are shown at cost price within the Balance Sheet. All other stocks are immediately expensed to the Statement of Financial Activities.

h. Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

i. Creditors & Provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

j. Taxation

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

The Library has special VAT status. It is specifically listed in Section 33a of the VAT Act 1994 and HM Revenue and Customs Notice 998. This VAT status allows the Library to recover (in full) any VAT that is incurred on expenses linked to free rights of admission. There are two specific instances which are not covered by Section 33a and in these

circumstances non-recoverable Value Added Tax arising from expenditure is charged in the Statement of Financial Activities.

k. Foreign currency

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

l. Pensions

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

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

m. 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 Statement of Financial Activities on a straight line basis over the term of the lease.

n. Reserves

Reserves are held as follows:

Capital Assets Fund

Grants utilised in the creation of Tangible Assets are credited to the Capital Asset Fund. Amounts are then released from the Fund and credited to the General Fund as the related assets are depreciated. Collection items with a value in excess of £5,000 are capitalised within Heritage Assets, and the associated Grant in Aid funding credited to the Capital Assets Fund.

Revaluation Reserve

Land and Buildings are revalued every five years. The difference between the revalued amount and historical cost is included within the Revaluation Reserve. This fund is used to offset the additional depreciation arising from any increased valuations and for any future reductions arising from reviews.

Collection Purchase Reserve

Grant in Aid and other conditional grants received specifically for the purchase of Collection items are credited to the Collection Purchase Reserve, expenditure on Collection items is debited to the Collection Purchase Reserve. Collection items with a value in excess of £5,000 are capitalised within Heritage Assets, and the associated Grant in Aid funding credited to the Capital Assets Fund.

Donated Assets Reserve

Heritage assets donated to the Library by third parties, either by gift of the asset or 'in lieu of tax', are capitalised at an estimated current value on receipt. This value is credited to the Donated Assets Reserve.

Designated Purposes Fund

The Designated Purposes Fund comprises three elements:

- Grants utilised in the creation of Tangible Assets other than Land and Buildings are credited to the Designated Purpose Fund. Amounts are then released from the Fund and credited to the General Fund as the related assets are depreciated.
- Grants utilised in prepaying the lease for Kelvin Hall have been credited to the Designated Purpose Fund. Amounts are then released annually from the Fund and credited to the General Fund to match the profile of lease/rental payments.
- Funding held for a specified future purpose as agreed with a donor or a funder. The balance on this element of the funds represents amounts which have not yet been used and are available to meet future restricted expenditure. Funds are released from reserves to match the expenditure in the year.

Voluntary Income Fund

The Board and management of the Library have operational control of the balances of endowment funds. These funds are invested and the investment income generated is credited to Voluntary Income Fund. Any expenditure is charged to the Fund along with any investment management charges. The balance on the Fund therefore represents the unspent income from endowments which will be used in future years to further the specific purpose of the endowment.

Endowment - Capital

This reserve is credited or debited with changes in the capital value of endowments where there is a restriction that capital should be preserved attached to the bequest or the Board have elected to preserve the principal amount.

General Fund

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

o. Relationship between the Library and the Agency for the Legal Deposit Libraries

As the Library has an undertaking, other than a subsidiary undertaking, in which it has an investment representing 20% of the voting rights and over which it exerts significant influence, this is treated as an associated undertaking. Group financial statements are not prepared on grounds of materiality. (See Note 21)

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; or
- The residual value has fallen below that originally estimated; or
- The economic life of the asset is lower than originally estimated.

q. Estimation Techniques

In the interim years between professional revaluations, the Library's Land and Building are revalued using the Building Cost Information Services (BCIS) All In Tender Price index.

r. Heritage Assets

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

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

2. OTHER GRANT-IN-AID

	2018	2019
	£000	£000
Grant-in-Aid Received		
Running Costs	13,180	13,530
Capital	4,091	750
	<u>17,271</u>	<u>14,280</u>
Purchase Grant	1,150	1,000
Total Received during year	<u>18,421</u>	<u>15,280</u>

3. ANALYSIS OF INCOME

Analysis of Income	2018 Total	Restricted Funds	Un restricted Funds	2019 Total
	£000	£000	£000	£000
Donations & Legacies				
General Grants	506	32	571	603
Donations	75	150	99	249
	<u>581</u>	<u>182</u>	<u>670</u>	<u>852</u>
Charitable Activities				
Property rental	122	-	109	109
Agency services	106	-	100	100
Reprography	152	-	168	168
Sundry income	213	-	285	285
	<u>593</u>	<u>-</u>	<u>662</u>	<u>662</u>
Other Trading Activities				
Shelving Rental	38	-	34	34
Box Making Income	-	-	21	21
Shop & Café Income	85	-	74	74
	<u>123</u>	<u>-</u>	<u>129</u>	<u>129</u>
Investments				
Investment Income	<u>189</u>	<u>206</u>	<u>9</u>	<u>215</u>
Other - Grant In Aid				
Grant In Aid	<u>18,421</u>	<u>1,064</u>	<u>14,216</u>	<u>15,280</u>
Total Income & Endowments	<u>19,907</u>	<u>1,452</u>	<u>15,686</u>	<u>17,138</u>

4. OTHER TRADING ACTIVITIES

	2018	2019
	£000	£000
Income		
Shelving Rental	38	34
Box Making Income	-	21
Café and Shop Income	85	74
Total Income	123	129
Less: Costs		
Cost of sales	(71)	(79)
Direct wages	(44)	(43)
Administration	(6)	(8)
Total Costs	(121)	(130)
Surplus for the year:	2	(1)

5. ANALYSIS OF EXPENDITURE

The allocation of support costs is in direct proportion to the direct costs of these activities after adjustments for depreciation, acquisition and use of fixed assets, and the costs of activities, such as shop and café costs, unique to any area of activity.

Analysis of Expenditure	2018 Total £000	Direct Costs £000	Support Costs £000	2019 Total £000
Raising Funds				
Raising Donations & Legacies	178	183	27	210
Expenditure on Other Trading Activities	121	52	78	130
Investment Management costs	42	42	-	42
	341	277	105	382
Charitable Activities				
Collection Development	7,946	4,474	3,020	7,494
User Access to Collections	7,341	2,398	3,258	5,656
Strategy and Communications	693	209	300	509
Collection Purchases	656	732	-	732
Governance	482	209	300	509
Other	366	-	-	-
Depreciation	2,726	2,899	-	2,899
Total Resources Expended	20,210	10,921	6,878	17,799
Total Expenditure	20,551	11,198	6,983	18,181

6. EMPLOYEES

Staff costs during the year were:

	2018	2019
	£000	£000
Wages and salaries	8,215	8,190
Social Security costs	738	749
Pension costs	1,602	1,671
Agency staff costs	94	129
Early Retirement and severance costs	26	-
Total	10,675	10,739
Accounted for within:		
Unrestricted Funds	10,581	10,607
Restricted Funds	94	132
Total	10,675	10,739

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

	2018	2019
	Number	Number
Access	51	46
Acquisitions & Description	64	64
Business Support	55	55
Collections & Research	68	65
Digital	28	33
External Relations & Governance	7	13
National Librarian's Office	4	4
Total	277	280

The total amount paid to the key management personnel amounted to £479,815 (2017/18: £467,851).

No benefits in kind were provided by the employer (2017/18: £Nil). Performance bonuses and overtime are not paid to senior management.

Reporting of Exit Packages

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

	2018		2019	
	Total Exit Packages (Number)	Total Exit Packages (Value) £000	Total Exit Packages (Number)	Total Exit Packages (Value) £000
Exit Package Cost				
Less than £10,000	-	-	-	-
Between £10,000 - £24,999	-	-	1	20
Between £25,000 - £49,999	1	26	-	-
Between £50,000 - £99,999	-	-	-	-
Between £100,000 - £150,000	-	-	-	-
Total	1	26	1	20

Emoluments exceeding £60,000

Employees whose emoluments exceeded £60,000

	2018 Number	2019 Number
£60,000 to £69,999	2	4
£70,000 to £79,999	1	1
£80,000 to £89,999	-	-
£90,000 to £99,999	1	-
£100,000 to £109,999	-	1
Total	4	6

Pay Multiples

Public sector reporting bodies are required to disclose the relationship between the remuneration of the highest paid staff member or director in their organisation and the median remuneration of the organisation's workforce. The remuneration of the Library's highest paid staff member in 2018/19 was £100,418 (2017/18: £95,818). This was 4.09 times (2017/18: 4.01 times) the median remuneration of the workforce which was £24,582 (2017/18: £23,866).

In 2018/19 no employees received remuneration in excess of the highest paid director (2017/18: none). Remuneration during the year ranged from £17,693 to £77,656 (2017/18: £16,850 to £76,133).

Pension Costs

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but National Library of Scotland is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31st March 2016. You can find details in the resource accounts of the [Cabinet Office: Civil Superannuation](#).

For 2018/19 employers' contributions of £1.663 million were payable to the PCSPS (2017/18: £1.593 million) at one of the four rates in the range 20.0% to 24.5% of pensionable earnings based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018/19 to be paid when the member retires, and not the benefits paid during this year to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £16,528 (2017/18 - £19,951) were paid to one or more of the panel of appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% of pensionable earnings. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £501, 0.5% 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 £Nil (2017/18 - £1,688). Contributions prepaid at that date were Nil (2017/18 - £Nil).

Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of trade union facility time within their organisation. Facility time is the provision of paid or unpaid time off from an employee's normal role to undertake trade union duties and activities as a trade union representative.

The data is required to be published within the Annual Report and Accounts and on the organisation's website before the 31st July each year. Information for the 2018/19 year is detailed below and on the Library's [website](#).

Relevant Union Officials

Number of employees who were relevant union officials during the relevant period	Full time equivalent employee number
13	12.05

Percentage of time spent on facility time

Percentage of time	Number of employees
0%-0.99%	5
1-50%	8
51-99%	0
100%	0

Percentage of pay bill on facility time

Total cost of facility time (£'000)	7
Total pay bill (£'000)	10,610
Percentage of total pay bill spent on facility time (%)	0.07%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	22%
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7. OTHER OPERATING CHARGES

	2018	2019
	£000	£000
General		
Administration expenses	561	617
Operating lease rentals (see note below)	30	25
Travel, subsistence and hospitality	213	187
Office equipment and supplies	300	65
Purchases for the Collections	655	732
Digitisation of the Collections/Web Development	151	23
Exhibitions	186	173
Copyright Agency	167	139
Computer Services	515	496
Record purchase	22	17
Audit fees (see note below)	37	30
Conservation and Preservation	50	64
Consultancy	62	96
Grant payments	250	-
Depreciation	2,726	2,899
Sub-total	5,925	5,563
Buildings		
Utilities	365	404
Rent, rates and service charges	242	235
Lease of Land and Buildings	224	205
Buildings maintenance	2,989	1,026
Loss on disposal of fixed assets	116	-
Furniture	3	2
Transport	12	7
Sub-total	3,951	1,879
Total	9,876	7,442

Operating lease rentals are paid in respect of rental of buildings and general office equipment. Included in Audit Fees is £20,810 in relation to External Audit services for 2018/19 provided by Audit Scotland.

Board Members receive no remuneration but are reimbursed for travel expenses and any childcare expenses. Travel and subsistence expenses amounting to £3,113 (2017/18: £4,118) were paid to Board Members in respect of attendance at meetings. Eight Board Members received reimbursement for expenses (2017/18: Nine). Board Members do not receive any benefits in kind.

8. TANGIBLE ASSETS

	2018 Total	Land and Buildings	Motor vehicles	Equipment and Machinery	Computer equipment	2019 Total
COST OR VALUATION	£000	£000	£000	£000	£000	£000
Balance at 1 April 2018	78,949	81,686	76	3,323	1,858	86,943
Additions	825	64	-	796	485	1,345
Disposals	(280)	-	(12)	-	(34)	(47)
Revaluation / Indexation Adjustment	7,449	1,988	-	-	-	1,988
Balance at 31 March 2019	86,943	83,738	64	4,119	2,309	90,229
ACCUMULATED DEPRECIATION & IMPAIRMENT						
Balance at 1 April 2018	17,274	18,442	27	1,584	1,305	21,358
Charge for the year	2,726	2,365	14	273	246	2,899
Disposals	(164)	-	(12)	-	(34)	(47)
Revaluation / Indexation Adjustment	1,522	464	-	-	-	464
Balance at 31 March 2019	21,358	21,271	29	1,857	1,517	24,674
NET BOOK VALUE						
At end of period	65,585	62,467	35	2,262	791	65,555
At start of period	61,675	63,244	49	1,739	553	65,585

Land and Buildings includes £2.725 million (2017/18: £2.725 million) in respect of land which is not depreciated.

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

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

9. HERITAGE ASSETS

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

The value held by the Library comprised;

	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000
Balance of capitalised items at 1 April	32,420	32,700	33,515	33,756	37,743	38,429
Acquired at cost with a value exceeding £5,000	280	815	241	3,902	516	288
Acquired via donation with a value exceeding £5,000	-	-	-	85	170	391
Balance at 31 March	32,700	33,515	33,756	37,743	38,429	39,108

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

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

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

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

Items donated to the Library by third parties, either by gift of the asset or 'in lieu of tax', are capitalised at an estimated current value on receipt.

Expenditure on Preservation and Conservation is recognised within the Statement of Financial Activities when it is incurred.

10. INVESTMENTS

	2018	2019
	£000	£000
Cash held by investment managers	154	745
UK Investments (Market Value) held by Investment managers	3,291	3,145
Total UK holdings with investment managers	<u>3,445</u>	<u>3,890</u>
Overseas Investments (Market Value) held by investment managers	2,468	2,657
Other Investments	<u>863</u>	<u>864</u>
Total (Market Value) held by investment managers	6,776	7,411
Endowment Cash balances held by the Library	<u>827</u>	<u>637</u>
Total Endowment Funds holdings	7,603	8,048
Listed investments - at cost	5,014	4,918

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

Change in Market Value of Investments

	£000
Opening Value of Investments at 1 April 2018	6,776
Charges & Income Withdrawn	(239)
Income Received	197
Capital Investment	450
Capital Appreciation/(Depreciation)	<u>227</u>
Closing Value at 31 March 2019	7,411

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

There are also two Trust funds established for the benefit of the Library, to which the Library may apply for financial support for appropriate activities. During the year, the Library received £72,611 (2017/18: £46,627) from these Trust funds.

11. DEBTORS

	2018	2019
	£000	£000
Trade debtors	34	162
Other debtors	105	162
Provision for bad debts	(1)	(9)
VAT recoverable	255	276
Prepayments and accrued income	3,170	3,057
Total	3,563	3,648
Intra Government balances, included above;		
Balances with other Central Government bodies	381	404

A total of £309 in bad debts was written off during the year.

12. STOCKS

	2018	2019
	£000	£000
Stock for shop trading activities	32	30

13. CASH AT BANK AND IN HAND

	2018	2019
	£000	£000
Government Banking Services	1,728	2,033
Other current accounts	1,517	137
Cash	2	2
Total	3,247	2,172

14. CREDITORS - amounts falling due within one year

	2018	2019
	£000	£000
Other creditors	1,812	1,211
Taxation and social security	366	374
Deferred Pension Costs	14	-
Accruals and deferred income	461	265
Total	2,653	1,850

Intra Government balances, included above;

Balances with other Central Government bodies	648	603
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15. PROVISIONS FOR LIABILITIES AND CHARGES

	2018	2019
	£000	£000
Pay & Grading Amounts due outwith 1 year	2	-
Total	2	-

16. RESERVES

	RESTRICTED FUNDS				ENDOWMENT FUNDS		UNRESTRICTED FUNDS		Total
	Capital Assets Fund	Revaluation Reserve	Donated Assets Reserve	Collection Purchase Reserve	Designated Purpose Fund	Voluntary Income Fund	Endowment - Capital	General Fund	
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balances at 1 April 2018	64,522	36,895	255	130	5,031	317	7,286	540	114,976
Incoming Resources									
Government Funding received	64	-	-	1,000	-	-	-	14,216	15,280
Other Restricted funding received	-	-	-	-	-	-	-	-	-
Donations (including bequests) received	-	-	-	32	-	150	-	670	852
Dividend, interest income and other	-	-	-	-	-	206	-	800	1,006
Outgoing Resources									
Expenditure	-	-	-	(701)	-	(184)	-	(17,296)	(18,181)
Changes in market value of investments									
Net Income/(Expenditure) from SOFA	64	-	-	331	-	172	226	(1,610)	(817)
Transfers Between Funds									
Release in respect of depreciation	(1,047)	(1,318)	-	-	-	-	-	2,365	-
Collection items with a value in excess of £5,000	288	-	-	(288)	-	-	-	-	-
Other Transfers	-	-	-	-	716	(314)	360	(762)	-
Gains & Losses									
Surplus on revaluation	-	1,524	-	-	-	-	-	-	1,524
Donated Assets	-	-	391	-	-	-	-	-	391
Balance as at 31 March 2019	63,827	37,101	646	173	5,747	175	7,872	533	116,074

17. NATIONAL LIBRARY OF SCOTLAND FOUNDATION

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

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

18. LEASE COMMITMENTS

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

	2018	2018	2018	2019	2019	2019
	Land and	Other	Total	Land and	Other	Total
	Buildings			Buildings		
	£000	£000	£000	£000	£000	£000
Operating leases						
which expire within	127	24	151	127	30	157
one year						
In the second to fifth	423	93	516	395	82	477
year inclusive						
In over five years	2,316	-	2,316	2,217	-	2,217
Total	2,866	117	2,983	2,740	111	2,851

Land and Buildings lease figures largely comprise the payments made during 2016/17 and 2017/18 for a 30 year lease on the Kelvin Hall building.

19. RELATED PARTY TRANSACTIONS

The Library is a Non-Departmental Public Body sponsored by the Scottish Government, which is regarded as a related party. During the year the National Library has had various material transactions with the Scottish Government, in the form of receipt of Grant In Aid which totalled £15.280 million in 2018/19 (2017/18: £18.421 million).

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

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

organisations. These included Her Majesty's Revenue & Customs (HMRC) and the Cabinet Office.

20. FINANCIAL INSTRUMENTS

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

21. ASSOCIATE COMPANY

Along with four other Legal Deposit Libraries (National Library of Wales, the Bodleian Library, Cambridge University Library and the Library of Trinity College, Dublin), the National Library of Scotland is a member of the Agency for the Legal Deposit Libraries (ALDL). The company is a Scottish charity limited by guarantee and does not have share capital. The role of the ALDL is to provide a single point of claim and deposit on behalf of the Legal Deposit Libraries.

The ALDL is considered an associate company of the National Library of Scotland. The National Librarian of the Library holds an ex-officio role as one of the five directors of the ALDL.

The ALDL is incorporated in Scotland. Its principal place of business is 21 Marnin Way, Edinburgh EH12 9GD. Financial statements for the ALDL are available from that address.

As the Library has not prepared consolidated financial statements, the following disclosure shows the effects of including them. The Library holds a stake of 20% in the ALDL. Insofar as the ALDL holds no share capital, it is controlled by the five Legal Deposit Libraries. The share of the Library in the net assets and results of ALDL is 20% of the company and is summarised below:

	2018	2019
	£000	£000
Net Assets at 31 March	98	92
Turnover	123	118
Surplus/(Deficit) for the year	(1)	(6)

22. POST BALANCE SHEET EVENTS

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

23. FINANCIAL REVIEW

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

	2019 Offer Letter £000	2019 Outturn £000
Cash Items		
Running Costs	13,530	12,977
Purchases	1,000	989
Capital – Various	750	1,345
Total Cash	15,280	15,311
Non Cash Items (notional)		
Depreciation	3,400	2,899
	18,680	18,210

Appendix - National Library of Scotland Accounts Direction



NATIONAL LIBRARY OF SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

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



Signed by the authority of the Scottish Ministers

Dated 19 November 2013

