



**NATIONAL LIBRARY OF SCOTLAND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2018**

Contents	Page Number
National Librarian's Introduction to the Annual Report	2-3
Annual Report of the Board	4-15
Governance Statement	16-20
Independent auditor's report to the members of the National Library of Scotland, the Auditor General for Scotland and the Scottish Parliament	21-23
Statement of Financial Activities for the year ended 31st March 2018	24
Balance Sheet at 31st March 2018	25
Statement of Cash Flows for the year ended 31st March 2018	26
Notes to the Financial Statements for the year ended 31st March 2018	27-47
Appendix - National Library of Scotland Accounts Direction	48

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

National Librarian's Introduction to the Annual Report

Over the year it has been very pleasing to see firm evidence of our continuing success in widening access to the rich treasure house of material we hold on behalf of the people of Scotland. Our exhibitions, tours, events and workshops reached almost 140,000 people, and our website enjoyed yet another record number of visits – more than 5 million. All these indicate that more and more people are interested in what they find at the Library. To ensure we continue to meet this demand, we scaled up our digitisation activities and a further 129,000 books, maps and pamphlets were completed over the year.

We were the only Scottish venue to host the acclaimed exhibition, 'Enduring Eye: the Antarctic legacy of Sir Ernest Shackleton and Frank Hurley', on loan from the Royal Geographical Society. At the heart of the exhibition was a collection of more than 90 images taken by Shackleton's official photographer, Frank Hurley, who saved the images under the most extreme circumstances to provide a lasting record of the expedition.

Our George IV Bridge building is a stone's throw away from where J.K. Rowling first penned *Harry Potter and the Philosopher's Stone* (1997), and on the 20th anniversary of its publication, we invited people to view a rare first edition with personal annotations by the author. We had more than 1,000 visitors that afternoon, who were entertained by staff dressed as wizards. It was also the first time live owls visited our Library.

Our collections go back at least 1,000 years, placing us in a prime position to provide deeper insight into anniversaries of importance. We marked the 70th anniversary of Indian independence with an exhibition of manuscripts and paintings ranging from an Urdu poem illustration to a Sanskrit scroll. Last year was the 500th anniversary of the Reformation, and an early copy of the '95 Theses' by Martin Luther formed the central piece of our Reformation display along with an account of Luther's interrogation at the Diet of Augsburg in 1518.

To mark the centenary of Muriel Spark's birth, our exhibition 'The International Style of Muriel Spark' covered literary & fashion style and attracted tens of thousands of visitors who wanted to get up close to her notes, letters, telegrams as well as her dresses and handbags. The exhibition was complemented with a series of events and talks and we were delighted to lead the nation's celebration of one of our most admired authors.

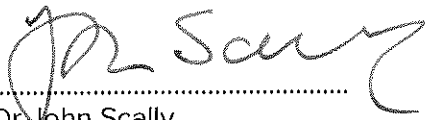
Our Moving Image Archive in Glasgow celebrated its first full year at Kelvin Hall in Glasgow and continues to generate new audiences and lots of excitement. As part of our commitment to extend our reach beyond Edinburgh and Glasgow, we have been on the road. We took the fascinating exhibition of the development of the Scots diet over the past 400 years to Aberdeen University Library and the New Lanark World Heritage visitor centre. Our Moving Image Archive also took to the road visiting festivals in Largs and the Isle of Bute.

Refurbishment work is now complete on our Causewayside building after five long years and we now have a building that is capable of housing a large part of the national collections now and into the future.

Those are just some of the highlights and there is much to celebrate. Nevertheless, there is still a great deal of work to do in terms of bridging the gap between being aware of the National Library of Scotland and actually engaging with it. Over the coming year we will continue our efforts to promote the Library to a diverse range of audiences: the exhibition programme for the coming year will include *A Better World: Life after WW1* and *Treasures Displays* on a number of topics including Frederick Douglass, the prominent American abolitionist and orator. This will be accompanied by a comprehensive package of cultural events, promotion, education, outreach and digital activity.

We are indebted to our volunteers, our students and interns who all contribute to the success of the Library. Everything we do is underpinned by our mission – to make a significant and lasting contribution to global knowledge and the memory of the world. We have major plans in place – and continue on our quest to have our full catalogue and a third of our collection online by 2025.

We cannot do this work without the generosity of our funders, patrons and benefactors. The continued advocacy and support from the Scottish Government allows us to preserve the memory of the nation. The support from our patrons and benefactors allows us to do so much more as we strive to be one of the best national Libraries in Europe.



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Dr John Scally
National Librarian

Date: 26/9/18

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 2017 and the date of signing the financial statements are as follows.

Chair

Kenneth Calman

Members

Noreen Adams	3
Ruth Crawford*	
Helen Durndell	2
Dianne Haley	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 was 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 Committee have delegated responsibility for certain matters under the Scheme of Delegation. In addition, the Governance Committee has continued to consider appropriate ways to improve governance of the Library.

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

Dr John Scally	National Librarian
Alex Miller	Head of External Relations & Governance (Left 30/03/2018)
Robin Smith	Head of Collections & Research
John Coll	Head of Access
Graeme Forbes	Head of Collections Management
Stuart Lewis	Head of Digital
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 2017/18 the Board agreed the [Library Plan](#) which detailed the specific objectives, linked to the Strategy, which would be pursued over the coming year. For 2017/18 the Plan comprised 56 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 47 of the 56 objectives had been successfully completed. Those which are yet to complete will be carried forward and undertaken in 2018/19.

The results in relation to Key Indicators are detailed in the table below. Targets were set for 14 Key Indicators during 2017/18 and 13 of these were achieved. When compared to 2016/17, performance improved in 11 out of 14 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 2017/2018							
Strategy Element	Indicator	Target for 2017/18 (Where Applicable)	Result for 2017/18	Target met for 2017/18?	Equivalent for 2016/17	Performance compared to 2016/17	Comments
Safeguarding Collections	Environmental Compliance	98%	99.0%	✓	98.7%	↑	
Improving Access	Percentage Reduction In Hidden Collections	7%	7.2%	✓	2.7%	↑	This is the cumulative reduction since this target was introduced.
Improving Access	Percentage of collections available in a digital format	13.5%-14.0%	13.9%	✓	11.80%	↑	
Promoting Research	Number of research collaborations.	15	36	✓	20	↑	More collaborations and better reporting in place
Reaching Out	Reading Room Visits	65,000-70,000	68,787	✓	69,392	↓	Figure now includes Kelvin Hall.
Supporting Learning	School/Lifelong Learning workshops etc.	130-160	260	✓	194	↑	
Inspiring Engagement	Exhibition Visitors	95,000-105,000	118,950	✓	132,063	↓	The popularity of the Enduring Eye exhibition was a contributory factor here with its strong visuals and appeal to a wide audience.
Inspiring Engagement	Number of public engagement/events	95-110	111	✓	107	↑	Target slightly exceeded.
Reaching Out	Website Usage (Web sessions)	4.0-4.5 million	5.1 million	✓	4.1 million	↑	Annual growth of 20-25% each year since 2014/15.
Reaching Out	Overall User Satisfaction levels	8.60	9.50	✓	8.70	↑	Based on very/quite satisfied score of 95% in 2017/18 survey of users. 66% indicated they were very satisfied.
Enablers	Staff Absence Rate (Days per Employee)	7.2-7.5	6.70	✓	6.20	↓	Target which is based on the All Sector average.
Enablers	Percentage raised against Fundraising target	100%	91%	✗	63%	↑	Vacancies within the team during the year have affected performance.
Enablers	Central Support costs as a percentage of income	9.5%	8.40%	✓	5.00%	↑	Change in the way that figures have been calculated. On a 'like for like' basis 2017/18 results are lower
Enablers	Media Profile (Advertising Value Equivalent)	2.2-2.6 million	2.9 million	✓	2.3 million	↑	

6. Achievements in the Year

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

- The Causewayside Refurbishment project was completed within budget and within timescale.
- The Library purchased the MacKinnon Photographic Archive working alongside the National Galleries of Scotland.
- There was 100% availability for access to the non-print legal content.
- The target for the number of items to be digitised over the year (100k) was exceeded with 39k items digitised in the last quarter to bring the total to 129k for the year.

- 285 items were digitised from the Moving Image Archive collection – ahead of the target of 250 items. In addition, 497 titles were digitised from the Grampian TV digitisation project.
- The project of retro-conversion of the remaining manuscript manual catalogues is working well and is ahead of schedule.
- A Memorandum of Understanding was agreed with Scottish Enterprise.
- The Library supported 25 young people during the year to enhance their employability skills.

7. Financial Review

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

The main headline for the 2017/18 financial year is that the Library has ended the year by adding £193k to its General Reserves. The equivalent in 2016/17 was a reduction in General Reserves of £58k. Within the financial statements, the place where this is best shown is at the bottom section of the Statement of Financial Activities on Page 24 and the Reserves Note at Page 44. Both these show the balance on the Library's Unrestricted General Fund reserve increasing from £347k to £540k over the year.

This result is partly deliberate and partly fortunate. It is partly deliberate since, after the deficit in 2016/17, the Library was aiming to replenish its reserves to a healthier level. It is partly fortunate since there were a small number of areas across the Library which spent less than planned or generated additional income. A good example here are the savings the Library made on legal costs – the result of competitive tender. Results like these had the effect of pushing general reserves slightly higher than planned.

Total income in the year was £19.91 million. The majority of this comes from the Scottish Government - though we continue to develop other initiatives to diversify the sources of our income. Investment income rose in the year as did income from the Library's shop.

Total expenditure in the year, including depreciation, was £20.55 million with most of this split between Collection Development and User Access. Staffing continues to be the Library's biggest cost – though there was a large amount spent on building maintenance (£3.0 million). Most of this related to the refurbishment and repair of the Causewayside building which was completed at the end of the 2017/18 year after a project lasting four years and costing over £11 million and which was supported by specific funding from the Scottish Government.

The 2017/18 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 Heritage Assets Note (Page 40). These show that the Library added over £825k of tangible assets – mainly on the refurbishment of parts of the Library's estate and on new and replacement IT kit and storage.

Gross spending on adding to the collections during the year totalled over £1.141 million of which £516k was added to Heritage Assets. In addition, a further £170k of items was donated to the Library including a large collection of historic international rugby programmes and a number of archives and papers relating to eminent Scots. One of the key items purchased in the year was the MacKinnon photographic archive. This was done in partnerships with the National Galleries of Scotland, which will co-own the collection and with the financial support of the Scottish Government, the Art Fund and the Heritage Lottery

Fund. Each year the Library plans to spend 100% of its Collection Fund budget and most years this is achieved. However, the purchase of one significant item, which was due to take place at the end of the financial year, was delayed into 2018/19 which meant that there was an underspend of £117k. This amount has been set aside in the Collection Purchase Reserve and this can be seen within Note 16 on Page 44.

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 £250k to help fund its ongoing work. Going forward, the Library approved a budget on 28th March 2018 for the 2018/19 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, the need to match potentially variable income streams with fixed commitments and the nature of the reserves.

At the end of the 2017/18 financial year the Library's reserves were as follows;

	Library Reserves at 31/03/2017	Library Reserves at 31/03/2018
	£000	£000
Restricted Reserves		
Capital Assets Fund	65,051	64,522
Revaluation Reserve	32,228	36,895
Donated Assets	85	255
Collection Purchase	13	130
Designated Purchase	4,232	5,031
Voluntary Income	281	317
Endowment - Capital	7,235	7,286
Unrestricted Reserve		
General Fund	347	540
Total	109,472	114,976

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 £540k which is considered satisfactory.

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 2017/18 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 risk appetite is also reviewed by the Audit Committee.

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

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

All strategic risks were within the risk appetite at the year-end.

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 £6.767 million to £6.776 million. Across the whole portfolio, returns were above the benchmark set for the year.

11. Our People

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

The Library remunerates staff under an agreed Pay & Grading system designed and introduced in 2014 to ensure fair and equitable treatment. The current system was developed with the staff unions through the collective bargaining arrangements.

All staff are covered by this Pay & Grading system with the exception of the National Librarian. The remuneration of the National Librarian is determined by the Board of the Library but must comply with the Scottish Government's Pay Policy for Senior Public Appointments and is approved and monitored by the Scottish Government.

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

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

The majority of Library staff are employed on permanent contracts though a number are employed on fixed term contracts. All are entitled to join the Civil Service pension arrangements. Notice periods are set by the Library and are those generally in use in the public sector. Termination payments are paid in accordance with the Civil Service Compensation Scheme.

In October 2017 the Library, for the third time, took part in the national Civil Service People Survey to measure levels of engagement. The survey results for 2017 showed an improvement compared to the previous year particularly around Learning & Development, Inclusion & Fair Treatment and Pay & Benefits. 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 2018.

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

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

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

The Library has an Attendance Management Policy and Procedure which aims to provide a framework to manage and support attendance, reduce absence and provide a basis for fair and consistent decision-making on the management of employees who are not attending for work regularly. Average sickness absence for 2017/18 was 6.7 days (2016/17: 6.2 days) which was an increase on the previous year but below the target range of 7.2 - 7.5 days set by the Library.

12. Suppliers Payment Policy

The policy of the Library is to pay creditors within agreed commercial terms or within 30 days of receipt of a valid invoice - whichever is sooner. During the year the Library took an average of 22 days to settle invoices (2016/17: 24 days). The Library recognises, supports and is working towards the Scottish Government target of paying suppliers within ten days. During the year 41% of invoices were paid within ten working days (2016/17: 43%)

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 2017/18 it has achieved a reduction in CO2 emissions of 62% compared to its baseline year.

The Library now uses 4.1 MWh less energy, consumes 4,212 cubic metres less water, recycles 91% of its waste and travels 513,000 fewer miles than it did nine years ago. The Library's Public Sector Sustainability Report 2017/18 which is available on the [Library's website](#) provides comprehensive data relating to the Library's sustainability activity.

14. Information Security

The Library is working towards Cyber Essentials Plus certification and progress towards this is monitored by the Library Leadership Team and the Audit Committee. There was one cyber security incident during the year which resulted in the theft of an unknown number of e-mail addresses.

15. Fundraising

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

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

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

16. Policy in relation to equalities

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

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

- Foster good relations between people who share a protected characteristic and those who do not.

The Library maintains, develops and monitors equality objectives and in April 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. In April 2018 it also published a [Gender Pay Gap](#) report which detailed a mean gender pay gap of 0.95% in favour of men and a median gender pay gap of 0.0%.

17. Plans for the Future

Over the coming year the Library will continue to focus on implementing its strategy. It will continue to develop as a digital destination but at the same time will continue to improve what is on offer inside our buildings. Following a wide scale review we are making some changes to our opening hours to reflect changing usage patterns. From July this year the Reading Rooms will now open all day on Saturdays. The coming year will be marked by the development of an expanded digitisation suite and work to improve the public spaces within our George IV Bridge building.

18. Appointment of Auditors

The financial statements of the Library are audited by independent auditors appointed by the Auditor General for Scotland. Audit Scotland, 102 West Port, Edinburgh, EH3 9DN were appointed from 1st April 2016 for a period of 5 years.

The agreed fee for audit services was £20,410 (2017: £20,110) which relates wholly to the provision of statutory audit services.

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

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

19. Statement of Board Members' responsibilities

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

The law applicable to charities in Scotland requires the Board Members to prepare financial statements for each financial year. Under that law the Board Members have prepared the financial statements in accordance with the Charities SORP (FRS 102) and applicable law. Under that law the Board Members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Board Members are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgments and estimates that are reasonable and prudent

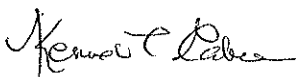
- State that applicable UK Accounting Standards, comprising FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

20. Other Professional Advisers and Bankers

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



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

Date: 26/9/18

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, the Chair and the National Librarian are outlined in the Framework Document between the Scottish Government and Library.

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

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

Discharge of Board Responsibilities

To discharge their responsibilities the Board has met 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 2017/18 included the following:

- Updates on Digital Business Continuity Planning and Cyber Security;
- Reports on the progress with the Causewayside capital project;
- The results of a Service Review examining Library services and changes to opening hours;
- 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. In 2017/18 it also carried out a self-appraisal of skills to carry out the governance and accountability role.

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 and a representative from the Faculty of Advocates, 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 critical accounting policies and disclosure obligations. Specific discussion was had on the appropriate level of reserves to be held by the Library;
- Work of the external auditor including their proposed annual audit report including ISA 260 requirement;
- Detailed quarterly financial reports and whether adequate progress was being made with the Library’s short and medium term financial plans;
- Long term financial sustainability of the Library;
- Gifts, Fees, Hospitality, Bribery and Corruption Policy;
- Whistleblowing Policy;
- Risk management and risk appetites;
- Progress made with IT/Digital Plans, IT Business Continuity Planning and the new Library Services Platform; and
- The annual Procurement Report and progress being made in reducing ‘off contract’ spend across the Library

Henderson Loggie (HL) have been 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 2017/18 focussed on the following areas:

Area Covered	Assessment
Corporate Planning (2016/17 audit work)	Satisfactory
Performance Reporting(2016/17 audit work)	Good
Financial Controls	Good
Data Protection/Freedom of Information	Satisfactory
Collections – Storage & Building Maintenance	Satisfactory
Staff Recruitment & Retention	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 2017/18 particular attention was paid by the Committee to the progress being made in relation to progress with the new Library Services Platform, 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 the ICT Strategy, Publicity & Marketing and Procurement & Contract Management.

As a result of this and other assurance work, the internal auditors have concluded, within the Annual Audit Report and Opinion, that during the year, the Library operated an adequate internal control framework. In addition the internal audit work carried out, did not identify any fraud, alleged fraud or suspected fraud affecting the Library in the year to 31st March 2018.

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

- 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 May meeting received a report on the progress made with the Collections Audits which is linked to Strategic Risk 1 (Significant Loss or Damage to the Collections). An annual report is also made on any Losses/Thefts from the collections; and
- The August meeting received a report on Asbestos and Fire Safety which is linked to Strategic Risk 8 – Duty of Care.

During the course of its work in 2017/18, 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 three times during the year. It considered:

- The principal governance documents such as Standing Orders and Scheme of Delegation, recommending some changes to the Board;
- The results from Audit Scotland's 'Role of Boards' questionnaire;
- Proposed actions arising from the 'Role of Boards questionnaire, approving the enhanced access to Board papers on the Library's website;
- The minutes of the NLS Foundation;
- The design and the subsequent results of the Board self-appraisal; and
- The preparations being made by the Library for changes to data protection law (General Data Protection Regulation).

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 negotiations and 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 Smoke Free Workplace, Job Evaluation Grading System (JEGS), Recruitment & Selection, Payment for Additional Leave, Redeployment and Fixed Term Contracts;;
- 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 Library's Front of House services and the Gaelic Wikipedia.

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 2018 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 2017/18. No significant breaches in control were highlighted. Areas acknowledged where controls could improve were the completion of staff appraisals and additional testing of business continuity plans.

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

Date:

26/9/18



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

Date: 26/9/18

Independent auditor's report to the members of the 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 financial statements of National Library of Scotland for the year ended 31 March 2018 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 2018 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 (UK) (ISAs (UK)). 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 Standard, 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.

Conclusions relating to going concern basis of accounting

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the

going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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

Auditor's responsibilities for the audit of the financial statements

My objectives are to 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) 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.

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

Other information in the annual report and financial statements

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

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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

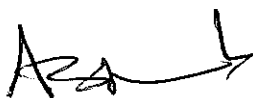
- the information given in the Annual Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Library of Scotland Act 2012 and directions made thereunder by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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.



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

26th September 2018

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

Statement of Financial Activities for the year ended 31st March 2018

2017	Note(s)	Restricted Funds	Endowment Funds	Unrestricted Funds	2018 Total
£000		£000	£000	£000	£000
Income & Endowments from:					
4,822	3	106	-	475	581
671	3	1	-	592	593
120	3,4	-	-	123	123
179	3	186	-	3	189
20,804	2	1,150	-	17,271	18,421
26,596	Total	1,443	-	18,464	19,907
Expenditure on:					
358	5	42	-	299	341
7,994	5	99	-	7,847	7,946
9,510	5	-	-	7,341	7,341
605	5	-	-	693	693
621	5	635	-	21	656
456	5	-	-	482	482
178	5	-	-	366	366
2,499	5	-	-	2,726	2,726
22,221	Total	776	-	19,775	20,551
777	10	-	51	-	51
5,152	Net Income/(Expenditure)	667	51	(1,311)	(593)
Transfers between Funds					
-		(2,305)	-	2,305	-
-		801	-	(801)	-
Other recognised Gains					
2,662	8	5,927	-	-	5,927
85	16	170	-	-	170
7,899	Net movement in Funds	5,260	51	193	5,504
101,573	Fund balances brought forward at 1 April	101,890	7,235	347	109,472
109,472	Fund balances carried forward at 31 March	107,150	7,286	540	114,976

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

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

The notes on pages 27 to 47 form part of these financial statements.


Balance Sheet as at 31st March 2018

		2017	2018
		£000	£000
Fixed Assets	Note		
Tangible Assets	8	61,675	65,584
Heritage Assets	9	37,743	38,429
Investments	10	6,767	6,776
Total fixed assets		<u>106,185</u>	<u>110,789</u>
Current Assets			
Stocks	12	16	32
Debtors	11	3,683	3,563
Cash at bank and in hand	13	1,890	3,247
Total current assets		<u>5,589</u>	<u>6,842</u>
Creditors - amounts falling due within one year	14	<u>(2,251)</u>	<u>(2,653)</u>
Net current assets		<u>3,338</u>	<u>4,189</u>
Total assets less current liabilities		<u>109,523</u>	<u>114,978</u>
Provisions for Liabilities and Charges	15	(51)	(2)
Net assets		<u><u>109,472</u></u>	<u><u>114,976</u></u>
The funds of the charity:			
Endowment funds	16	7,235	7,286
Restricted funds			
Capital Assets Fund	16	65,051	64,522
Revaluation Reserve	16	32,228	36,895
Donated Assets	16	85	255
Collection Purchase	16	13	130
Designated Purpose	16	4,232	5,031
Voluntary Income	16	281	317
Unrestricted Funds			
General Fund	16	347	540
Total Charity Funds		<u>109,472</u>	<u>114,976</u>

The Board approved these financial statements on the 26th September 2018 and the Accountable Officer authorised them for issue on the same date.



 Dr John Scally
 National Librarian & Accountable Officer



 Professor Sir Kenneth Calman
 Chair of the National Library of Scotland

The notes on pages 27 to 47 form part of these financial statements.

Statement of Cash Flows for the year ended 31st March 2018

	Note	2017 £000	2018 £000
Cash flows from operating activities			
Surplus/(Deficit) for the financial year as per the SOFA		4,376	(644)
Depreciation on tangible fixed assets	8	2,499	2,726
Loss/(Profit) on disposal of fixed assets		-	116
Non cash movement in restricted funds		39	42
Dividends & interest from investments		(179)	(189)
(Increase)/Decrease in stock		-	(14)
(Increase)/Decrease in debtors		(1,800)	120
Increase/(Decrease) in creditors and provisions		442	352
Net cash inflow from operating activities		5,377	2,509
Cash flows from investing activities			
Additions to fixed assets		(1,333)	(826)
Dividends & interest from investments		179	189
Purchase of items for the collections		(3,961)	(515)
Net cash (used in) investing activities		(5,115)	(1,152)
Cash flows from financing activities			
Receipt of endowments		-	-
Net cash provided by financing activities		-	-
Change in cash in the reporting year		262	1,357
Cash at 1 April	13	1,628	1,890
Cash at 31 March	13	1,890	3,247

The notes on pages 27 to 47 form part of these financial statements.

Notes to the Financial Statements for the year ended 31st March 2018

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: £1.736 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 (FReM), 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 22)

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	2018
	£000	£000
Grant-in-Aid Received		
Running Costs	13,495	13,180
Capital	6,309	4,091
	<u>19,804</u>	<u>17,271</u>
Purchase Grant	1,000	1,150
Total Received during year	<u>20,804</u>	<u>18,421</u>

3. ANALYSIS OF INCOME

Analysis of Income	2017 Total	Restricted Funds	Un restricted Funds	2018 Total
	£000	£000	£000	£000
Donations & Legacies				
General Grants	775	106	400	506
Donations	4,047	-	75	75
	4,822	106	475	581
Charitable Activities				
Property rental	112	-	122	122
Agency services	141	-	106	106
Reprography	155	-	152	152
Sundry income	263	1	212	213
	671	1	592	593
Other Trading Activities				
Shelving	37	-	38	38
Shop & Café Income	83	-	85	85
	120	-	123	123
Investments				
Investment Income	179	186	3	189
Other - Grant In Aid				
Grant In Aid	20,804	1,150	17,271	18,421
Total Income & Endowments	26,596	1,443	18,464	19,907

4. OTHER TRADING ACTIVITIES

	2017	2018
	£000	£000
Income		
Shelving Rental	37	38
Café and Shop Income	83	85
Total Income	120	123
Less: Costs		
Cost of sales	(60)	(71)
Direct wages	(49)	(44)
Administration	(6)	(6)
Total Costs	(115)	(121)
Surplus for the year:	5	2

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	2017 Total £000	Direct Costs £000	Support Costs £000	2018 Total £000
Raising Funds				
Raising Donations & Legacies	203	128	50	178
Expenditure on Other Trading Activities	116	51	70	121
Investment Management costs	39	42	-	42
	358	221	120	341
Charitable Activities				
Collection Development	7,994	4,362	3,584	7,946
User Access to Collections	9,510	3,177	4,164	7,341
Strategy and Communications	605	401	292	693
Collection Purchases	621	656	-	656
Governance	456	279	203	482
Other	178	366	-	366
Depreciation	2,499	-	2,726	2,726
Total Resources Expended	21,863	9,241	10,969	20,210
Total Expenditure	22,221	9,462	11,089	20,551

6. EMPLOYEES

Staff costs during the year were:

	2017 £000	2018 £000
Wages and salaries	8,125	8,215
Social Security costs	750	738
Pension costs	1,641	1,602
Agency staff costs	15	94
Early Retirement and severance costs	414	26
Total	10,945	10,675
Accounted for within:		
Unrestricted Funds	10,819	10,581
Restricted Funds	126	94
Total	10,945	10,675

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

	2017	2018
	Number	Number
Access	58	51
Acquisitions & Description	70	64
Business Support	55	55
Collections & Research	67	68
Digital	23	28
External Relations & Governance	7	7
National Librarian's Office	5	4
Total	285	277

The total amount paid to the key management personnel amounted to £467,851

No benefits in kind were provided by the employer (2016/17: £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		2018	
	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	-	-
Between £25,000 - £49,999	6	243	1	26
Between £50,000 - £99,999	1	66	-	-
Between £100,000 - £150,000	-	-	-	-
Total	16	414	1	26

Emoluments exceeding £60,000

Employees whose emoluments exceeded £60,000

	2017	2018
	Number	Number
£60,000 to £69,999	1	2
£70,000 to £79,999	1	1
£80,000 to £89,999	-	-
£90,000 to £99,999	1	1
Total	3	4

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 2017/18 was £95,818 (2016/17: £94,869). This was 4.01 times (2016/17: 4.01 times) the median remuneration of the workforce which was £23,866 (2016/17: £23,629).

In 2017/18 no employees received remuneration in excess of the highest paid director (2016/17: none). Remuneration during the year ranged from £16,850 to £76,133 (2016/17: £16,450 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 2017/18 employers' contributions of £1.593 million were payable to the PCSPS (2016/17: £1.631 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 2017/18 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 £19,951 (2016/17 - £18,493) 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 £641, 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 £1688 (2016/17 - £1,879). Contributions prepaid at that date were Nil (2016/17 - £Nil).

Trade Union Facility Time

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

The data is required to be published within the Annual Report and Accounts and on the organisation's website before the 31st July each year. Information for the 2017/18 year is detailed below;

Relevant Union Officials

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

10	9.45
----	------

Percentage of time spent on facility time

Percentage of time	Number of employees
0%-0.99%	4
1-50%	6
51-99%	0
100%	0

Percentage of pay bill on facility time

Total cost of facility time (£'000)	5
Total pay bill (£'000)	10,675
Percentage of total pay bill spent on facility time (%)	0.05%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	9%
---	----

7. OTHER OPERATING CHARGES

	2017	2018
	£000	£000
General		
Administration expenses	387	561
Operating lease rentals (see note below)	26	30
Travel, subsistence and hospitality	184	213
Office equipment and supplies	212	300
Purchases for the Collections	622	655
Digitisation of the Collections/Web Development	157	151
Exhibitions	175	186
Copyright Agency	163	167
Computer Services	451	515
Record purchase	18	22
Audit fees (see note below)	31	37
Conservation and Preservation	56	50
Consultancy	45	62
Grant payments	178	250
Depreciation	2,499	2,726
Sub-total	5,204	5,925
Buildings		
Utilities	389	365
Rent, rates and service charges	276	242
Lease of Land and Buildings	119	224
Buildings maintenance	5,268	2,989
Loss on disposal of fixed assets	-	116
Furniture	5	3
Transport	15	12
Sub-total	6,072	3,951
Total	11,276	9,876

Operating lease rentals are paid in respect of rental of buildings and general office equipment. Included in Audit Fees is £20,410 in relation to External Audit services for 2017/18 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 £4,118 (2016/17: £4,199) were paid to Board Members in respect of attendance at meetings. Nine Board Members received reimbursement for expenses (2016/17: Seven). Board Members do not receive any benefits in kind.

8. TANGIBLE ASSETS

	2017 Total	Land and Buildings	Motor vehicles	Equipment and Machinery	Computer equipment	2018 Total
COST OR VALUATION	£000	£000	£000	£000	£000	£000
Balance at 1 April 2017	74,563	74,242	73	2,881	1,753	78,949
Additions	1,205	-	27	637	162	825
Disposals	(47)	(5)	(24)	(195)	(56)	(280)
Revaluation / Indexation Adjustment	3,228	7,449	-	-	-	7,449
Balance at 31 March 2018	78,949	81,686	76	3,323	1,858	86,943
ACCUMULATED DEPRECIATION & IMPAIRMENT						
Balance at 1 April 2017	14,256	14,620	39	1,443	1,172	17,274
Charge for the year	2,499	2,305	12	220	189	2,726
Disposals	(47)	(5)	(24)	(79)	(56)	(164)
Revaluation / Indexation Adjustment	566	1,522	-	-	-	1,522
Balance at 31 March 2018	17,274	18,442	27	1,584	1,305	21,358
NET BOOK VALUE						
At end of period	61,675	63,244	49	1,739	553	65,584
At start of period	60,307	59,622	34	1,438	581	61,675

Land and Buildings includes £2.725 million (2016/17: £2.725 million) in respect of land which is not depreciated.

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

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

9. HERITAGE ASSETS

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

The value held by the Library comprised;

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

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	2018
	£000	£000
Cash held by investment managers	223	154
UK Investments (Market Value) held by Investment managers	3,281	3,291
Total UK holdings with investment managers	3,504	3,445
Overseas Investments (Market Value) held by investment managers	2,187	2,468
Other Investments	1,076	863
Total (Market Value) held by investment managers	6,767	6,776
Endowment Cash balances held by the Library	749	827
Total Endowment Funds holdings	7,516	7,603
Listed investments - at cost	4,852	5,014

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

	£000
Opening Value of Investments at 1 April 2017	6,767
Charges & Income Withdrawn	(221)
Income Received	172
Capital Appreciation/(Depreciation)	58
Closing Value at 31 March 2018	6,776

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 £46,627 (2016/17: £235,480) from these Trust funds.

11. DEBTORS

	2017	2018
	£000	£000
Trade debtors	70	34
Other debtors	214	105
Provision for bad debts	(1)	(1)
VAT recoverable	362	255
Prepayments and accrued income	3,039	3,170
Total	3,683	3,563
Intra Government balances, included above;		
Balances with other Central Government bodies	401	381

A total of £30 in bad debts was written off during the year.

12. STOCKS

	2017	2018
	£000	£000
Stock for shop trading activities	16	32

13. CASH AT BANK AND IN HAND

	2017	2018
	£000	£000
Government Banking Services	930	1,728
Other current accounts	957	1,517
Cash	3	2
Total	1,890	3,247

14. CREDITORS - amounts falling due within one year

	2017	2018
	£000	£000
Other creditors	1,508	1,812
Taxation and social security	371	366
Deferred Pension Costs	15	14
Accruals and deferred income	357	461
Total	2,251	2,653

Intra Government balances, included above;

Balances with other Central Government bodies	559	648
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15. PROVISIONS FOR LIABILITIES AND CHARGES

	2017	2018
	£000	£000
Deferred Pension: Amounts due outwith 1 year	14	-
Pay & Grading Amounts due outwith 1 year	37	2
Total	51	2

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 two 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	£000	£000	£000	£000	£000	£000	£000	£000	
Balances at 1 April 2017	65,051	32,228	85	13	4,232	281	7,235	347	109,472	
Incoming Resources										
Government Funding received	-	-	-	1,150	-	-	-	17,271	18,421	
Other Restricted funding received	-	-	-	-	-	-	-	-	-	
Donations (including bequests) received	-	-	-	106	-	-	-	475	581	
Dividend, interest income and other	-	-	-	1	-	186	-	718	905	
Outgoing Resources										
Expenditure	-	-	-	(62.5)	-	(151)	-	(19,775)	(20,551)	
Changes in market value of investments										
Net Income/(Expenditure) from SOFA				632		35	51	(1,311)	(593)	
Transfers Between Funds										
Release in respect of depreciation	(1,045)	(1,260)	-	-	-	-	-	2,305	-	
Collection items with a value in excess of £5,000	516	-	-	(516)	-	-	-	-	-	
Other Transfers	-	-	-	1	799	1	-	(801)	-	
Gains & Losses										
Surplus on revaluation	-	5,927	-	-	-	-	-	-	5,927	
Donated Assets	-	-	170	-	-	-	-	-	170	
Balance as at 31 March 2018	64,522	36,895	255	130	5,031	317	7,286	540	114,976	

17. NATIONAL LIBRARY OF SCOTLAND FOUNDATION

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

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

18. FINANCIAL COMMITMENTS

At the end of the 2017/18 financial year, the work on the Causewayside Refurbishment project had been completed. Any retentions due to be paid to the contractor are included within Creditors at Note 14.

	2017 £000	2018 £000
Causewayside Building refurbishment	2,411	-
Total	2,411	-

19. LEASE COMMITMENTS

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

	2017 Land and Buildings £000	2017 Other £000	2017 Total £000	2018 Land and Buildings £000	2018 Other £000	2018 Total £000
Operating leases which expire within one year	173	-	173	127	24	151
In the second to fifth year inclusive	451	-	451	423	93	516
In over five years	2,414	-	2,414	2,316	-	2,316
Total	3,038	-	3,038	2,866	117	2,983

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.

20. 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 £18.421 million in 2017/18 (2016/17: £20.804 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.

21. 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.

22. 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	2018
	£000	£000
Net Assets at 31 March	99	98
Turnover	139	123
Surplus/(Deficit) for the year	2	(1)

23. POST BALANCE SHEET EVENTS

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

24. 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.

	2018	2018
	Outturn	Offer
		Letter
	£000	£000
Cash Items		
Running Costs	13,224	13,180
Purchases	1,034	1,150
Capital – Various	3,461	4,091
Total Cash	17,719	18,421
Non Cash Items (notional)		
Depreciation	2,726	3,050
	20,445	21,471

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 (FReM) 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