



**NATIONAL LIBRARY OF SCOTLAND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2017**

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

National Librarian's Introduction to the Annual Report

Our physical collections of books, manuscripts, maps and other items rests on some 200 kilometres of shelving – enough to stretch almost from Edinburgh to Inverness. However, the physical is increasingly giving way to the digital and, in the past year, an important change took place when we added more digital content to the collections than physical items.

Seeing a handwritten poem by Robert Burns or a letter from Robert Louis Stevenson is always a thrilling experience. That is why long queues developed when we put on show the last letter of Mary Queen of Scots in Edinburgh and Burns's *Ae Fond Kiss* in Glasgow. The members of the public who turned out to see them were delighted at the opportunity. But such was the interest that we saw a corresponding escalation in the number of people visiting our website to view the digital versions of the documents. Our web feature on Mary Queen of Scots was viewed more than 15,000 times on the day the letter went on display – an increase of almost 5000% on normal traffic. The same effect was seen on the day of the Burns display.

This is all part of our commitment to develop the Library as both an exciting onsite and online destination. While we continue to develop services for people who visit our buildings in Edinburgh and Glasgow, the internet gives us the opportunity to reach out beyond Scotland to engage with an international audience who are interested in what we have to offer. That is why we are working to have a third of our collections in digital format by 2025 and further progress was made towards this goal throughout the year.

This was a landmark year for the Library which saw us extend our reach beyond Edinburgh for the first time when we opened The National Library at Kelvin Hall in Glasgow. This is truly a library for the 21st century where most of the content, including rich research material, is in a digital form and can be searched and viewed on screen. It is also home to our Moving Image Archive which offers hundreds of historic films of life in Scotland for enjoyment and education. The number of people visiting the Library at Kelvin Hall has exceeded our estimates and we have been very encouraged by the positive comments made, including from Scotland's First Minister Nicola Sturgeon who officially opened the building in November. Within months of opening, Kelvin Hall won a prestigious EDGE 2017 award for the best new physical space in library and information buildings across the UK.

It was an important year for maps at the Library. Our main exhibition featured some of the most important and beautiful maps in our collections including the earliest printed map of Scotland from 1560. The exhibition 'You are Here' posed questions about how maps are made and how much we understand about them. It was very successful, being seen by 94,000 people. There was wide interest in the work carried out to save a rare 17th century map of the world that had been found in a near-ruined state during building work on a property in Aberdeenshire. Substantial sections of the paper had disintegrated after being attacked by vermin and insects. Work in trying to save the map has been one of the most complicated projects the Library's conservation staff have ever worked on and the restored version is a testament to their skills.

Our smaller displays which highlight treasures from our collections were also well received. Throughout the year these featured items relating to the architect Robert Adam; the writer Jessie Kesson; the work of the early pioneers of photography and Blackwood's magazine, which was first published in 1817, and was considered to be the most influential literary-political journal of its time.

The collections of the National Library of Scotland are truly international with material in hundreds of different languages to reflect diverse cultures around the world. We are also committed to supporting the Scots language and Scots Gaelic. To that end, we were pleased that Scotland's Cabinet Secretary for Education, John Swinney, joined us in the Library in December

to launch a new website called 'Wee Windaes'. It aims to raise awareness of the history, richness and cultural significance of Scots from its use as the language of the state in the Middle Ages to its appearance in modern novels and poetry. We continued to make more Gaelic material available online with the addition of An Comunn Gàidhealach publications and we also appointed the world's first Gaelic Wikipedian to work with the Gaelic community across Scotland to improve and create resources on Uicipeid, the Scottish Gaelic Wikipedia.

This year we became a partner in a network representing Britain's biggest libraries whose aim is to share ideas, knowledge and expertise to develop the important role of libraries in the 21st century. The Living Knowledge Network is one of a number of collaborations the Library entered into to benefit from shared expertise. We joined the International Image Interoperability Framework Consortium (IIIF-C) as a founding member which is made up of a select group of world-leading institutions. Its work will help influence and develop a suite of services for accessing and using high quality digital images. We also agreed a three-year framework for collaboration and partnership with the University of Edinburgh focussing on research and teaching. Shared working of this nature helps to strengthen the Library and assist in the achievement of our objectives.

Our collections hold many items of international significance including the diary of the commander of British forces during WWI, Field Marshal Douglas Haig. In June, the UNESCO Memory of the World programme, which recognises documentary heritage of global significance, decided to add the Haig diary to its international register. In the process, the Library became the first Scottish heritage organisation to be awarded this much-sought-after international accolade.

We were privileged to have Professor Sir Kenneth Calman join us during the year as Chair of our Board. He brings a wealth of experience from the many and varied posts he has held, both in the health service and in public life. He leads a Board with a wide range of expertise which is providing essential advice and support to the Library Leadership Team. Our work also benefits from the financial support offered by our patrons, benefactors, trusts, corporate supporters and individuals whose generosity helps us in a multitude of different ways. I would like to thank all of them for the difference they make as well as pay tribute to the Library's staff whose work makes this a special place.

The physical book, the hand-written manuscript, the printed newspaper and the paper map will always have a central role in the life of the Library but we now find ourselves at a crossroads. The opportunities offered by the online world allow us to share the riches held within our collections with people who would never be able to visit our buildings. It also means we can present information in new and engaging ways as evidenced by the mini websites we have developed such as one on the journals of Henrietta Liston, the remarkable diplomat's wife who helped to repair relations between Britain and the United States in the aftermath of the War of Independence. It is often said that the future is digital and we are developing in that direction while maintaining and improving the functions of a traditional library. These are exciting times and we aim to make the best of them.


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Dr John Scally
National Librarian

Date: 25/2/17.
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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 26 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 2016 and the date of signing the financial statements are as follows.

Chair

James Boyle (to 30/09/2016)
Kenneth Calman (from 01/10/2016)

Members

Noreen Adams	3
Ruth Crawford* (from 01/09/2016)	
Helen Durndell	2
Dianne Haley	1
Shields Henderson (to 31/03/2017)	1
Simon Learoyd	1
Iain Marley	1
Neil McIntosh	2
Fiona Robertson	3
Adrienne Scullion	2
Amina Shah	3
Melissa Terras	2
Carmel Teusner	2

* 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

Paul Dollman has been co-opted as a member of the Audit Committee.

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 five times during the year to effect general management and control over the Library.

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

of the Library, principally associated with the implementation of the National Library of Scotland Act 2012.

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.

Dr John Scally	National Librarian
Alex Miller	Head of External Relations & Governance
Robin Smith	Head of Collections & Research
John Coll	Head of Access
Graeme Forbes	Head of Collections Management
Murat Guven	Head of Digital (to 31/08/2016)
Stuart Lewis	Head of Digital (from 19/09/2016)
Anthony Gillespie	Associate Director of Business Support

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 2016/17 the Board agreed the [Library Plan](#) which detailed the specific objectives, linked to the Strategy, which would be pursued over the coming year. For 2016/17 the Plan comprised 49 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 43 of the 49 objectives had been successfully completed. Those which are yet to complete will be carried forward and undertaken in 2017/18.

The results in relation to Key Indicators are detailed in the table below. Targets were set for 13 Key Indicators during 2016/17 and 11 of these were achieved. When compared to 2015/16, performance improved in 10 out of 13 categories. Over the past three years there have been significant increases in website and exhibition visits. Plans are in place to improve the performance against the fundraising target.

KEY INDICATORS 2016/2017							
Strategy Element	Indicator	Target for 2016/17 (Where Applicable)	Result for 2016/17	Target met for 2016/17?	Equivalent for 2015/16	Performance compared to 2015/16	Comments
Safeguarding Collections	Environmental Compliance	98%	98.7%	✓	99.4%	↓	Target met for the year. Slight dip compared to 15/16 as new vaults were opened in Kirkinilloch. These continue to 'bed in'.
Improving Access	Percentage Reduction in Hidden Collections	2%	2.7%	✓	0.0%	↑	
Improving Access	Percentage of collections available in a digital format	4%	11.8%	✓	5.50%	↑	
Promoting Research	Number of research collaborations.	10	20	✓	13	↑	
Reaching Out	Reading Room Visits	60,000	69,392	✓	63,291	↑	The 2016/17 figures now include visitors to new facility at Kelvin Hall
Inspiring Engagement	Exhibition Visitors	75,000	132,063	✓	118,251	↑	Includes 93k visitors for extended run of the Maps exhibition
Inspiring Engagement	Number of public engagement/event attendees	80 events/20 tours	107 events, 58 tours	✓	120 events, 71 tours	↓	Our events target was reduced in 16/17 to reflect the impact of Kelvin Hall planning on the availability of key staff resources.
Reaching Out	Website Usage (Web sessions)	3,000,000	4,070,417	✓	3,452,649	↑	Web visits now averaging over 1 million each quarter
Reaching Out	Overall User Satisfaction levels	8.60	8.70	✓	8.60	↑	Based upon mystery visit programme
Enablers	Staff Absence Rate (Days per Employee)	7.8	6.20	✓	8.30	↑	
Enablers	Percentage raised against Fundraising target	100%	63%	✗	87%	↓	Although target missed over £4 million in philanthropic contributions was raised across the Library in 2016/17
Enablers	Central Support costs as a percentage of income	7.0%	5.20%	✓	3.60%	↑	More elements of the Library classified as 'Central Support' during 2016/17. On a 'like for like' basis there has been a decrease in central support costs over the year.
Enablers	Media Profile (Advertising Value Equivalent)	£2,500,000	£2,308,000	✗	£2,179,000	↑	Although the figure is better than in 2015/16 the move to have one exhibition running from summer 2016 to spring 2017 resulted in some opportunities for publicity being lost.

6. Achievements in the Year

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

- Opened the National Library at Kelvin Hall in Glasgow. This is now home to the Moving Image Archive which offers hundreds of historic films of life in Scotland for enjoyment and education.
- Doubled the percentage of the collections available digitally from 5.5% at the start of the year to almost 11.8%.
- Made a major acquisition in securing a collection of 33 autograph letters of Robert Louis Stevenson to Anne Jenkin the widow of Stevenson's professor at Edinburgh University.
- Increased traffic to the Library's website to over 4.1 million visits – an increase of 17% on the previous year. Over a million visits are now made every quarter.
- Created almost 1.1 million digital images – an increase of 23% over the previous year and higher than in any other previous year.
- Welcomed over 132,000 visitors to the Library's exhibitions – an increase of 11% on the previous year.
- Made significant progress with the major renovation of the Library's main book store at the Causewayside building in Edinburgh.
- Staged two major exhibitions: 'Plague': a cultural history of contagious diseases in Scotland and 'You are Here' on maps which attracted over 92,000 visitors.
- Undertook our first live streaming event on the then current Treasures display 'Playing Shakespeare: 400 years of great acting'.
- Launched the 'Wee Windaes' website designed to raise awareness of the history, richness and cultural significance of Scots. We also refreshed the Library's own website giving it a more modern user friendly interface.

7. Financial Review

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

The main headline for the 2016/17 financial year is that the Library has ended the year with a deficit of £58k. The equivalent in 2015/16 was a surplus of £105k. Within the financial statements, the place where this is best shown is at the bottom section of the Statement of Financial Activities on Page 25 and the Reserves Note at Page 44. Both these show the balance on the Library's Unrestricted General Fund reserve decreasing from £405k to £347k over the year.

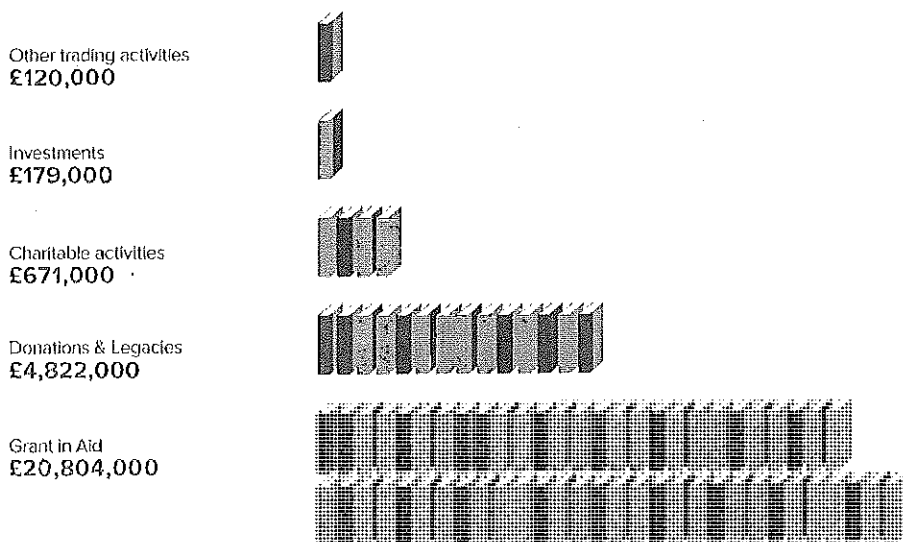
The fact that the Library recorded a small deficit for the year is notable – the usual year-end position is a small surplus. As such this deserves some explanation. There are two main factors behind the £58k deficit. Firstly, over the last three years the Library has been undertaking a major refurbishment of the Causewayside building in Edinburgh. This scheme is vital to allow the Library to house the collections in the best conditions possible and

safeguard it for future generations. The project is largely funded by the Scottish Government and over £2.8 million was received during 2016/17. However, the timing of receipt of the funding does not always match the spending profile and when this happens the Library may have an annual deficit and must use its reserves to bridge the gap. This is what happened in 2016/17 and the fact that the Library was able to use reserves demonstrates its overall financial health.

The second reason for the 2016/17 deficit relates to a change in the way the Library prepares its accounts. One feature of the Library's work is that it will receive contributions and donations for specific projects which it is working on. In previous years the Library received this income and matched the income credited each year with the spending on the project. In 2016 a new Statement of Recommended Practice (SORP) – which governs how charity accounts must be produced – was introduced. Under the new SORP, it is not recommended that charities 'match' this income and expenditure. Rather, income is usually credited in the year in which it is received.

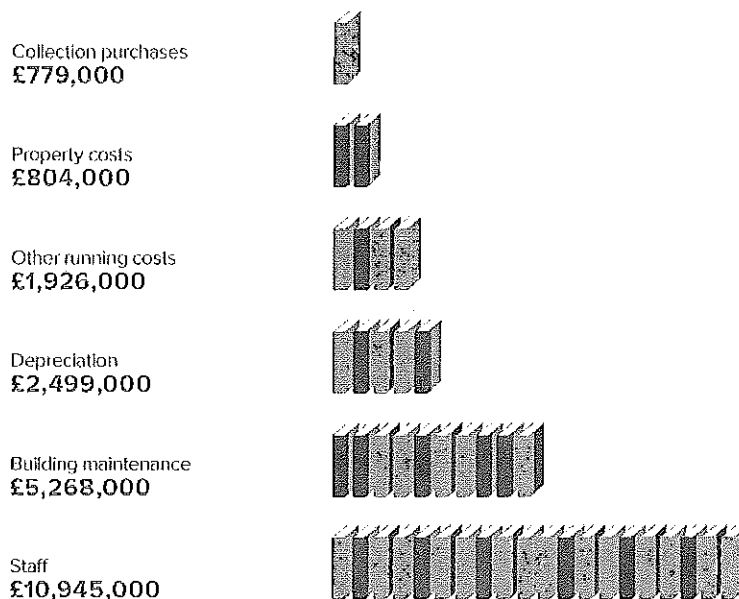
Total income in the year was £26.596 million. The majority of this comes from the Scottish Government - though we continue to develop other initiatives to diversify the sources of our income. The amount raised through fundraising continues to grow and there was a substantial donation towards the end of the financial year. Reprography service outperformed our initial expectations. Investment income rose in the year but this was as a result of a deliberate choice by the Library to receive dividend income in the year rather than to re-invest it.

Income 2016/2017



Total expenditure in the year was £22.221 million with most of this split between Collection Development and User Access. Staffing continues to be the Library's biggest cost – though there was significant spend on building maintenance (£5.26 million). Work continued on the project to re-develop the Kelvin Hall in Glasgow. When this was opened in September 2016 it gave the Library its first base in Scotland's largest centre of population. The Kelvin Hall, Causewayside work and ongoing repair and maintenance was supported by specific funding totalling £6.3 million from the Scottish Government.

Spending 2016/17



The 2016/17 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 39) and on the Debtors Note (Page 42). These show that the Library added over £1.2 million of tangible assets – mainly the internal refurbishment and IT spend on the new Kelvin Hall. The Debtors increased by £1.8 million which largely comprises the payment made during 2016/17 for a 30 year lease on the Kelvin Hall building.

Gross spending on adding to the collections during the year totalled over £4.5 million. Over 20% of this spend (£1 million) was provided by the Scottish Government who increased the Collection Purchase Fund grant for 2016/17. At the same time, the Library has been successful in attracting additional money through fundraising. The large donation noted above was also used to purchase additional items for the collections and the Smith Elder archive was purchased with the support of some of the Library's benefactors.

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 made efficiency savings of just over £300k to help fund its ongoing work. Going forward, the Library approved a budget on 27th March 2017 for the 2017/18 financial year which continues with plans for further savings and income generation.

Although it faces challenges the Library is well placed to manage operational and financial risks successfully.

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 2016/17 financial year the Library's reserves were as follows;

	Library Reserves at 31/03/2017	Library Reserves at 31/03/2016
	£000	£000
Restricted Reserves		
Capital Assets Fund	65,051	62,195
Revaluation Reserve	32,228	30,608
Donated Assets	85	-
Collection Purchase	13	-
Designated Purchase	4,232	1,129
Voluntary Income	281	258
Endowment - Capital	7,235	6,485
Unrestricted Reserve		
General Fund	347	405
Total	109,472	101,080

The Library holds reserves for a number of reasons. Those relating to Capital Assets, Revaluation and Donated Assets are held solely for accounting purposes and 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 gaps 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 £200k – representing approximately 25% or 3 months cover for the Library’s annual Charitable and Trading Income. The current level of unrestricted reserves is £347k which is considered satisfactory considering the Library’s status as a Non Departmental Public Body (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 Heads of Department on Departmental Risk Registers. These registers are then supported by a Corporate Risk Register which is managed by the Library Leadership team (LLT). The Corporate Risk Register is reviewed on a quarterly basis by LLT with any new risks escalated to the appropriate level. In conjunction with the Board, the Library then develops the Strategic Risk Register. The Strategic Risk Register is reviewed at least every six months, both by LLT and the Audit Committee, and is reported to the Library’s Board. Each strategic risk is allocated an ‘owner’ who is responsible for ensuring that the risk is managed and that mitigating actions are taken. The Finance & Planning Department has responsibility for developing library-wide risk policy and monitoring conformance to it.

During the 2016/17 year the Strategic Risk Register continued to be refined and updated. At its Away Day in February 2017 the Board reviewed the risk appetite across all of the strategic risks the Library faces.

The current Strategic Risk Register identifies eight strategic risks and the actions required to mitigate these. The key risks identified are:

- Strategic Risk 1 (S1) – Significant loss or damage to the Collections;
- Strategic Risk 2 (S2) – Loss or interruption in service
- Strategic Risk 3 (S3) – Failure to comply with legal and/or statutory requirements
- Strategic Risk 4 (S4) – Loss/Reduction in financial resources
- Strategic Risk 5 (S5) – Failure to effectively manage staffing resource
- Strategic Risk 6 (S6) – Capital projects are not delivered effectively
- Strategic Risk 7 (S7) – Loss/Damage to external partnerships
- Strategic Risk 8 (S8) – Duty of Care

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.

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 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 £6.030 million to £6.767 million. Across the whole portfolio, returns were below 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.

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 its 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 2016 the Library, for the second time, took part in the national Civil Service People Survey to measure levels of engagement. The survey results for 2016 showed a small improvement compared to the previous year. Overall engagement levels put the Library in the top quartile 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 2017.

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 has also launched a review of information and communication across the Library.

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 2016/17 was 6.2 days (2015/16: 8.3 days) which was an improvement on the previous year and below the target of 7.8 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 24 days to settle invoices (2015/16: 24 days). The Library recognises, supports and is working towards the Scottish Government target of paying suppliers within ten days. During the year 43% of invoices were paid within ten working days (2015/16: 40%)

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 2016/17 it has achieved a reduction in CO2 emissions of 54% compared to its baseline year.

The Library now uses 3.8MWh less energy, consumes 3,785 cubic metres less water, recycles 84% of its waste and travels 629,000 fewer miles than it did five years ago. The NLS Public Sector Sustainability Report 2016/17 which is available on the [Library's website](#) provides comprehensive data relating to the Library's sustainability activity.

14. Data Security

There were no reported incidents of personal data loss during the year.

15. 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 2017 published this information on the Library website in the form of an [Equalities Mainstreaming report](#). The Library also conducts equality impact assessments as required, and offers training and awareness events in this area.

16. 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 substantial

completion of refurbishment work to the Causewayside building, the transfer of staff back to this building and the development of an expanded digitisation suite.

17. 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 £20,110 (2016: £21,460) 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.

18. 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.

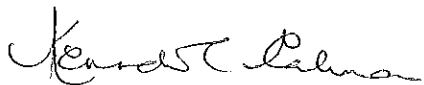
The Board Members are responsible for keeping accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities 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.

19. 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: 25-9-17

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. He/she is 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. He/she is also responsible for providing the necessary assurances to the Principal Accountable Officer to enable him/her to sign the Statement on Internal Control contained within the Scottish Government consolidated financial statements. He/she has responsibility for ensuring that effective management systems are in place within the Library and that all risks are identified, assessed and managed appropriately.

Discharge of Board Responsibilities

To discharge their responsibilities the Board has met five 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 2016/17 included the following:

- A strategic review of the Library's organisational structure;
- Reports on the progress with the Library's two large capital projects (Kelvin Hall and Causewayside);
- The transitional arrangements in place to open the Kelvin Hall facility;
- The Library's fundraising plans for the next three years; and
- An update 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 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 met four times over the financial year. In addition to the Committee members, the Associate Director of Business Support, the Head of External Relations and Governance, the internal auditors and the external auditors are invited to attend meetings.

During the year the Committee considered the:

- Draft Annual Accounts with particular attention to the implementation of the new Statement of Recommended Practice (SORP), the critical accounting policies and the 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 draft ISA 260 Statement;
- Detailed quarterly financial reports and whether adequate progress was being made with the Library’s short and medium term financial plans;
- Long term financial sustainability of the Library given the impact of real terms reductions in government grant;
- Fraud Prevention & Response Policies;
- Progress made with IT/Digital Plans and IT Business Continuity Planning;
- Results of the externally assessed Procurement and Commercial Improvement Programme (PCIP), the annual Procurement Report and progress being made in reducing ‘off contract’ spend across the Library; and
- Appointment of internal auditors for the next three years.

As a result of an open competitive tender, Henderson Loggie (HL) were re-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 2016/17 focussed on the following areas:

Area Covered	Assessment
Key Financial Controls	Good
Business Continuity Planning	Requires Improvement
Collections – Cataloguing	Satisfactory
Collections – Hidden Collections	Requires Improvement
Corporate Planning/Performance Reporting	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 2016/17 particular attention was paid by the Committee to the progress being made in relation to IT disaster recovery/business continuity planning and digital security and the improvements required to deal with the enhanced risks in

these areas. This will continue to be a focus over the coming year. Over the coming year internal audit work will also be carried out on data protection and preparedness for the implementation of the General Data Protection Regulation.

As a result of this and other assurance work, the internal auditors have concluded, within the Annual Audit Report and Opinion, that during the year, the Library operated an adequate internal control framework. In addition the internal audit carried out, did not identify any fraud, alleged fraud or suspected fraud affecting the Library in the year to 31st March 2017.

During the year the Audit Committee continued to review the Library's system of risk management. In particular:

- A revised Risk Policy was agreed at the November meeting. Subsequent to this, the Board has discussed and agreed the Library's risk appetite across the eight strategic risks identified;
- Regular reports were received on the work at the Library's Causewayside building given the potential risk to the collections;
- It continued to receive reports linked to the Library's specific strategic risks. The November 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, and;
- It reviewed the level of risk the Library is willing to accept in relation to its investments/endowments, it formally agreed these and communicated this to the relevant investment managers.

During the course of its work in 2016/17, 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 progress made in relation to the independent review of Board governance which was carried out at the start of 2015. All eight recommendations made to improve governance have now been implemented;
- The principal governance documents such as Standing Orders and Scheme of Delegation, recommending some changes to the Board;
- How key information about governance and decision making could be made more accessible to the public on the Library's website;
- The relationship with the NLS Foundation and how this could be made clearer to Board members, and;
- The role of Fellowships across the Library with a view to ensuring the fullest access and equality of opportunity.

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 three times 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 Family Friendly, Dignity at Work and Career Break;
- Details of youth employment initiatives, volunteering programmes and internships;
- 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;
- 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 Muriel Spark project and the Fulbright Scholarship.

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 2017 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. Heads of Department are responsible for managing risk within their departments and for maintaining, reviewing and updating the Departmental Risk Registers to reflect significant

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

Heads of Department also have delegated responsibility for the operation of financial and operational controls within their area. On an annual basis they complete a Certificate of Assurance for their Accountable Officer confirming that the controls are reviewed and that they are effectively applied. All Certificates of Assurance were completed and returned for 2016/17. No significant breaches in control were highlighted.

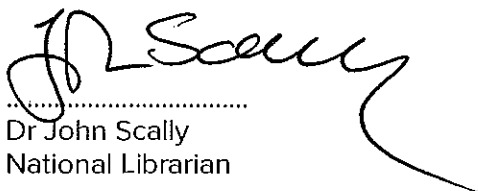
Review of Effectiveness

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

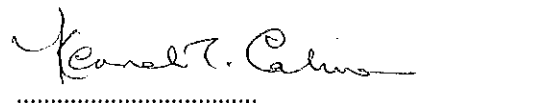
- The Heads of Department within the organisation who have responsibility for the development and maintenance of the internal control framework;
- The work of the internal auditors, who submit to the organisation's Audit Committee regular reports which include the Annual Audit Report and Opinion which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

Assessment of Corporate Governance

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



.....
Dr John Scally
National Librarian



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

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

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 approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of National Library of Scotland for the year ended 31 March 2017 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 Flows 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 2017 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 of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). 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 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 Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Board Members for the financial statements

As explained more fully in the Statement of Board Members' Responsibilities, the Board is responsible for the preparation of the Annual Report and the financial statements in accordance with applicable law and regulations. The Board is responsible for being satisfied that the financial statements give a true and fair view in accordance with the financial reporting framework.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements.

My objectives are to achieve 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&I) 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.

Other information in the annual report and accounts

The Board is responsible for the other information in the annual report and accounts. 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 in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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 other prescribed matters

I am required by the Auditor General for Scotland to express an opinion on the following matters. In my opinion, the remuneration and staff disclosures have been properly prepared in

accordance with the National Library of Scotland Act 2012 and directions made thereunder by the Scottish Ministers.

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 and the remuneration and staff disclosures 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.

Asif A Haseeb OBE
Audit Scotland
4th Floor
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT
25th September 2017

Statement of Financial Activities for the year ended 31st March 2017

	Note(s)	Restricted Funds £000	Endowment Funds £000	Unrestricted Funds £000	2017 Total £000	2016 £000
Income & Endowments from:						
Donations & Legacies	3	3,684	-	1,138	4,822	580
Charitable Activities	3	4	-	667	671	653
Other Trading Activities	3,4	-	-	120	120	111
Investments	3	177	-	2	179	79
Other - Grant-in-Aid	2	1,000	-	19,804	20,804	18,913
Total		4,865	-	21,731	26,596	20,336
Expenditure on:						
Raising Funds	5	39	-	319	358	391
Collection Development	5	132	-	7,862	7,994	7,939
User Access to Collections	5	-	-	9,510	9,510	8,695
Strategy and Communications	5	-	-	605	605	594
Collection Purchases	5	605	-	16	621	528
Governance	5	-	-	456	456	443
Grants	5	178	-	-	178	-
Depreciation	5	-	-	2,499	2,499	2,408
Total	5	954	-	21,267	22,221	20,998
(Losses)/Gains on investments	10	-	777	-	777	(88)
Net Income/(Expenditure)		3,911	777	464	5,152	(750)
Transfers between Funds						
Release in respect of depreciation		(2,088)	-	2,088	-	-
Other Transfers		2,637	(27)	(2,610)	-	-
Other recognised Gains						
Gains on the revaluation of fixed assets	8	2,662	-	-	2,662	1,484
Donated Assets	16	85	-	-	85	-
Net movement in Funds		7,207	750	(58)	7,899	734
Fund balances brought forward at 1 April	16	94,683	6,485	405	101,573	100,346
Fund balances carried forward at 31 March	16	101,890	7,235	347	109,472	101,080

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 28 to 47 form part of these financial statements.

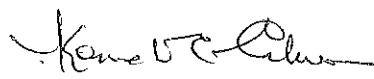
Balance Sheet as at 31st March 2017

		2017	2016
		£000	£000
Fixed Assets	Note		
Tangible Assets	8	61,675	60,307
Heritage Assets	9	37,743	33,756
Investments	10	6,767	6,030
Total fixed assets		<u>106,185</u>	<u>100,093</u>
Current Assets			
Stocks	12	16	16
Debtors	11	3,683	1,884
Cash at bank and in hand	13	1,890	1,628
Total current assets		<u>5,589</u>	<u>3,528</u>
Creditors - amounts falling due within one year	14	<u>(2,251)</u>	<u>(2,432)</u>
Net current assets		<u>3,338</u>	<u>1,096</u>
Total assets less current liabilities		<u>109,523</u>	<u>101,189</u>
Provisions for Liabilities and Charges	15	(51)	(109)
Net assets		<u>109,472</u>	<u>101,080</u>
The funds of the charity:			
Endowment funds	16	7,235	6,485
Restricted funds			
Capital Assets Fund	16	65,051	62,195
Revaluation Reserve	16	32,228	30,608
Donated Assets	16	85	-
Collection Purchase	16	13	-
Designated Purpose	16	4,232	1,129
Voluntary Income	16	281	258
Unrestricted Funds			
General Fund	16	347	405
Total Charity Funds		<u>109,472</u>	<u>101,080</u>

The Accountable Officer authorised these financial statements for issue on the 25 September 2017.



 Dr John Scally
 National Librarian & Accountable Officer



 Professor Sir Kenneth Calman
 Chair of the National Library of Scotland

The notes on pages 28 to 47 form part of these financial statements.

Statement of Cash Flows for the year ended 31st March 2017

	Note	2017 £000	2016 £000
Cash flows from Operating Activities			
Net cash provided by (used in) operating activities	17	5,377	138
Cash flows from Investing Activities			
Additions to fixed assets		(1,333)	(566)
Dividends & interest from investments		179	79
Purchase of items for the collections		(3,961)	(181)
Net cash provided by (used in) investing activities		(5,115)	(668)
Cash flows from Financing Activities			
Net cash provided by (used in) financing activities		-	-
Change in cash in the year		262	(530)
Cash at start of period		1,628	2,158
Cash at end of period		1,890	1,628

The notes on pages 28 to 47 form part of these financial statements.

Notes to the Financial Statements for the year ended 31st March 2017

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: £1.756 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 23)

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

	2017	2016
	£000	£000
Grant-in-Aid Received		
Running Costs	13,495	13,313
Capital	6,309	5,100
	<u>19,804</u>	<u>18,413</u>
Purchase Grant	1,000	500
Total Received during year	<u>20,804</u>	<u>18,913</u>

3. ANALYSIS OF INCOME

Analysis of Income	Restricted Funds	Un restricted Funds	2017 Total	2016 Total
	£000	£000	£000	£000
Donations & Legacies				
General Grants	84	691	775	234
Donations	3,600	447	4,047	346
	<u>3,684</u>	<u>1,138</u>	<u>4,822</u>	<u>580</u>
Charitable Activities				
Property rental	-	112	112	81
Agency services	-	141	141	91
Reprography	-	155	155	121
Sundry income	4	259	263	360
	<u>4</u>	<u>667</u>	<u>671</u>	<u>653</u>
Other Trading Activities				
Shelving	-	37	37	35
Café and Shop Income	-	83	83	76
	<u>-</u>	<u>120</u>	<u>120</u>	<u>111</u>
Investments				
Investment Income	177	2	179	79
Other - Grant In Aid				
Grant In Aid	1,000	19,804	20,804	18,913
Total Income & Endowments	<u>4,865</u>	<u>21,731</u>	<u>26,596</u>	<u>20,336</u>

4. OTHER TRADING ACTIVITIES

	2017 £000	2016 £000
Income		
Shelving Rental	37	35
Café and Shop Income	83	76
Total Income	<u>120</u>	<u>111</u>
Less: Costs		
Cost of sales	(60)	(60)
Direct wages	(49)	(40)
Administration	(6)	(11)
Total Costs	<u>(115)</u>	<u>(111)</u>
Surplus for the year:	<u>5</u>	<u>-</u>

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	Direct Costs £000	Support Costs £000	2017 Total £000	2016 Total £000
Raising Funds				
Raising Donations & Legacies	158	45	203	242
Expenditure on Other Trading Activities	47	69	116	111
Investment Management costs	39	-	39	38
	244	114	358	391
Charitable Activities				
Collection Development	4,492	3,502	7,994	7,939
User Access to Collections	3,723	5,787	9,510	8,695
Strategy and Communications	374	231	605	594
Collection Purchases	621	-	621	528
Governance	282	174	456	443
Grants	178	-	178	-
Depreciation	-	2,499	2,499	2,408
Total Resources Expended	9,670	12,193	21,863	20,607
Total Expenditure	9,914	12,307	22,221	20,998

6. EMPLOYEES

Staff costs during the year were:

	2017 £000	2016 £000
Wages and salaries	8,125	8,283
Social Security costs	750	552
Pension costs	1,641	1,654
Agency staff costs	15	80
Early Retirement and severance costs	414	79
Total	10,945	10,648
Accounted for within:		
Unrestricted Funds	10,819	10,569
Restricted Funds	126	79
Total	10,945	10,648

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

	2017	2016
	Number	Number
Access	58	59
Collections & Research	66	63
External Relations & Governance	7	8
Corporate Services	17	21
Acquisitions & Description	43	50
Resources	94	90
Total	285	291

Employees whose emoluments exceeded £60,000

	2017	2016
	Number	Number
£60,000 to £69,999	1	1
£70,000 to £79,999	1	-
£80,000 to £89,999	-	-
£90,000 to £99,999	1	1
Total	3	2

The total amount paid to the key management personnel amounted to £458,734

No benefits in kind were provided by the employer (2015/16: £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.

	2017		2016	
	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	4	16	-	-
Between £10,000 - £24,999	5	89	1	15
Between £25,000 - £49,999	6	243	-	-
Between £50,000 - £99,999	1	66	1	62
Between £100,000 - £150,000	-	-	-	-
Total	16	414	2	77

Pay Multiples

Public sector reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. The remuneration of the Library's highest paid director in 2016/17 was £94,869 (2015/16: £93,930). This was 4.01 times (2015/16: 4.01 times) the median remuneration of the workforce which was £23,629 (2015/16: £23,395).

In 2016/17 no employees received remuneration in excess of the highest paid director (2015/16: none). Remuneration during the year ranged from £16,450 to £75,750 (2015/16: £16,050 to £75,750).

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 2012. You can find details in the resource accounts of the [Cabinet Office: Civil Superannuation](#).

For 2016/17 employers' contributions of £1.631 million were payable to the PCSPS (2015/16: £1.642 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 2016/17 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 £18493.41 (2015/16 - £17,497) 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 £623, 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 £1879.72 (2015/16 - £1,739). Contributions prepaid at that date were Nil (2015/16 - £Nil).

7. OTHER OPERATING CHARGES

	2017	2016
	£000	£000
General		
Administration expenses	387	468
Operating lease rentals (see note below)	26	32
Travel, subsistence and hospitality	184	144
Office equipment and supplies	212	202
Purchases for the Collections	622	400
Digitisation of the Collections/Web Development	157	134
Exhibitions	175	196
Copyright Agency	163	164
Computer Services	451	503
Record purchase	18	21
Audit fees (see note below)	31	44
Conservation and Preservation	56	64
Consultancy	45	56
Grant payments	178	-
Depreciation	2,499	2,408
Sub-total	5,204	4,836
Buildings		
Utilities	389	393
Rent, rates and service charges	276	261
Lease of Land and Buildings	119	97
Buildings maintenance	5,268	4,737
Furniture	5	7
Transport	15	19
Sub-total	6,072	5,514
Total	11,276	10,350

Operating lease rentals are paid in respect of rental of buildings and general office equipment. Included in Audit Fees is £20,110 in relation to External Audit services for 2016/17 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 £4,199 (2015/16: £3,630) were paid to Board Members in respect of attendance at meetings. Seven Board Members received reimbursement for expenses (2015/16: Seven). Board Members do not receive any benefits in kind.

8. TANGIBLE ASSETS

	Land and Buildings	Motor vehicles	Equipment and Machinery	Computer equipment	2017 Total	2016 Total
COST OR VALUATION	£000	£000	£000	£000	£000	£000
Balance at 1 April 2016	71,014	89	2,007	1,453	74,563	72,323
Additions	-	24	881	300	1,205	502
Disposals	-	(40)	(7)	-	(47)	-
Revaluation / Indexation Adjustment	3,228	-	-	-	3,228	1,738
Balance at 31 March 2017	74,242	73	2,881	1,753	78,949	74,563
ACCUMULATED DEPRECIATION & IMPAIRMENT						
Balance at 1 April 2016	11,967	72	1,224	993	14,256	11,595
Charge for the year	2,087	7	226	179	2,499	2,407
Disposals	-	(40)	(7)	-	(47)	-
Revaluation / Indexation Adjustment	566	-	-	-	566	254
Balance at 31 March 2017	14,620	39	1,443	1,172	17,274	14,256
NET BOOK VALUE						
At end of period	59,622	34	1,438	581	61,675	60,307
At start of period	59,047	17	783	460	60,307	61,567

Land and Buildings includes £2.725 million (2015/16: £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;

	2017	2016	2015	2014	2013
	£000	£000	£000	£000	£000
Balance of capitalised items at 1 April	33,756	33,515	32,700	32,420	32,174
Acquired at cost with a value exceeding £5,000	3,902	241	815	280	246
Acquired via donation with a value exceeding £5,000	85	-	-	-	-
Balance at 31 March	37,743	33,756	33,515	32,700	32,420

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

The Library's Integrated Collecting Strategy is available on the [website](#). 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

	2017	2016
	£000	£000
Cash held by investment managers	223	90
UK Investments (Market Value) held by Investment managers	3,281	2,425
Total UK holdings with investment managers	3,504	2,515
Overseas Investments (Market Value) held by investment managers	2,187	2,131
Other Investments	1,076	1,384
Total (Market Value) held by investment managers	6,767	6,030
Endowment Cash balances held by the Library	749	712
Total Endowment Funds holdings	7,516	6,742
Listed investments - at cost	4,852	4,838

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

	£000
Opening Value of Investments at 1 April 2016	6,030
Charges & Income Withdrawn	(209)
Income Received	222
Capital Appreciation/(Depreciation)	724
Closing Value at 31 March 2017	6,767

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 £235,480 (2015/16: £41,253) from these Trust funds.

11. DEBTORS

	2017	2016
	£000	£000
Trade debtors	70	136
Other debtors	214	23
Provision for bad debts	(1)	(1)
VAT recoverable	362	620
Prepayments and accrued income	3,038	1,106
Total	<u>3,683</u>	<u>1,884</u>
Intra Government balances, included above;		
Balances with other Central Government bodies	401	716

A total of £16 in bad debts was written off during the year.

12. STOCKS

	2017	2016
	£000	£000
Stock for shop trading activities	16	16

13. CASH AT BANK AND IN HAND

	2017	2016
	£000	£000
Government Banking Services	930	548
Other current accounts	957	1,070
Term Deposits	-	7
Cash	3	3
Total	<u>1,890</u>	<u>1,628</u>

14. CREDITORS - amounts falling due within one year

	2017	2016
	£000	£000
Other creditors	1,508	1,318
Taxation and social security	371	347
Deferred Conditional Income	-	493
Deferred Pension Costs	15	25
Accruals and deferred income	357	249
Total	2,251	2,432

Intra Government balances, included above;

Balances with other Central Government bodies	559	416
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Under the recently revised Charities SORP, income from donations and grants is recognised when there is evidence of entitlement, receipt is probable and its amount can be measured reliably. In previous years the Library matched income against spending during the year and accounted for the remaining balance of grant/donation within Creditors. As a result of the new SORP, income must now be recognised upon receipt of the donation and, in the case of grant, when the formal offer of funding is received. The Library made this accounting change at the start of the 2016/17 financial year. The net effect is to move £493k from the Creditors part of the Balance Sheet to Reserves part of the Balance Sheet.

15. PROVISIONS FOR LIABILITIES AND CHARGES

	2017	2016
	£000	£000
Deferred Pension: Amounts due outwith 1 year	14	29
Pay & Grading Amounts due outwith 1 year	37	80
Total	51	109

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

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

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	
Balances at 1 April 2016	62,195	30,608	-	-	1,129	258	6,485	405	101,080	
Transfer from Creditors	-	-	-	-	493	-	-	-	493	
Incoming Resources										
Government Funding received	-	-	-	1,000	-	-	-	19,804	20,804	
Other Restricted funding received	-	-	-	-	-	-	-	-	-	
Donations (including bequests) received	-	-	-	3,674	14	-	-	1,138	4,826	
Dividend, interest income and other	-	-	-	-	-	177	-	789	966	
Outgoing Resources										
Expenditure	-	-	-	(773)	-	(181)	-	(21,267)	(22,221)	
Changes in market value of investments	-	-	-	-	-	-	777	-	777	
Net Income/(Expenditure) from SOFA	-	-	-	3,901	14	(4)	777	464	5,152	
Transfers Between Funds										
Release in respect of depreciation	(1,046)	(1,042)	-	-	-	-	-	2,088	-	
Collection items with a value in excess of £5,000	3,902	-	-	(3,888)	(14)	-	-	-	-	
Other Transfers	-	-	-	-	2,610	27	(27)	(2,610)	-	
Gains & Losses										
Surplus on revaluation	-	2,662	-	-	-	-	-	-	2,662	
Donated Assets	-	-	85	-	-	-	-	-	85	
Balance as at 31 March 2017	65,051	32,228	85	13	4,232	281	7,235	347	109,472	

17. NOTES TO THE CASH FLOW STATEMENT

	2017	2016
	£000	£000
Reconciliation of net income/(expenditure) to net cash inflow from Operating Activities		
Surplus/(Deficit) for the financial year	4,376	(654)
Depreciation on tangible fixed assets	2,499	2,400
Non cash movement in restricted funds	39	38
Dividends & interest from investments	(179)	(79)
(Increase)/Decrease in stock	-	3
(Increase)/Decrease in debtors	(1,800)	(974)
Increase/(Decrease) in creditors and provisions	442	(596)
Net cash inflow from operating activities	<u>5,377</u>	<u>138</u>

18. NATIONAL LIBRARY OF SCOTLAND FOUNDATION

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

19. FINANCIAL COMMITMENTS

At the end of the 2016/17 financial year, the National Library of Scotland is contractually committed to one capital projects. The amounts contracted for but not provided in the financial statements at 31st March 2017 are as follows;

	2017
	£000
Causewayside Building refurbishment	<u>2,411</u>
Total	<u>2,411</u>

20. LEASE COMMITMENTS

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

	2017	2017	2017	2016	2016	2016
	Land and	Other	Total	Land and	Other	Total
	Buildings			Buildings		
	£000	£000	£000	£000	£000	£000
Operating leases which expire within one year	173	-	173	28	31	59
In the second to fifth year inclusive	451	-	451	234	-	234
In over five years	2,414	-	2,414	-	-	-
Total	3,038	-	3,038	262	31	293

Land and Buildings lease figures largely comprise the payments made during 2015/16 and 2016/17 for a 30 year lease on the Kelvin Hall building.

21. 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 £20.804 million in 2016/17 (2015/16: £18.913 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.

22. FINANCIAL INSTRUMENTS

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

23. ASSOCIATE COMPANY

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 161 Causewayside, Edinburgh EH9 1PH. 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:

	2017	2016
	£000	£000
Net Assets at 31 March	99	97
Turnover	139	145
Surplus/(Deficit) for the year	2	(1)

24. POST BALANCE SHEET EVENTS

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

25. FINANCIAL REVIEW

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

	2017	2017
	Outturn	Offer
	£000	Letter
	£000	£000
Cash Items		
Running Costs	12,987	13,495
Purchases	985	1,000
Capital – Various	6,896	6,309
Total Cash	20,868	20,804
Non Cash Items (notional)		
Depreciation	2,499	2,600
	23,367	23,404

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