

**National Library of Scotland
Annual Report and Accounts
For the year ended 31 March 2012**

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National Librarian and Chief Executive's introduction to the Annual Report

Introduction

It was very pleasing to see firm evidence of our continuing success to widen access to the rich treasure house of material we hold on behalf of the people of Scotland.

That comes through in two key statistics from 2011/12. One of these shows that the number of visitors to our website exceeded 1.85 million while those visiting our main building in Edinburgh to use our reading rooms or take in an exhibition or an event stood at almost 275,000. Both of these are record figures and indicate that more and more people are interested in what they find at NLS.

Our main summer exhibition on 'Banned books' which explored the issue of censorship was one of the most popular we have held and targets were also exceeded for our winter exhibition 'Beyond Macbeth' on how Shakespeare has been seen from Scotland down the centuries. Our annual programme of events continued to be extremely popular and included talks by the writer and television presenter Michael Palin and the Hollywood actor Brian Cox. We supported events at book festivals across Scotland where we also promoted our national collections to those attending.

While we have always been focussed on providing a high level of service to visitors to the Library in Edinburgh, we are expanding the amount of information that can be accessed online to allow people to benefit from our collections wherever they are based. More than 500,000 new digital objects were created from material in our collections throughout the year.

New additions include detailed maps of Scotland from the 1890s to the 1950s. Google satellite and map overlays help people compare how places have changed from Victorian times to the 21st century. More than 120 new films have been added to the online archive of the Scottish Screen Archive giving fans of film about Scotland access to dozens of hours of footage. Our online collection of Gaelic literature has also proved very popular, clocking up hundreds of thousands of downloads in the first few months after its launch.

Online access is also provided to content that we licence from others and do not own ourselves. One example of this is free business information, available through our SCOTBIS service which gives Scottish companies access to information about customers, suppliers, business partners and competitors to help them grow and prosper.

Schools and adult learners can also benefit from the Library's huge bank of knowledge through accessing our Learning Zone. This is a section of the NLS website that has been specially developed to support school students and adult learners in their studies. Our learning team also worked with schools in Moray throughout the year on an educational project to develop a unique travel guide that has been made available as a mobile app. This was a good example of how our archive material can be used in a new way to inspire local people to tell the story of their own area.

One of the most important developments in 2011/12 was the publication of the National Library of Scotland Bill and its consideration by the Scottish Parliament. This legislation modernises the powers and functions of NLS and will strengthen our role in safeguarding and sharing our collections for future generations. The Library has changed immeasurably since the previous legislation was passed in 1925 and the new Bill is very welcome as it recognises and reflects our role in the 21st century. We were delighted to host a visit by the Parliament's Education and Culture committee to the Library during the consideration of the Bill. We have also been appreciative of the many positive comments made about the Library's work and for the careful scrutiny paid by our legislators to the detail of the Bill. The early stages of the legislation were completed throughout the year and the Bill was approved in May 2012.

As stated earlier the digital information revolution presents us with new opportunities to make our collections more widely available. However, it also presents challenges. One of the main ones is that more and more information is being produced only in an electronic format and there is a risk that it could be lost forever. We are pleased that the UK Government has launched a public consultation on draft regulations that will allow legal deposit libraries like NLS to collect a copy of everything published electronically, just as we can do for printed material. This will help us preserve this material for future generations.

We continue to add more than 5000 printed items a week to our collections mainly through legal deposit and, during the year, the number of printed items we hold passed the 15 million mark. One of our main acquisitions was a new donation of papers by the Murray family which completes the John Murray Archive of literary treasures, providing a remarkable insight into British life over three centuries. We were also delighted that the John Murray Archive has been included in the UK Memory of the World Register which recognises material of outstanding merit. This is our fifth inclusion in the register which is testament to the depth and quality of the material we hold.

The great philanthropist Andrew Carnegie, who established public libraries around the world, described the library as 'a never failing spring in the desert'. Some people question their future in the digital age. Our increasing visitor figures show that not only are libraries as relevant as ever but there is an increasingly important place for them in the 21st century.


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Martyn Wade
National Librarian & Chief Executive

Date: 4/10/12

Annual Report of the Board of Trustees

1. History of the National Library of Scotland

The National Library of Scotland has a history of 300 years, being successor to the historic Library of the Faculty of Advocates, founded in the late 17th century on the initiative of the King's Advocate, Sir George Mackenzie of Rosehaugh. During the 18th and 19th centuries, by their administration and by the service they gave not only to Faculty members but also to scholars in general, Keepers like Thomas Ruddiman, David Hume and their successors established the Advocates' Library as the National Library of Scotland in all but name. With the provision of a very generous endowment by Sir Alexander Grant of Forres, the Government in 1925 accepted the Faculty's offer to present its Library, with the exception of the law books and manuscripts, to the nation to become the National Library of Scotland.

The National Library is the largest library in Scotland, with over 15 million printed items, and it is among the half dozen largest libraries in the British Isles. It has extensive and varied collections of printed material (maps, music, newspapers, etc, as well as books) and large collections of manuscripts and increasingly important digital collections. Its special characteristics derive from its status as a national and legal deposit library. Since 1710 the Library has had the right, under successive Copyright Acts, to acquire all books published in the United Kingdom, and it now seeks to obtain, through legal deposit, books and other publications that are within the scope of the Library's collection development policy. By reciprocal legislation the British Copyright Libraries have similar rights in the Republic of Ireland. The Library also acquires, mainly by purchase, but also by gift and deposit, older books, maps and music, modern foreign publications, and manuscripts.

Although its primary function remains what it has long been – that of a large general research library with some degree of particular focus on Scotland and the Scots – it is conscious of the need to adapt its services to changing conditions. Over the past two decades the Library has acquired a number of additional functions, and has taken its place at the hub of Scottish libraries.

2. Statutory background

The National Library of Scotland Act 1925 established NLS "on the foundation of the Library gifted for that purpose by the Faculty of Advocates, and for purposes connected therewith". The National Heritage (Scotland) Act 1985 made the Library a Non-Departmental Public Body, grant-aided by the Scottish Government.

NLS is a registered charity. The Charities Statement of Recommended Practice (SORP 2005) on accounting for charities requires certain additional disclosures in the Trustees' Annual Report as follows:

The name of the charity is National Library of Scotland. Its principal address is George IV Bridge, Edinburgh

Trustees are appointed under the terms of the National Library of Scotland Act 1925 as amended by the National Heritage (Scotland) Act 1985 and the Scotland Act 1998. The Trustees also act as trustees for a number of trust funds and bequests as explained in note 10 to the accounts.

The Library is one of 5 UK Legal Deposit Libraries. As a registered charity its purpose is advancement of education, and advancement of arts, heritage, culture and science.

3. Financial results for the current years

2011-12 brought certainty in relation to the 2012-2015 funding period following a period of concern about cut-backs to public spending.

The Library has focussed on a management restructure during 2011/12. This planned to deliver both effective management and also to allow reduction of staffing costs. The transition was assisted by generous funding from Scottish Government for early retirements in 2010/11 and further funding of a Voluntary Early Exit scheme in 2011/12. There were reduced staffing levels in 2011/12 – vacancies were not filled in anticipation of a revised structure – which had a knock on effect to spend levels during the year. As implementation of the revised management structure occurs during 2012-13, a period of consolidation can begin.

The Library was given funding from Scottish Government of £300k in relation to Voluntary Early Exit (“VEE”) during 2011/12, of which £293k was spent during the year. A further amount has been ring-fenced for VEE during 2012/13.

Despite best efforts, the Library was unable to deliver all committed projects for 2011/12 within the financial year. Funding for committed projects has therefore being ring-fenced and will be carried forward to 2012-13. This restricted funding includes Scottish Government contribution of £250k towards relocation of the National Library of Scotland’s Scottish Screen Archive into Glasgow city centre, as part of the planned re-development of the Kelvin Hall.

2011/12 saw a reduction in ring-fenced Collection Purchase Fund Grant from £1.3m to £0.7m. From 2012 onwards the Library will no longer receive ring-fenced Grant In Aid for Collection Purchase, instead it will receive Capital Grant which Scottish Government will allow to be used flexibly for either Collection Purchase or Capital works. In 2011/12, the reduction in capital funding has meant a decision to supplement ring-fenced grant with an allocation of revenue funding. Revenue Grant in Aid continues to be credited to the General Fund, with an inter-reserve transfer to the Collection Purchase Fund.

In this year of transition the Executive Leadership Team approved the transfer of excess funding (attributable to the non-filling of staff structure), to the Collection Purchase Fund. This strategic decision helps to ameliorate the reduction in capital grant funding during 2012-13. This, in turn allows the Library to maintain its commitment to its development of Collections.

4. Significant changes to Fixed Assets

Fixed Assets of £501k (2011: £403k) were capitalised during the year.

5. The Board of Trustees

NLS has a statutory requirement for thirty two Trustees, of whom eleven are ex officio, five (including the Chairman) appointed by the Crown, five appointed by the Faculty of Advocates, four appointed by the Universities, two appointed by CoSLA and five, "being persons of eminence in literature or public life", being co-opted. At the date of this report there are four vacancies on the Board of Trustees.

Crown appointments are made by the Scottish Government after public advertisement. The Board seeks to co-opt individuals that fill gaps in the skills/knowledge base, and does this also by public advertisement. The names of the Board Members who served during the year are as follows:

	Committee Membership
Chairman (appointed by the Crown) Professor M Anderson, OBE, MA, PhD, FBA, FRSE	2, 3, 4, 5
Trustees	
Ex-officio	
The Lord President of the Court of Session	
The Lord Advocate	
The First Minister	
The Dean of the Faculty of Advocates	4
The Minister of the High Kirk (St Giles'), Edinburgh	
The Member of the Scottish Parliament for Edinburgh Central	
The Crown Agent	1
The Lord Provost of Edinburgh	4
The Lord Provost of Glasgow	
The Lord Provost of Dundee	
The Lord Provost of Aberdeen	
Appointed by the Crown	
A. Lorraine Fannin, OBE, BA, DipEd	1
Dr Willis Pickard, MA, LL.D, DEd	4
Andrea M Batchelor, BSC (Hons), TeachCert, MAppSci (one vacancy)	3

Appointed by the Faculty of Advocates

Mungo Bovey, QC	
Jonathan Lake, QC	5
Malcolm C.N. Scott, QC	
Malcolm G Thomson, QC	1
James Wolffe, QC	5

Appointed by the Universities

Professor G D Caie, MA, PhD, FRSA, FEA, FRSE	2
Professor David Finkelstein, BA PhD FEA, FRSA	2
Dr P Kemp, MA, PhD	3, 4
Dr Richard Parsons, BSC, MSC, PhD	1

Appointed by the Convention of Scottish Local Authorities

Councillor Gordan Low
Councillor Kathy Morrice

Co-opted

Lady Balfour of Burleigh, CBE, MA, DPhil, FSA Scot, FRSE (until May 2011)	2, 5
Ms Moira Methven, MCILIP	3, 4
Stephen Dunn (until June 2011)	3
Charles Lovatt (three vacancies)	1, 5

- 1 Member of Audit Committee
- 2 Member of Development Committee
- 3 Member of the Staffing and Remuneration Committee
- 4 Member of the Governance Working Party
- 5 Member of the Investment Committee (ceased activity in March 2012)

Dr Bill Zachs, Lord Coulsfield and Mrs Ruth Plowden were co-opted members of the Development Committee. Mr Paul Dollman was a co-opted member of the Audit Committee from December 2011.

None of the Trustees receives remuneration for their service to the Library. Travel and subsistence expenses amounting to £1,446 (2011: £1,526) were paid to Trustees in respect of attendance at meetings. Neither the Trustees nor the Directors of the Library receive any benefits in kind.

The Library maintains a Board Members' Register of Interests, which complies with the requirements of the Ethical Standards in Public Life (Scotland) Act 2002 and is available for inspection on the National Library of Scotland website. Trustees are required to update the register within 28 days of a change to their registerable interests.

New Board members are provided with an induction pack that contains a range of documentation including the Responsibilities of the Board of Trustees, Code of Conduct, Rules on Declaration of Interest and the Corporate Plan, and are invited to tour the Library. Over two half days, new Trustees are invited to visit the Library and meet Library staff. The briefing session includes meetings with the Chairman, National Librarian and Chief Executive and the Executive Leadership Team. Trustees also receive regular presentations from staff at Board meetings.

The Board met five times during the year to effect general management and control over NLS. One additional meeting was held during the year to consider Corporate Strategy.

The Board's principal function is responsibility for the stewardship and governance of the National Library of Scotland; this includes approval of the Corporate Plan and Annual Budget. The Audit Committee has delegated responsibility for certain Finance matters. Appropriate delegations are also made to the Staffing and Remuneration Committee and the Investment Committee. In addition, a Governance Working Party has continued to consider appropriate ways to improve governance of NLS.

Responsibility for delivering the Strategy and Operational objectives is devolved to the National Librarian and Chief Executive (Martyn Wade), supported by his Executive Leadership Team. The Executive

Leadership Team was appointed during 2011/12 and consisted of:

Duncan Campbell	Deputy Chief Executive
Dr Darryl Mead	Deputy National Librarian

6. Investments

The Trustees Act 2000 governs the Trustees' investment powers. The Trustees have agreed the NLS investment policy and will review the content of the portfolio and its performance on an annual basis.

7. Suppliers payment policy

It is the Library's policy that creditors are paid within the agreed commercial terms. These normally range from 7 days to 30 days for individual creditors. During the year the Library took an average of 28 days to settle invoices (2011: 22 days). A random sample of invoices taken from those paid during the year ended 31 March 2012 showed that 92% (2011: 71%) of invoices were paid within the terms agreed with suppliers. The Library processes invoices in order to pay suppliers at the earliest opportunity, cognisant of the Scottish Government target of paying suppliers within 10 days. At present 12% of suppliers are paid within 10 days (2011: 18%).

8. Policy in relation to provision of information to employees

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. Employee communications include regular meetings, information circulars and the staff intranet, which has been undergoing further development this year, with improvements due to be launched during 2012-13.

9. Policy in relation to equalities

On 6 April 2011 the Library became subject to the Equality Act 2010. The general duty of this 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.

In Scotland, the implementation of the additional responsibilities under the Public Sector Equality Duty (PSED) was deferred pending a public consultation. The Scottish Government has now completed this consultation and the revised PSED has been announced. In response to this, over the coming year the Library will be developing equality objectives in consultation with people from groups identified in the Act as having protected characteristics. The Library will also be conducting equality impact assessments as required, conducting an equal pay audit, conducting a staff profile audit, and publishing this information on the Library website. The responsibilities enacted under the PSED were communicated to the Library's Corporate Management Team by the Corporate Information Officer, who has assumed responsibility for this area of compliance. The Library continued to build understanding and awareness on equalities through involvement with the NDBP's Equalities Forums.

10. Sickness absence

NLS introduced a more robust attendance management process in November 2008 which led to tighter and faster management of both short-term and long-term absence cases. The policy was reviewed in 2011 and the feedback received resulted in the launch of a revised Attendance Policy and Procedure on 1 February 2012 which included a capability process. Managers have all attended briefing sessions and were provided with the tools required to cascade the changes to their direct reports. All staff were then required to confirm their understanding of the policy and procedure.

Average sickness absence for 2011/12 was 7 days, an improvement on both the 2010/11 figure of 8 days and 12 days in 2009/10. The figures continue to be encouraging and are below the average figure for public sector organisations.

11. Information risk

There was no requirement to complete the Information Risk Report this year. However, following previous assessments, optional training was offered to staff via the National School of Government's e-learning module 'Protecting Information'. A dozen staff completed this training. Information Asset management was addressed by matching assets to owners and allocating responsibilities for information assurance management accordingly. Work to embed information asset management is ongoing.

12. Employee consultation

The Library began a planned management restructure in autumn 2011 and completed the first phase by October 2011, with the appointment of the Deputy Chief Executive and Deputy National Librarian who, along with the National Librarian Chief Executive form the Executive Leadership Team. The second phase of the restructure was completed by the end of December 2011 when seven Heads of Department were appointed. The third phase began in the fourth quarter of 2012 and is not yet complete. The restructure has involved both staff and union consultation.

The Library places great emphasis on employee consultation and engagement. It recognises four trade unions, Becton, FDA, PCS, and Prospect, and works closely with both local and national union officials on matters such as health and safety, training and development and employee well-being. In addition, there is a formal joint consultative mechanism with the trade unions, the Whitley Council, which is currently meeting six times a year. The Whitley meetings are chaired by the National Librarian and Chief Executive (NLCE). Additionally a union representative attends meetings of the Board of Trustees as an observer.

For direct communication and consultation with staff, the Library organises all-staff meetings and ensures that all units and divisions hold regular and minuted staff meetings. There is a cascade system for decisions from senior leadership and management groups as well as a staff circular system; the intranet is also heavily used for both formal and informal communication. Additionally, Martyn Wade, NLCE, regularly provides staff with useful updates through his blog. There are also well-maintained and current notice boards in all buildings.

13. Environmental matters and social and community issues

NLS has committed to reduce CO2 emissions from its operations by 30% by the end of financial year 2014/15 from 2008/09 levels. During the period 2011/12 NLS achieved a 28% reduction of CO2 emissions compared to this baseline year.

NLS has also reduced energy consumption by 26%, water consumption by 34% and transport and travel by 78% compared to the baseline.

During 2011/12 NLS recycled 76% of its waste.

Scottish Government funding enabled NLS to carry out an extensive plant replacement programme over the course of the year which will deliver further reductions over the forthcoming year.

The NLS Public Sector Sustainability Report 2011/12 which provides comprehensive data relating to NLS sustainability activity can be found at www.nls.uk.

14. Changes since 31 March 2012

The National Library of Scotland Bill was approved in May 2012.

15. Future developments

The Library has prepared a new corporate strategy titled 'Connecting knowledge'. This will guide the priorities in the years up to 2014, which are expected to be challenging in terms of public funding. A central challenge will be to develop and invest in digital services, whilst not damaging the essential traditional services. This reflects the continuing revolution in the way that information is published, preserved and communicated in all fields of knowledge. This will require considerable organisational change and adjustments in the balance between the services traditionally provided by the Library and newly-developing services. Improving internal processes to maximise efficiency will be important, and we are committed to collaborating with other partner organisations (notably the National Galleries of Scotland) to develop shared services where these bring significant benefits. We will see further changes in the governance of NLS, with the National Library of Scotland Bill (approved in May 2012) which replaces the 1925 National Library of Scotland Act.

16. Appointment of auditors

The Accounts of NLS are audited by an independent auditor appointed by the Auditor General for Scotland. PriceWaterhouseCoopers LLP, 141 Bothwell Street, Glasgow G2 7EQ was appointed from 1 April 2011.

The agreed fee for audit services was £20,251 (2011 – £20,980) 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 annual report and accounts, including minutes of the Board and other relevant management meetings, have been made available and no such information has been withheld.

Internal Audit services during the year were supplied by Baker Tilly, 139 Fountainbridge, Edinburgh.

17. Other Professional Advisors and Bankers

Investment advisers	Brewin Dolphin Securities Ltd, 7 Drumsheugh Gardens, Edinburgh Brown Shipley, Conference House, 152 Morrison Street, Edinburgh
Legal advisers	Dundas and Wilson CS, Saltire Court, 20 Castle Terrace, Edinburgh Murray Snell LLP, 40 Castle Street, Edinburgh Pinsent Masons, Third Floor, Quay 2, 139 Fountainbridge, Edinburgh Turcan Connell, Princes Exchange, 1 Earl Grey Street, Edinburgh
Bankers	Bank of Scotland, The Mound, Edinburgh Royal Bank of Scotland, St Andrew Square, Edinburgh Citigroup, Canada Square, London
VAT advisers	Scott Moncrieff, Exchange Place, 3 Semple Street, Edinburgh

18. Risk management

NLS maintains a Corporate Risk Register that is monitored regularly by the Library's senior management and Trustees.

During 2011/12 responsibility for Corporate Risk Management was managed by the Senior Management Team, which comprised the four directors and the Accountable Officer until October 2011. From that point, this responsibility transferred to a smaller team made up of the Accountable Officer, the Deputy Chief Executive and the Deputy National Librarian (the Executive Leadership Team ('ELT')); this was introduced as part of an organisational restructuring exercise to simplify management levels and reduce the number of managers in NLS. Corporate Risk Management is overseen by the Audit Committee with reports to the Board of Trustees.

During the year, the second phase of management restructuring established eight departments below the ELT, and Heads of Department were appointed in December 2011. These Heads of Department, under guidance from ELT members, have responsibility for managing risk at departmental level. One of the new departments – the Secretary's Department – assumed formal responsibility for developing corporate risk policy and monitoring conformance to it. A revised draft risk management policy was developed (and used in the internal audit on risk); this will be formally adopted and implemented during 2012-13.

Operational risk management was kept under review by the SMT, and later, ELT. Risk Management is now delegated to the Heads of Department. The Corporate Risk Register was reviewed and updated and a system of recording departmental and divisional risk as part of the corporate planning process was put in place. Detailed departmental and divisional risks are being managed at division level and, where necessary, included in the Corporate Risk Register.

The Library's approach to, and management of risk is regularly reviewed by its Internal Auditors and Trustees. Risks are reported to the Audit Committee, which monitors progress and success of the actions identified as necessary for mitigating the identified risks, and reports regularly to Trustees.

This high level risk register provides the platform for ensuring that all major business risks are adequately controlled, thereby reducing the risk that NLS does not achieve its objectives.

19. Objectives and achievements

During 2011/12, the National Library of Scotland was guided by the strategic goals outlined in its new corporate strategy 'Connecting knowledge'. These goals fall into broad themes: Content, Connectivity, Collaboration and Organisational development.

Collecting

Collecting, preserving and sharing knowledge is our key function. Our collections continue to grow and throughout the year the number of printed items we hold passed the 15 million mark. The range is vast from medieval manuscripts, historic maps and photographs, to the order for the massacre of Glencoe, the last letter of Mary Queen of Scots, film posters, football programmes and Harry Potter. We also collect significant digital material and film, through our Scottish Screen Archive.

We aim to collect Scottish material as comprehensively as possible, working closely with the Agency for Legal Deposit Libraries which is located in our Causewayside building. We also aim to meet the needs of our readers for non-Scottish content. In 2011/12, we acquired more than 265,000 new printed items through legal deposit and by traditional routes including purchase and donations.

One remarkable item we acquired was a memorial book which records the tributes paid by visitors to the grave of Lord Byron between the years 1825-34. It was donated by Mrs Marilyn Solana from Savannah in the United States who bought the book for a few dollars at a local church bazaar. She decided to donate the book to NLS which holds the most important collection of Byron's work in the world through the John Murray Archive. The new find will further enhance this collection.

Other important acquisitions included

- An extensive addition of papers to the John Murray Archive donated by the Murray family. They include material related to individual authors, including the original manuscript of Samuel Smiles' 'A publisher and his friends', papers relating to the 'Quarterly review', business papers and ledgers, and personal and family letters, diaries and notebooks of John Murray III, IV and V which provide an unparalleled insight into their private and business lives. Original drawings by Osbert Lancaster, one of Britain's leading cartoonists whose work appeared in the Daily Express from 1939 to 1981 are also included.
- A collection of six Scottish single-sheet items printed before 1700 that were acquired at auction. They were formerly part of a bound volume of mainly 17th-century broadsides and pamphlets. They include proclamations, an act and ratification, and a printed document concerning Acts of the Scottish Parliament.
- A rare Hungarian translation of Adam Smith's seminal work Inquiry into the nature and causes of the wealth of nations which is an important addition to the Library's extensive collections of material relating to the Scottish economist. It has a lengthy introduction by the noted economist, politician and banker Gyula Kautz (1829-1909), who was Governor-General of the Central Bank of Hungary from 1893 to 1900. The only other known copy of this translation is located in the Hungarian National Library.
- The 'Official Celtic Opus European Champions Edition' celebrates the first British team to win the football European Cup. This large scale volume is one of only 500 published and is signed by all the living members of the 1967 squad.

We completed a 10-month-long systematic survey of all the Library's printed collections, excluding maps during the year. This top-level audit is designed to improve preservation and management of the collections by monitoring their storage.

Much of what is published today is never recorded in books or on paper and exists only electronically on websites where it is at risk of being lost forever. We were pleased that the UK government launched a public consultation during the year on arrangements that will allow NLS and other legal deposit libraries to harvest and preserve important electronic publications for future generations. We have been working

closely with the British Library and the National Library of Wales to ensure that we are all ready to collect material when the appropriate regulations are approved.

The world class nature of our collections was recognised in May when the John Murray Archive was added to the UK Memory of the World Register. UNESCO (the United Nations Educational, Scientific and Cultural Organization) established the register in 2010 to highlight items of historical interest. It focuses on archive, library items and collections of outstanding universal value, with a remit to promote their merits.

Containing over 250,000 items, the John Murray Archive covers more than 200 years of John Murray publishing. There are letters, manuscripts and business records from over 16,000 people, including some of the greatest writers, politicians, explorers and scientists of their time.

Last year NLS had four inclusions in the register, including maps made by Timothy Pont and books from Scotland's first printers. The new addition means that the Library's collections now make up 16% of the total UK Register of 31 items and collections.

NLS staff continue to be involved in a high level of research activity which is reflected in talks and papers being delivered on a wide range of subjects. These include the role of libraries in the 21st century; the history of the Bible in English; the musical settings of Sir Walter Scott's works; the last expedition of Captain Scott to the South Pole and the works of Lord Byron.

Our map curator Chris Fleet was one of the authors of a major book 'Scotland: Mapping the nation' which is the first book to take Scottish maps seriously as a form of history. It shows how Scotland has been viewed differently over time from the first Roman maps to the modern 'sat-nav' age. It featured prominently in the Scottish bestseller lists for a number of weeks last year.

A distance learning course at the University of Dundee entitled 'Understanding and managing rare books' has also been produced with the support of NLS. Three of the four units on the 13-week course have been written by NLS staff who are also acting as tutors on the programme.

Connecting

Our goal is to connect as many people as possible with the content they want to find and use. This supports education, research, business and innovation and also helps to enhance the reputation of Scotland as a country with a rich heritage and a vibrant future.

Our users can be anyone – family researchers, students, professional and business users, tourists or the general public. They come from all parts of the world.

Increasingly this means providing online access to allow people to connect to our resources from home, work, school or college. We are digitising more and more of our collections and making these available online. The range of material on our digital gallery is already extensive including books of early Scottish songs; Soviet posters; the history of golf in Scotland; information on the suffragette movement; theatre playbills; maps and photographs of Scotland; and information on key Scottish writers. This is helping to attract new visitors to our website and total traffic was over 1.85 million throughout the year from countries around the world. Through this we are helping to advance knowledge and understanding about Scotland and its history.

We also connect people to content that we may not own. An important and growing example of this is our subscriptions to licensed digital resources which provide our users with access to valuable research data and journals. These include:

- Hundreds of thousands of digitised books, periodicals and manuscripts spanning over five centuries
- Millions of records and abstracts via online services and databases
- Thousands of full-text newspapers, journals and reports
- Hundreds of full-text reference works
- Valuable business information on companies around the world.

In many cases, subscription materials are accessible to users online, subject to licence conditions.

During the year we added a further 25,000 detailed Ordnance Survey maps to our Maps of Scotland website (<http://maps.nls.uk>), the results of two major digitisation projects. These are the most detailed maps surveyed by Ordnance Survey of Scotland and are immensely valuable for local and family history, allowing almost all features in the landscape to be shown.

Over 120 films were added to the online catalogue of the Scottish Screen Archive. Lasting from under a minute to almost an hour, the films range from silent black and white non-fiction film to a documentary about the preparations of the Scottish sprinter Allan Wells for the 1980 Olympic Games in Moscow where he won gold.

Work also continued to put more information online from other projects, including Scottish post office directories and the medical history of British India. A total of 525,000 digital objects were created from our collections throughout the year.

Our Learning Zone was launched in May providing a special section of our website where the knowledge held within our collections can be used easily for teaching purposes. It brings together learning resources, web features, video guides and links to relevant collections to support teachers, learning providers and students in searching for information.

At the same time as increasing our investment and range of services in the online world, we are maintaining the full range of services in our public buildings, especially our flagship George IV Bridge building in Edinburgh. Reading rooms are open six days a week and the Visitor Centre, including exhibitions, café and shop, is open seven days a week excluding public holidays. A record number of visitors came through our doors in 2011/12, totalling just under 275,000.

We staged two major exhibitions during the year – 'Banned books' in the summer which explored the issue of censorship through a range of topics, from sexuality to politics and religion; and 'Beyond Macbeth' in the winter months that told the little-known story of how Shakespeare has been seen from Scotland down the centuries. Target figures were exceeded for both. Our award winning permanent exhibition on the John Murray Archive also continued to be popular.

Among Treasures on display in the course of the year were items which included an original copy of the James V1 Bible; papers relating to the disastrous Darien campaign when Scotland tried to establish an overseas colony; letters and papers of the Scots philosopher David Hume and material telling the story of Captain Scott's ill-fated expedition to the South Pole 100 years ago.

Our popular events programme featured talks on a wide variety of topics throughout the year including from politicians Dennis Canavan and Robin Harper. Our Inspirations series continued to attract sell out audiences and this year included the actor Brian Cox and television presenter Michael Palin discussing what has inspired them in their lives. Our support for book festivals across Scotland continued with NLS events featuring the television interviewer Michael Parkinson at the Borders Book Festival; the playwright John Byrne at the Lennoxlove Festival and the writer Bernard MacLaverty at Ullapool Book Festival.

We hosted two acts at the Edinburgh Festival fringe over 21 nights in August and held the annual Donald Dewar Memorial Lecture – given by former Lord Advocate of Scotland, Elish Angiolini – at the Edinburgh International Book Festival. Both Fringe productions, 'Robert Burns: Not in my name' and 'Performing Piaf' had links to items held in the Library's collections.

Finally, we continue to increase public awareness of NLS both in Scotland and across the world, so that all those who can benefit from our collections services and expertise are able to do so. Media highlights which attracted good publicity included the donation of a memorial book to Lord Byron which was bought in a church sale in the USA; a project using multi-spectral imaging to read a 140-year-old diary of David Livingstone's; legislation to modernise the powers and functions of NLS, together with ongoing positive coverage of Treasures displays and exhibitions.

Our social media presence continues to grow with more than 3,000 'fans' on our Facebook page while the number of people following NLS on Twitter has almost doubled in the past year to just under 4,000.

Collaborating

Our role in collecting, preserving and widening access to our collections cannot be delivered by acting alone and we work in partnership with others at global, European, UK, Scottish and local levels.

Our work will increasingly involve participating in networks to develop best practice on issues such as digital preservation and ensure that this is made available throughout Scotland. The NLS Bill, which began its passage through the Scottish Parliament throughout the year, recognises our important leadership role and provides a legal basis for us to promote collaboration and work with others to maximise our contribution to Scottish society in the long run.

One example of this is work we are leading on to develop a national sound archive for Scotland to provide online access to an archive of recorded speech and music. A steering group has been established to take this forward. We are also working with others on plans to provide online access to all out-of-copyright Scottish publications.

We work closely with other legal deposit libraries in the UK and Ireland on issues of common interest. One recent example has involved collaboration on the implementation of regulations that will allow non-print material to be collected and preserved. Electronic publications now hold more and more of our national memory and there is a real risk of this material being lost forever. We, along with other legal deposit libraries, have encouraged the UK Government to implement regulations that will allow this material to be collected and preserved. We were pleased with progress made on this throughout the year and are also working together to prepare systems to allow us to collect this material when we have approval to do so.

We gave a formal response to publication of the National Library of Scotland Bill which was published by the Scottish Parliament. Our chairman Professor Michael Anderson and Chief Executive Martyn Wade gave evidence in person to the Education and Culture committee during their deliberation on the Bill. We also hosted a visit to the Library by members of the Committee to explain more about our work and answer their questions about the role of the Library in the life of Scotland.

Good progress is continuing to be made on developing shared services with the National Galleries of Scotland which will produce benefits and efficiencies for both organisations. This involves joint or shared approaches to services including human resources, finance and IT.

Collaboration is part of the essential day to day work of the Library and there are far too many examples to mention. Some of the key ones from the past year include:

- Plans to relocate the Scottish Screen Archive to a new 'museum quarter' at the Kelvin Hall in Glasgow. This will provide improved facilities for existing operations as well as creating a new "research centre for the moving image."
- We are part of an international collaborative project to develop a new way of searching for maps held across the world's major map libraries. 'Old maps online' uses the very latest georeferenced map search technologies to allow access to over 60,000 maps from a consortium of map libraries in the United States and Europe.
- Our winter exhibition 'Beyond Macbeth' was organised jointly with Edinburgh University and funded by the Arts and Humanities Research Council. It brought together world class collections of Shakespeare related material held by both NLS and the university.
- The Wellcome Trust is continuing to fund the digitisation of material from the Medical History of British India project
- In October we signed a partnership agreement with Wilbourn Associates, a firm of chartered environmental surveyors, based in Sheffield to fund the scanning and georeferencing of historical maps. This involved supplying maps for their environmental risk reports with NLS users benefitting by getting a new map series available on the website
- We have been working with VisitScotland to promote our exhibitions, events and collections through their network and add to the attractions that are available to visitors to Scotland.

Developing the organisation

We face significant changes arising, for example, from the information revolution and the need to cope with reducing budgets over the coming years. It is essential therefore that we use our resources wisely and to best effect.

The most important development throughout the year was the publication and the initial passage of the NLS Bill through the Scottish Parliament. The Bill updated the powers and functions of NLS and replaces the 1925 National Library of Scotland Act. These changes are very welcome and will strengthen our role in safeguarding and sharing knowledge for current and future generations.

At the same time as this has been happening, we have embarked on a major management restructuring within the Library to ensure we have the right staff in the right place to face the challenges of the future. This has resulted in a slimmed down structure that has halved the number of management posts. It will produce cost savings whilst also creating clearer accountability and better, quicker decision making. New responsibilities for managing risk, review and audit have also been put in place as part of the restructuring.

We continued to make good progress in reducing our energy use and achieving ambitious targets set in 2009 with the Carbon Trust to cut our carbon emissions. We undertook to reduce emissions by 30% by 2014-15. A reduction of 28% was achieved by the end of 2011/12 compared to the baseline and, with further improvements planned, we are on course to exceed the target. This will produce savings of £620,000 over the course of the project and annual recurring savings of £160,000 thereafter.

Plans were developed throughout the year to expand our services to readers by creating a special collections reading room in a part of the Library that previously was used by NLS staff who are to be re-located.

We published a policy on dealing with breaches of the terms and conditions of use of reading rooms. Such breaches are very rare but the policy is designed to ensure that we respond consistently and fairly whenever they do occur.

Together with the National Galleries of Scotland we have formed a new Patrons' organisation to increase awareness of the literary and artistic heritage of Scotland among the people of North America. It will raise funds to support the work of both organisations and also seek to acquire items of artistic and historic value to Scotland. This is part of our continuing efforts to generate additional income to support the Library's work.

20. Disclosure of relevant audit information

As Accountable Officer, the National Librarian and Chief Executive has declared that he is not aware of any relevant audit information of which our auditors are unaware. He has taken all necessary steps to ensure that he is personally aware of any relevant audit information and to establish that the auditors are also aware of this information.


Chairman, Board of Trustees

Date: 07.10.12

Remuneration report

Unaudited information

Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

The figures in the tables on the next page include all sums paid during the year in respect of remuneration to members of the Executive Leadership Team, together with the pension entitlements accruing to those individuals at 31 March 2012 both by way of lump sum and annual amounts payable from the due date of retirement. Remuneration excludes any sums paid on early retirement or in respect of pay protection.

Audited information

The following section provides details of the remuneration and pension entitlements of Executive Leadership Team (formerly Senior Management Team) during the year. There are no other staff earning above £60k.

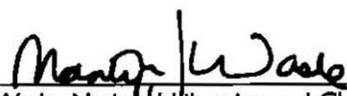
	2012 Salary £000s	2011 Salary £000s	2012 Accrued Pension £000s	Real Increase in Pension £000s	CETV as at 31/3/2012 £000s	CETV as at 31/3/2011 £000s	Real Increase in CETV funded by NLS £000s
Martyn Wade National Librarian & Chief Executive	90-95	90-95	40-45	No increase	888	856	No increase
Duncan Campbell Deputy Chief Executive	65-70	55-60	30-35	2.5-5	633	537	48
Daryl Mead Deputy National Librarian (from February 2011)	60-65	5-10 (50-55 FTE)	0-5	0-2.5	50	29	9
Alexandra Miller Director of Customer Services (member of Senior Management Team until October 2011)	55-60	55-60	5-10	0-2.5	164	140	11

Salaries are the amounts earned in the financial year. Performance bonuses and overtime are not paid to senior management. Amounts relate to NLS employment only and do not include earnings from positions elsewhere in the civil service.

No benefits in kind were provided by the employer (2011: £Nil).

Details of pensions and Cash Equivalent Transfer Values are disclosed based upon information supplied by the Department for Work and Pensions. The increase in accrued pension is discounted for the effect of inflation. Lump sums at 31/3/2012 were payable to Martyn Wade £126k (2011: £126k) – no real increase.

The actuarial factors used to calculate CETVs were changed in 2011/12. The CETVs at 31/3/2011 and 31/3/2012 have both been calculated using the new factors, for consistency. The CETV at 31/3/2011 therefore differs from the corresponding figure in last year's report which was calculated using the previous factor.


 Martyn Wade, National Librarian and Chief Executive and Accountable Officer

Date: 1/10/12

Statement of Trustees' responsibilities

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with paragraph 8(3) of the Schedule to the National Library of Scotland Act 1925, as amended by section 18(6) of the National Heritage (Scotland) Act 1985, other applicable laws and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in Scotland requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of 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 trustees 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 whether applicable accounting standards 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 charity will continue in business.

The trustees are responsible for keeping proper accounting records that 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, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions 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 trustees 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.

Governance statement

Scope of Responsibility

The National Librarian and Chief Executive (NLCE) is the Accountable Officer and, together with the Chairman, has joint responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives set by the Scottish Ministers, whilst safeguarding the public funds and assets for which we are personally responsible, in accordance with the responsibilities assigned to us.

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

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

Purpose of the system of internal control

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

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

The process within the organisation accords with the SPFM and has been in place for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts and accords with guidance from the Scottish Ministers.

Risk and control framework

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

There were changes to the management structure during 2011/12 and so responsibility for Corporate Risk Management changed from the Senior Management Team to the Executive Leadership Team ('ELT') – this is explained more fully in section 18 – Risk management. Corporate Risk Management is overseen by the Audit Committee with reports to the Board of Trustees. During the year Operational Risk Management was initially delegated to the directors responsible for the five departments of the Library's operations and was kept under review by the SMT, and later, ELT. The Corporate Risk Register was reviewed and updated and a system of recording departmental and divisional risk as part of the corporate planning process was put in place. Detailed departmental and divisional risks are being managed at division level and, where necessary are included in the Corporate Risk Register.

More generally, the organisation is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area. In particular, in the period covering the year to 31 March 2012 and up to the signing of the accounts, the organisation has continued with the implementation of the recommendations of the Internal Auditors.

The internal audit activity in 2011/12 focussed on risk management, financial systems (including procurement) and estates. Reports for these areas were considered by the Audit Committee in June 2012. As a result of this work, Baker Tilly, internal auditors, found NLS had an adequate framework of control over the systems examined. A key area given attention during the year was follow-up on earlier recommendations to improve controls, particularly in relation to recommendations to improve security of financial procedures in response to the fraud identified by the Library in the previous year.

The Board will consider an annual report from the Accountable Officer on internal control at an appropriate time each year.

The Audit Committee receives reports from internal and external auditors at its regular meetings and advises the Accountable Officer on risk and control matters. The Audit Committee will consider the Accountable Officer's draft report to the Board prior to signing of the accounts.

The Accountable Officer has reported on risks and controls to the Audit Committee before reporting to the full Board.

The Executive Leadership Team reviews internal control and manages risk as part of its routine business.

The Secretary ensures that there are effective audit and monitoring systems in place.

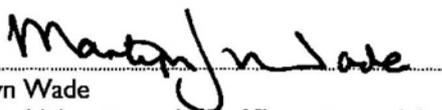
Heads of Department manage risk within their departments and the risk register is revised to reflect the results of discussion and in response to any other significant changes in circumstances or controls at any other time during the year. Where risks are perceived to have increased above acceptable levels, directors are required to identify additional control mechanisms to mitigate those increased risks.

Review of effectiveness

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

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

Appropriate action is in place to address any weaknesses identified and to ensure the continuous improvement of the system.



Martyn Wade
National Librarian and Chief Executive and Accountable Officer

Date: 07.10.12



Professor Michael Anderson
Chairman, on behalf of the Board

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

We have audited the financial statements of the National Library of Scotland for the year ended 31 March 2012 under the National Heritage (Scotland) Act 1985 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Income and Expenditure Account and Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 125 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and income in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2012 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 Heritage (Scotland) Act 1985 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.

Opinion on regularity

In our 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.

Opinion on other prescribed matters

In our opinion:

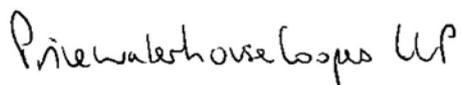
- The part of the Remuneration Report to be audited has been properly prepared in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers; and
- The information given in the Annual Report of the Board of Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which I am required to report by exception

We are required to report to you if, in our opinion:

- Adequate accounting records have not been kept; or
- The financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- We have not received all the information and explanations we require for our audit; or
- The Governance Statement does not comply with guidance from the Scottish Ministers

We have nothing to report in respect of these matters.



PricewaterhouseCoopers LLP
141 Bothwell Street, Glasgow, G2 7EQ
October 2012

Income and Expenditure Account for the year ended 31 March 2012

		2012	2011
		£000	£000
	Notes		
Income			
Gross income from revenue-earning activities	4	89	92
Gross income from grant-aided activities		1,077	1,145
		<u>1,166</u>	<u>1,237</u>
Expenditure			
Staff costs	5	9,264	10,589
Other operating charges	7	5,223	4,942
Depreciation on and permanent diminution in value of fixed assets	8	2,128	1,929
		<u>16,615</u>	<u>17,460</u>
Excess of expenditure over income before interest		(15,449)	(16,223)
Interest received – Unrestricted funds	3	14	35
Excess of expenditure over income		<u>(15,435)</u>	<u>(16,188)</u>
Release in respect of depreciation of tangible fixed assets and in respect of permanent diminution in value of assets	16	1,459	1,459
Release from Revaluation Reserve	16	245	(116)
Amount transferred to reserves		<u>(13,731)</u>	<u>(14,845)</u>
Transfer to Board Reserve Fund	16	14	12
Transfer to General Fund	16	<u>(13,745)</u>	<u>(14,857)</u>
		<u>(13,731)</u>	<u>(14,845)</u>

All activities relate to continuing operations.

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

Statement of Financial Activities for the year ended 31 March 2012

	Note s	Restricted Funds £000	Endowment funds £000	Unrestricted Funds £000	2012 Total £000	2011 £000
Incoming resources						
Incoming Resources from Generated Funds						
Voluntary Income	3	384	-	-	384	811
Activities for generating funds	4	-	-	89	89	92
Investment income	3	176	-	14	190	122
Incoming resources from Charitable Activities						
Charitable donations	3	131	-	5	136	916
Other charitable activities	3	-	-	698	698	900
Other incoming resources - Grant in aid	2	700	-	14,975	15,675	17,122
Total Incoming Resources		1,391	-	15,781	17,172	19,963
Resources expended						
Cost of generating funds						
Costs of generating voluntary income	3	-	-	225	225	217
Trading: cost of goods sold and other costs	3	-	-	75	75	80
Investment management costs	3	9	-	-	9	8
Charitable Activities						
Collection development	3	375	-	7,729	8,104	7,579
User access to collections	3	-	-	4,351	4,351	5,399
Strategy and communications	3	-	-	1,303	1,303	1,916
Collection Purchase	3	826	-	-	826	1,707
Depreciation	3	-	-	2,128	2,128	1,929
Governance costs	3	-	-	430	430	341
Total Resources Expended		1,210	-	16,241	17,451	19,176
Net incoming / (outgoing) resources before transfers		181	-	(460)	(279)	787
Transfers	16	2,916	-	(2,916)	-	(7)
Net incoming / (outgoing) resources before other recognised gains and losses		3,097	-	(3,376)	(279)	780
Other recognised gains and losses						
Gains / (losses) on investment assets	10	-	14	-	14	156
Gains / (losses) on the revaluation of fixed assets for the charity's own use	8	4,020	-	-	4,020	(2,342)
Release from Capital Assets Fund reserve		(1,704)	-	1,704	-	-
Net movement in funds		5,413	14	(1,672)	3,755	(1,406)
Fund balances brought forward at 1 April	16	67,274	5,332	2,840	75,446	76,852
Fund balances carried forward at 31 March		72,687	5,346	1,168	79,201	75,446

	Restricted Funds £000	Endowment funds £000	Unrestricted Funds £000	2012 Total £000	2011 £000
Fund balances comprise:					
Capital Assets Fund	58,444			58,444	59,801
Revaluation Reserve	10,920			10,920	7,145
Collection Purchase Fund	832			832	115
John Murray Endowment		3,000		3,000	3,000
Bequest Funds	232	2,346		2,578	2,545
Voluntary income	198			198	-
General Fund	2,061		877	2,938	2,563
Board Reserve Fund			291	291	277
	<u>72,687</u>	<u>5,346</u>	<u>1,168</u>	<u>79,201</u>	<u>75,446</u>

Summary of fund movements

	Balance at 1 April 2011	Incoming resources	Outgoing resources	Gains and Losses	Transfers	Balance at 31 March 2012
Capital Assets Fund	59,801	-	-	(1,357)	-	58,444
Revaluation Reserve	7,145	-	-	3,775	-	10,920
Collection Purchase Fund	115	710	(843)	-	850	832
John Murray Endowment	3,000	-	-	-	-	3,000
Bequest Funds	2,545	81	(62)	14	-	2,578
Voluntary Income	-	226	(15)	-	(13)	198
Funding for Restricted purpose	-	-	-	-	2,061	2,061
General Fund – free reserves	2,563	16,066	(16,007)	-	(1,745)	877
Board Reserve Fund	277	89	(75)	-	-	291
	<u>75,446</u>	<u>17,172</u>	<u>(17,002)</u>	<u>2,432</u>	<u>1,153</u>	<u>79,201</u>

All incoming resources derive from activities in furtherance of the Library's objectives, all gains and losses for the year are included in the Statement of Financial Activities, and all activities are classed as continuing.

Summary of Voluntary Fund movements

	Balance at 1 April 2011 (Restated) £000	Gains and Losses £000	Other Movements £000	Balance at 31 March 2012 £000
Bequests				
Reid Trust Fund	461	(6)	13	468
Alexander Grant Fund	1,233	(14)	29	1,248
Mrs R Ratcliff	346	(3)	6	349
Miss AN Wilson	102	-	-	102
Johnston	225	-	1	226
Other bequests	115	(2)	3	116
Clarke acquisition funds	30	-	-	30
Other Funds				
John Murray	3,033	39	(33)	3,039
Donations	-	-	135	135
Trust Fund balances	-	-	63	63
	<u>5,545</u>	<u>14</u>	<u>217</u>	<u>5,776</u>

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

Statement of Recognised Gains and Losses for the year ended 31 March 2012

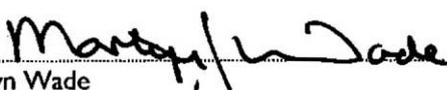
	2012	2011
	£000	£000
Net gain on revaluation of fixed assets	4,020	(2,342)
Unrealised gains on investments	14	156
Total recognised gains and losses related to the financial year	<u>4,034</u>	<u>(2,186)</u>

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

Balance Sheet at 31 March 2012

		2012	2011
		£000	£000
Fixed Assets	Notes		
Tangible Assets	8	38,081	35,688
Heritage Assets	9	32,174	32,072
Investments	10	3,997	1,986
Total fixed assets		74,252	69,746
Current Assets			
Stocks and work in progress	12	12	-
Debtors	11	651	708
Cash at bank and in hand	13	6,894	7,789
Total current assets		7,557	8,497
Creditors - amounts falling due within one year	14	(2,290)	(2,297)
Net current assets / liabilities		5,267	6,200
Total assets less current liabilities		79,519	75,946
Creditors - amounts falling due after one year			
Provisions for Liabilities and Charges	15	(318)	(500)
Net assets		79,201	75,446
The funds of the charity:			
Endowment funds	16	5,346	5,332
Restricted income funds	16	72,687	67,274
Unrestricted Income Funds			
General Fund	16	877	2,563
Board Reserve Fund	16	291	277
Total Unrestricted income funds		1,168	2,840
Total charity Funds		79,201	75,446

The Accountable Officer authorised these annual report and accounts for issue on _____.


 Martyn Wade
 National Librarian and Chief Executive and Accountable Officer

Date: ... 1/10/12

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

Cash Flow Statement for the year ended 31 March 2012

		2012	2011
		£000	£000
	Notes		
Net Cash outflow from Operating Activities	17	(15,236)	(15,231)
Capital Expenditure	17	(1,344)	(1,599)
		<hr/>	<hr/>
		(16,580)	(16,830)
Financing	17	15,685	17,122
(Decrease)/Increase in cash		<hr/>	<hr/>
		(895)	292

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

Notes to the Accounts for the year ended 31 March 2012

1. Accounting policies

a. Basis of accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of fixed assets and the inclusion of investments at market value, in accordance with directions given by the Scottish Ministers under paragraph 8(3) of the schedule to the National Library of Scotland Act 1925 as amended by the National Heritage (Scotland) Act 1985. The Accounts Direction given by the Scottish Ministers is produced as an appendix to these accounts.

The accounts incorporate the transactions and balances of NLS, its Bequests and other acquisition and cataloguing funds up to 31 March each year. Of these Bequests, only the income from the Alexander Grant Fund is solely available for the general purposes of the Library, the other funds being restricted in use.

Without limiting the information given, the accounts 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', issued in March 2005 (SORP 2005) and updated in May 2008, 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 financial statements have been prepared on a going concern basis with consistently applied accounting policies.

b. Tangible fixed assets and depreciation

(i) Title to the Land and Buildings administered by NLS is held in the name of the Scottish Ministers. NLS occupies these premises under licence. On the direction of the Scottish Ministers, these assets have been valued and are included in the Balance Sheet. The method of valuation for properties of a specialised nature, that is land and buildings for which there is effectively no market, is depreciated replacement cost. Other properties have been valued at either open market value or existing use value. Full valuations of land and buildings are undertaken every five years and buildings are updated in intervening years by applying appropriate cost indices. Fixed assets other than buildings are held at cost.

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

(iii) 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 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

Fully depreciated assets are written off within the fixed asset register.

c. Incoming resources

(i) Government and other grants

All grants received and receivable are included in the Statement of Financial Activities as incoming resources.

FReM requires grants for running costs to be treated as financing and to be credited to the General Fund in the Balance Sheet. Grants utilised in the purchase of fixed assets are credited to the Capital Asset Fund, and amounts are subsequently transferred back to the General Fund as the related assets are depreciated.

Purchase Grants and donated cash or assets to be held in perpetuity are credited to the Purchase Fund and Trust Funds respectively, and are not included in the Income and Expenditure Statement.

(ii) Other income

All other income is accounted for on a receivable basis and recognised in both the Income and Expenditure Account and the Statement of Financial Activities. Legacy income is regarded as receivable when the conditions for its receipt have been met. Income from Revenue Earning Activities is disclosed within the accounts on a gross accounting basis.

d. Resources expended

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

The Library's principal functions are collection development, providing user access and the development of the Library's functions and appeal.

The costs of the Library's corporate services department are allocated across the charitable expenditure. These costs include the cost of maintaining the Library's buildings and providing other support services within the Library.

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

e. Investments

The Library's Trust Funds have listed investments from which income is derived and used to meet the specific objects of the funds. These investments are shown at market value in accordance with the Charities SORP 2005. Amounts realised on disposal of assets are reinvested within the funds. Realised and unrealised gains are included in the Statement of Financial Activities; only realised gains are included in the Income and Expenditure Account. The investment policy is determined by Trustees in accordance with the wishes of the donors and is implemented by professional investment managers. The Investment Committee has instructed Fund Managers not to invest in anything that would bring the Library into disrepute.

f. Stocks

The Library has changed its accounting policy in relation to stocks held for the shop. These are now shown at cost price within the Balance Sheet. All other stocks are immediately expensed to the Income and Expenditure Account. Consideration of the realisable value of stocks will occur periodically.

g. Taxation

The Board has been granted charitable status by HM Revenue and Customs and as a result is able to recover tax on endowment income. The amount shown in the Income and Expenditure Account includes the tax recovered during the year.

NLS has special VAT status. It is specifically listed in Section 33A of the VAT Act 1994 and HM Revenue & Customs Notice 998. This VAT status allows NLS to recover (in full) any VAT that is incurred on expenses linked to free rights of admission. There are a couple of specific instances which are not covered by Section 33a and in these circumstances non-recoverable Value Added Tax arising from expenditure is charged in the Income and Expenditure Account.

h. Foreign currency

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

i. Pensions

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

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

j. Leases

Leases where substantially all the risks and rewards of ownership of the related asset do not pass to the Library are treated as operating leases. Rentals are charged to the Income and Expenditure Account on a straight line basis over the term of the lease.

k. Reserves

The Library's policy on reserves is largely governed by the requirement of its sponsoring body to spend grant-in-aid received. Endowment funds are held under the restrictions imposed by the donors. The Trustees have discretion over the use only of the Board Reserve Fund and Alexander Grant Fund. The policy is to use these funds for the benefit of the Library and the levels of reserves are disclosed in the Accounts.

Reserves are held as follows:

Capital Assets Fund

Grants utilised in the purchase of Land and Buildings and Heritage Assets are credited to the Capital Asset Funds, and amounts are subsequently transferred back to the Fund as the related assets are depreciated.

Revaluation Reserve

Land and Buildings are revalued every five years. The difference between the revalued amount and historical cost is shown in the revaluation reserve.

Collection Purchase Fund

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

The Grant in Aid received in 2011/12 was £0.7m, reduced from £1.3m in 2010/11. The Library has made a commitment to bolstering funds available for the purchase of Collection items, and this is done through a transfer from the General Fund.

Voluntary Income Fund

The Voluntary Income Fund is made up of three elements:

- Endowment Funds – the Trustees and management of NLS have operational control of the balances of endowment funds. Whilst the capital element is preserved, the investment income received in relation to the capital is credited to Voluntary Income Fund.
- Donations – donations received by the Library are credited to the Voluntary Income Fund. In 2011/12 donations of £135k were received. The final payment in relation to the acquisition John Murray Archive was made in 2010/11 and this was made possible as a result of donations received to 31 March 2011.
- Trust Funds – NLS is the beneficiary of income from two trust funds, against which restricted expenditure occurs. The balance of the amounts received from the trust funds or to be claimed from the trust funds is shown within the Voluntary Income Fund.

Restricted Purpose Fund

The Restricted Purpose Fund is made up of two elements:

- Grants utilised in the purchase of Tangible Assets other than Land and Buildings is credited to the Restricted Purpose Fund. Amounts are subsequently transferred back to the Fund as the related assets are depreciated.
- Grants received in prior years in relation to projects committed to by the Library, where it was not possible to spend the grant within the same financial year.

Restricted Purpose amounts were previously shown within General Fund as designated reserves, however in the interests of clarity and transparency, it is considered more appropriate to disclose as a Restricted Reserve.

Endowment Funds

The Endowment funds are made up of two elements:

- Bequests to NLS where the Trustees and management of NLS have operational control of the capital and this is preserved.
- A £3m endowment fund received from John Murray, where the capital is to be preserved and the investment income used to fund the maintenance, preservation and presentation of the John Murray Archive.

General Reserve

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

Board Reserve

The net proceeds derived from trading which is not a primary purpose activity are taken to the Board Reserve Fund. This fund may be used at the discretion of the Board. The Library has 3 main areas of non-primary purpose trading. These are the rental of shelving and the trading from the café and shop. The purpose of the Visitors Centre is to encourage public access to the Library's collections.

l. Relationship between NLS and the Agency for the Legal Deposit Libraries

As NLS has an undertaking, other than a subsidiary undertaking, in which it has an investment representing 20% of the voting rights and over which it exerts significant influence, this is treated as an associated undertaking. Group accounts are not prepared on grounds of materiality.

m. 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:

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

n. Heritage Assets

The Library's collections as at 1 April 2001 or items gifted are not included in the balance sheet due to data not being available to cover that period. Individual items acquired after 1 April 2001 with a value at the date of acquisition in excess of £5,000 are capitalised at cost (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.

The National Library of Scotland believes that the collections are of major significance for the nation and therefore cannot be valued meaningfully.

o. Financial Instruments

Financial Instruments are disclosed in line with Investment, Cash, Trade Debtors and Trade Creditors policies. The Library has exposure to market risk, and this is managed through portfolio diversification as well as setting the risk appetite and investment objectives to be used by Fund Managers.

2. Government Grant-in-Aid

	2012	2011
	£000	£000
Grant-in-Aid Received		
Running Costs	13,275	13,925
Early Severance Funding	300	957
Capital	1,400	940
	<hr/>	<hr/>
	14,975	15,822
Purchase Grant	700	1,300
	<hr/>	<hr/>
Total Received during year	15,675	17,122

The Trustees of the Library agreed to supplement the allocated Purchase Grant during the year from running costs. A transfer of £350k was made from General Reserves to the Collection Purchase Fund.

3. Notes to the statement of financial activities

	Restricted Funds	Unrestricted Funds	2012 Total	2011 Total
	£000	£000	£000	£000
Grant-in-Aid				
Grant-in-Aid	700	14,975	15,675	17,122
Voluntary income				
HLF and other conditional grants	384	-	384	811
Donations	131	5	136	916
	515	5	520	1,727
Revenue earning activities				
Shelving	-	33	33	32
Café and Shop Income	-	56	56	60
	-	89	89	92
Investment income				
Investment Income	176	14	190	122
Income from charitable activities				
Property rental	-	72	72	83
Services to Associate company	-	105	105	89
Reprography	-	276	276	235
Sundry income	-	245	245	493
	-	698	698	900
Total	1,391	15,781	17,172	19,963

Analysis of Resources Expended

	Direct Costs	Support Costs	2012 Total	2011 Total (restated)
	£000	£000	£000	£000
Charitable activities				
Collection development	4,079	4,025	8,104	7,579
User access to collections	2,118	2,233	4,351	5,399
Strategy and communications	634	669	1,303	1,916
Collection Purchase (CPF funded)	741	-	741	1,412
Collection Purchase (endowment funded)	85	-	85	295
	7,657	6,927	14,584	16,601
Cost of generating funds				
Cost of generating voluntary income	225	-	225	217
Cost of goods sold and other costs	75	-	75	80
	300	-	300	297
Depreciation	-	2,128	2,128	1,929
Investment management costs	9	-	9	8
Governance costs	430	-	430	341
Total Resources Expended	8,396	9,055	17,451	19,176

4. Revenue earning activities

	2012	2011
	£000	£000
Income		
Shelving	33	32
Café and Shop Income	56	60
	<u>89</u>	<u>92</u>
Less: costs		
Cost of sales	(34)	(40)
Direct wages	(32)	(33)
Administration	(9)	(7)
	<u>(75)</u>	<u>(80)</u>
Surplus/(Deficit) for the year: transferred to Board Reserve Fund	<u>14</u>	<u>12</u>

5. Employees

	2012	2011
	£000 (restated)	£000
Staff costs during the year were:		
Wages and salaries	7,133	7,693
Social Security costs	498	535
Pension costs	1,263	1,370
Agency staff costs	149	250
Early Retirement and severance costs	272	967
	<u>9,315</u>	<u>10,815</u>
Accounted for within:		
Unrestricted Funds	9,264	10,589
Restricted Funds	51	226
	<u>9,315</u>	<u>10,815</u>

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

	Number	Number
Corporate Services	72	78
Customer Services	95	100
Collection Development	90	93
Development	10	12
Other	12	14
	<u>279</u>	<u>297</u>

Employees whose emoluments exceeded £60,000

	2012	2012
£60,000 to £69,999	2	-
£70,000 to £79,999	-	-
£80,000 to £89,999	-	-
£90,000 to £99,999	1	1
	<u>3</u>	<u>1</u>

Most of the staff are employed on permanent contracts. There are a number of staff who are employed on short term contracts. All staff are entitled to join the Civil Service pension arrangements. Notice periods are

set by the Library and are those generally in use in the public sector. Termination payments are paid in accordance with the Civil Service Compensation Scheme.

Trustees receive no remuneration but are reimbursed for travel expenses and any childcare expenses. Travel and subsistence expenses amounting to £1,446 (2011: £1,526) were paid to Trustees in respect of attendance at meetings. Four trustees received reimbursement for expenses (2011: four).

The remuneration of the National Librarian and Chief Executive complies with the Scottish Government's Pay Policy for Senior Public Appointments and is approved and monitored by the Scottish Government. The remuneration of other Senior Managers is based on the overall pay policy of NLS which is subject to the approval of the Scottish Government.

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 2011/12 was £94k (2011: £94k). This was 5 times (2011: 5 times) the median remuneration of the workforce which was £20k (2011: £20k).

In 2011/12 no employees received remuneration in excess of the highest paid director (2011: none). Remuneration ranged from £13,996 to £72,750 (2011: £12,683 to £59,754).

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions. A Management Restructuring took place during 2011/12 which resulted in the creation of two deputy directors, these posts have a greater level of responsibility and accountability compared with the previous structure of four departmental directors.

Pension Costs

The Principal Civil Service Pension Scheme is an unfunded multi-employer defined benefit scheme. Contributions are charged to the income and expenditure account in the year to which they relate. National Library of Scotland is unable to identify its share of the underlying assets and liabilities.

The FRM requires that "the period between formal actuarial valuations shall be four years, with approximate assessments in intervening years." The Scheme Actuary (Hewitt Associates Limited) last valued the scheme as at 31 March 2007. Consequently, a formal actuarial valuation would have been due by 31 March 2011, however, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design. You can find details in the resources accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes: either a 'final salary' scheme (**classic, premium or classic plus**) or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the costs of benefits met by monies voted by Parliament each year. Pensions payable under **classic, premium, classic plus and nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are set at a rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium, classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2012. Benefits in **classic** accrue at a rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium** benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice.gov.uk/pensions.

For 2011/12 employers' contributions of £1,263k were payable to the PCSPS (2011: £1,371k) at one of the four rates in the range 16.7% to 24.3% of pensionable pay based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2012/13, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2011/12 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £9k (2011 – £10k) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of 0.8% of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £1k (2011 – £1k). Contributions prepaid at that date were £Nil (2011 - £Nil).

6. Reporting of Civil Service and other compensation schemes – Exit packages

	Total number of exit packages by cost band	Total number of exit packages by cost band		
	2012	2012 £000	2011	2011 £000
Exit Package Cost				
Less than £10,000	-	-	3	11
Between £10,000 - £24,999	5	101	4	70
Between £25,000 - £49,999	2	73	3	99
Between £50,000 - £99,999	2	119	8	557
Between £100,000 - £150,000	-	-	2	217
	9	293	20	954

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.

7. Other operating charges

	2012 £000	2011 £000
General		
Administration expenses	512	622
Operating lease rentals (see note below)	4	19
Travel, subsistence and hospitality	67	108
Office equipment and supplies	99	179
Publications and Exhibitions	338	301
Copyright Agency	162	169
Computer Services	445	827
Digitisation and Web Development	86	69
Record purchase	20	25
Audit fees (see note below)	35	53
Conservation and Preservation	111	106
Consultancy	78	341
	1,957	2,819
Buildings		
Utilities	445	439
Rent, rates and service charges	249	218
Lease of Land and Buildings	71	70
Buildings maintenance	2,421	1,136
Furniture	67	233
Transport	13	27
	3,266	2,123
Total	5,223	4,942

Notes:

Operating lease rentals are paid in respect of rental of buildings and general office equipment. Included in Audit fees is £20,251 in relation to the fees for External Audit services for 2011/12 and provided by PriceWaterhouseCoopers LLP (2011: Audit Scotland £20,980).

8. Tangible fixed assets

	Land and Buildings	Motor vehicles and	Equipment Machinery	Computer equipment	2012 Total
Cost or valuation	£000	£000	£000	£000	£000
Balance at 1 April 2011	36,491	82	1,105	1,728	39,406
Additions	-	12	373	116	501
Write down of assets	-	-	(428)	(673)	(1,101)
Revaluation/Indexation Adjustment	3,998	-	-	-	3,998
Balance at 31/3/12	<u>40,489</u>	<u>94</u>	<u>1,050</u>	<u>1,171</u>	<u>42,804</u>
Accumulated depreciation					
Balance at 1 April 2011	1,617	62	761	1,278	3,718
Charge for the year	1,705	9	150	264	2,128
Write down of assets	-	-	(428)	(673)	(1,101)
Revaluation/Indexation Adjustment	(22)	-	-	-	(22)
Balance at 31/3/12	<u>3,300</u>	<u>71</u>	<u>483</u>	<u>869</u>	<u>4,723</u>
Net book value					
At 31/3/12	<u>37,189</u>	<u>23</u>	<u>567</u>	<u>302</u>	<u>38,081</u>
At 31/3/11	<u>34,874</u>	<u>20</u>	<u>344</u>	<u>450</u>	<u>35,688</u>

Land and buildings include £825k (2011 - £825k) in respect of land which is not depreciated.

At 31 March 2010 all Land and Buildings were revalued by District Valuer Services, an executive agency of HM Revenue & Customs, on the basis of Depreciated Replacement Cost for buildings of a specialised nature and on the basis of Open Market Value or existing use for other buildings. The qualification of the District Valuer undertaking the valuation was MRICS. Depreciated Replacement Costs were derived by the valuers on the basis of land values and estimated current construction costs, including professional fees and finance costs for each individual property. The amount by which replacement cost for each property was discounted to arrive at Depreciated Replacement Cost was assessed by the valuers on the basis of the current condition and state of repair of the property concerned (rather than by time apportioning over the estimated total life of the property).

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.

National Library of Scotland has rich and complex collections which have been built via legal deposit of the national imprint (both print and electronic) as well as purchase and donation. As well around 15 million printed items, the Library has over 100,000 manuscripts, around 2 million maps and 25,000 newspaper and magazine titles. We receive around 320,000 new items every year and have material in 490 languages.

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 www.nls.uk. This Strategy document shows our 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.

Collections as at 1 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 1 April 2001, and are included in the balance sheet at cost. Depreciation is not charged and the items are not revalued. The Library does not value donations. Collection items prior to 1 April 2001 are excluded because reliable cost information is not available. National Library of Scotland considers that the valuation of the collections and donations would be impracticable.

The Trustees are 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.

Expenditure on Preservation and Conservation is recognised within the Income and Expenditure Account when it is incurred.

	2012	2011
	£000	£000
Balance of capitalised items at 1 April	32,072	32,004
Other additions in year of individual items with a value exceeding £5,000	102	68
Balance at 31 March	<u>32,174</u>	<u>32,072</u>

10. Investments

	2012 £000	2011 £000 (** Restated)
Cash deposits held within investment pool	215	20
UK Investments – at market value	2,459	914
UK Investments – at market value	2,674	934
Overseas Investments – at market value	1,323	1,052
Capital, at market value	3,997	1,986
Bequest Cash balances held by the Library*	1,581	3,559
Other voluntary fund cash balances held by the Library	198	-
Total Bequest Funds holdings	5,776	5,545
Listed investments - at cost	3,177	1,306

Movements in year

	Listed investments £000	Cash and other balances £000	Other Voluntary fund cash balances £000	2012 Total £000	2011 Total £000 (** Restated)
Donations	-		131	131	916
Investment income	63	18	94	175	357
Expenditure	(9)	(54)	(13)	(76)	(562)
Transfers	1,942	(1,942)	(14)	(14)	(4,582)
Purchase of investments*	(139)	-	-	(139)	(355)
Disposal of investments*	151	-	-	151	325
Other changes in market value*	3	-	-	3	186
Net movement	2,011	(1,978)	198	231	(3,715)
Balance at 1 April 2011	1,986	3,559	-	5,545	9,260
Balance at 31 March 2012	3,997	1,581	198	5,776	5,545

Analysis of income from investments

	Restricted £000	Endowments £000	Total £000	2011 £000
Income from Trust Funds	94	-	94	
Income from listed investments	63	-	63	50
Interest on cash and other balances	18	14	32	72
	175	14	189	122

* - The total of Purchase of investments, Disposal of investments and Other changes in market value represents the increase/decrease in market value shown within the Statement of Financial Activities.

** - this incorporates £3m in relation to the John Murray endowment.

With the exception of the Professor T Graham Brown Trust, for which the firm of Lindsays WS act as an additional, external, Trustee, the Trustees and management of NLS have operational control of the balances of Bequests, and for this reason they are included in these Accounts. All funds, excluding smaller charitable donations, are treated as endowment funds, in that the capital is preserved, in accordance with Trustees' policy and where applicable, the conditions associated with the original gift or bequest. The income arising from the funds is applied in accordance with the wishes of the donors, primarily for making appropriate additions to the collections of Books and Manuscripts. The main exceptions to this are the Alexander Grant Fund which is for the general purposes of the Library, and the Ratcliff Fund which is for the educational benefit of the people of, and visitors to, Scotland. Detailed Accounts for Trust Funds are prepared separately and can be produced for inspection on request. During the year, NLS received £95k in respect of income for the Graham Brown Trust fund.

11. Debtors

	2012	2011
	£000	£000
Trade debtors	233	174
Other debtors	20	294
Prepayments and accrued income	71	30
Provision for bad debts	(14)	(8)
VAT recoverable	341	218
	<hr/>	<hr/>
	651	708
Intra Government balances, included in above balances, Balances with other Central Government bodies	<hr/>	<hr/>
	367	520

12. Stocks

	2012	2011
	£000	£000
Stock for shop trading activities	12	-
Total	<hr/>	<hr/>
	12	-

13. Cash at bank and in hand

	2012	2011
	£000	£000
Government Banking Services (formerly Office of the Paymaster General)	5,321	7,381
Other current accounts	500	348
Term Deposits	1,070	55
Cash	3	5
Total	<hr/>	<hr/>
	6,894	7,789

14. Creditors – amounts falling due within one year

	2012	2011
	£000	£000
Other creditors	1,243	570
Other taxation and social security	301	188
Accruals and deferred income	433	1,230
Deferred Conditional Income	138	119
Deferred Pension Costs	175	190
	<hr/>	<hr/>
	2,290	2,297
Intra Government balances, included in above balances, Balances with other Central Government bodies	<hr/>	<hr/>
	388	771

15. Provisions for liabilities and charges

	2012	2011
	£000	£000
Deferred Pension: Amounts due within 1 year	175	190
Deferred Pension: Amounts due outwith 1 year	318	500
	<u>493</u>	<u>690</u>
	2012	2011
	£000	£000
Early Retirement Provision		
Opening balance at 1 April 2011	690	144
Less net amount released during current year in respect of Opening Balance	(197)	(39)
Charge to current year income and expenditure	-	964
Less amount released in relation to Early Severance during year	-	(379)
	<u>493</u>	<u>690</u>
Closing balance at 31 March 2012		

The provision for deferred pension relates to the compensation element of the Early Retirement Package payable to former officers 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 retirement or early departure are recognised in full in the year in which an individual leaves the Library's service.

16. Reserves

	Restricted Funds				Restricted Purpose Fund	Endowment Funds	Unrestricted Funds		2012 Total	2011 Total
	Capital Assets Fund	Revaluation Reserve	Collection Purchase Fund	Voluntary Income Fund		Endowment Funds (Capital)	General Fund	Board Reserve Fund		
	£000	£000	£000	£000		£000	£000	£000		
Balances at 1 April 2011	59,801	7,145	115	213	-	5,332	2,563	277	75,446	76,852
Other Transfer	-	-	-	-	-	-	-	-	-	-
Government Funding received	-	-	700	-	-	-	14,975	-	15,675	17,122
Other Restricted funding received	-	-	10	-	-	-	-	-	10	270
Collection items with a value in excess of £5,000	102	-	(102)	-	-	-	-	-	-	-
Donations and bequests received	-	-	-	131	-	-	-	-	131	916
Dividend, interest income and other	-	-	-	175	-	-	-	-	175	87
Expenditure / Use of Reserves										
Release to Income and Expenditure Account in respect of depreciation	(1,459)	(245)	-	-	-	-	-	-	(1,704)	(1,343)
Collection items with a value in excess of £5,000	-	-	102	-	-	-	-	-	102	68
Expenditure funded by restricted funding	-	-	(843)	(94)	-	-	-	-	(937)	(1,488)
Changes in market value of holdings	-	-	-	-	-	14	-	-	14	156
Surplus/(Deficit) on revaluation	-	4,020	-	-	-	-	-	-	4,020	(2,342)
Transfer	-	-	850	5	2,061	-	(2,916)	-	-	(7)
(Deficit)/Surplus from Income and Expenditure Account	-	-	-	-	-	-	(13,745)	14	(13,731)	(14,845)
Balance as at 31 March 2012	58,444	10,920	832	430	2,061	5,3461	877	291	79,201	75,446

1 – The amount of £5,346k includes the John Murray Endowment of £3,000k. The residual relates to Bequest funds.

17. Notes to the cash flow statement

	2012	2011
	£000	£000
Reconciliation of operating deficit to net cash outflow from operating activities		
Deficit for the financial year	(15,435)	(16,188)
Depreciation on tangible and intangible fixed assets	2,128	1,929
Net cash movement in restricted funds held by Trustees	(1,784)	985
Increase in stock	(12)	-
Decrease/(Increase) in debtors	57	(53)
Decrease in creditors and provisions	(190)	(1,904)
Net cash outflow from operating activities	<u>(15,236)</u>	<u>(15,231)</u>
Capital Expenditure		
Additions to fixed assets	(501)	(403)
Purchase of other items for the collections	(843)	(1,196)
Net capital expenditure for year	<u>(1,344)</u>	<u>(1,599)</u>
Financing		
Scottish Government funding for year	15,675	17,122
Other funding received for purchase of Collections	10	-
Total Financing received	<u>15,685</u>	<u>17,122</u>
Analysis of changes in cash during the year		
Opening balance at 1 April	7,789	7,497
Net cash outflow)/inflow during the year	(895)	292
Closing balance at 31 March	<u>6,894</u>	<u>7,789</u>

18. Capital commitments

	2012	2011
	£000	£000
Commitments contracted but not provided for in the accounts	<u>303</u>	<u>475</u>

National Library of Scotland although not contractually committed at 31 March 2012, had undertaken to spend an additional £507k. This incorporated £257k on Voluntary Early Exit schemes and a £250k contribution towards the Kelvinhall refurbishment project in order to re-locate Scottish Screen Archive.

19. Related party transactions

NLS is a Non-Departmental Public Body sponsored by the Scottish Government, which is regarded as a related party. During the year the National Library has had various material transactions with the Scottish Government, in the form of receipt of Grant-in-Aid which totalled £20,055k in 2011/12 (2011: £19,051k)

During the year, none of the Trustees, members of key management staff or other related parties has undertaken any material transactions with NLS. In addition, NLS has had a number of material transactions with other government departments, central government bodies, local government, non-departmental public bodies and similar organisations.

20. Lease commitments

Obligations under lease commitments as at 31 March 2012 under non-cancellable operating leases are as follows:

	2012 Land and Buildings £000	2012 Other £000	2012 Total £000	2011 Land and Buildings £000	2011 Other £000	2011 Total (Restated) £000
Operating leases which expire within one year	-	-	-	-	-	-
In the second to fifth year inclusive	50	14	64	50	-	50
In over five years	21	0	21	21	-	21
	71	14	85	71	-	71

21. Financial instruments

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

22. Post balance sheet events

The Scottish Government has been in discussion with HM Treasury regarding the application of financial rules governing Departmental Expenditure Limits. These rules are designed to ensure that the Scottish Government annual spend does not exceed the expenditure limits approved. In order to achieve this, the Scottish Government are now applying the rules more rigidly than in previous years, to publicly funded bodies, including NLS. The Budget Allocation and Monitoring letter received by NLS in May this year, confirmed the increased reporting and controls that would be applied for the period 2012-13 to 2014-15.

In effect, this means that any surplus carried forward from one year into the next cannot be spent unless the Scottish Government agrees to increase NLS expenditure limit for that year to accommodate the additional budget element. This is dependent on the Scottish Government being able to do this within their Departmental Expenditure Limit. If the expenditure cannot be increased to accommodate the carry forward, Grant-in-Aid may be reduced to maintain the budget spend within the DEL.

NLS has been aware of these changes and has kept our sponsor department apprised of our current spending situation and the need to bring forward restricted reserves from 2011/12 into this year's budget in order to deliver our strategic commitments.

NLS is in the process of seeking confirmation from Scottish Government about the 2011/12 underspend in relation to committed projects, the full amount of which totals £1.2m and is shown within the financial statements within the Restricted Purpose fund.

23. Associate company

National Library of Scotland is the parent company of the Agency for the Legal Deposit Libraries. It is considered that the Agency for the Legal Deposit Libraries is an Associate of the National Library of Scotland rather than a Subsidiary for the following reasons.

National Library of Scotland as the sole member has the sole vote, but that vote confers no effective power due to the following:

- The appointment and removal of directors is set out in the articles of association paragraph 32 as one appointment for each Legal Deposit Library
- Paragraph 79 prohibits the articles from being altered or disapplied without the consent of all five Legal Deposit Libraries;
- The National Library of Scotland's liability in case of insolvency of the Agency is £1;
- Should the Agency be wound up, National Library of Scotland does not have any rights of residual assets.

Martyn Wade, National Librarian and Chief Executive of NLS holds an ex-officio role as one of the five directors of the ALDL.

The Agency for the Legal Deposit Libraries is incorporated in Scotland. Its principal place of business is 161 Causewayside, Edinburgh EH9 1PH. Accounts for the Agency for the Legal Deposit Libraries are available from that address. As NLS has not prepared consolidated annual report and accounts, the following disclosure shows the effects of including them. NLS holds a stake of 20% in the Agency for the Legal Deposit Libraries ('ALDL'), insofar as ALDL holds no share capital, it is controlled by the five Legal Deposit Libraries. The share of NLS in the net assets and results of ALDL is 20% of the company and is summarised below:

	2012 £000	2011 £000
Net assets at 31 March	117	119
Turnover	152	151
Deficit for the year	(6)	(2)

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 we are expected to have resource budget cover for these items.

	2012 Outturn £000	2012 Offer Letter £000
Cash Items		
Running Costs	13,275	13,275
Revenue – VES/VER costs	300	300
Purchases	700	700
Capital – Various	1,400	1,400
	<u>15,675</u>	<u>15,675</u>
Non Cash Items (notional)		
Depreciation	2,128	4,380
	<u>2,128</u>	<u>4,380</u>
Total Grant in Aid	<u>17,803</u>	<u>20,055</u>

Appendix - National Library of Scotland Accounts Direction



NATIONAL LIBRARY OF SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of paragraph 8(3) of the Schedule to the National Library of Scotland Act 1925 as amended by section 18(6) of the National Heritage (Scotland) Act 1985, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 21 November 2002 is hereby revoked.

A handwritten signature in black ink, appearing to be 'R. G. G.', written over a horizontal line.

Signed by the authority of the Scottish Ministers

Dated 31 March 2006