

**NATIONAL LIBRARY OF SCOTLAND  
 ANNUAL REPORT AND FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 MARCH 2013**

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

*"Whatever Scotland was, is or may become, politically, culturally, educationally, geographically, historically, this place holds its stories, and the stories of the world also reside in Scotland here. This is one of the foundation stones of who we are, why we are who we are, and it will remain long after all of us are gone. This is what makes it such a special place."*

That is what the novelist James Robertson said of the role of the National Library of Scotland at an event in 2012. The memory of Scotland lives within our collections and we take the responsibility of providing access to these riches and of helping people to learn and understand about their past extremely seriously. It is always gratifying to hear positive comments on how we are discharging this responsibility.

In the past year the "special place" that James refers to became even more special. There were a number of new developments that improve the services we offer to our users. These include the opening of a new special collections reading room; preparatory work to start harvesting and collecting digital content such as e-books, e-journals and websites; the acquisition of important new collections and the further development of our programme to digitise material from our collections and make it more widely available through our website.

One of the most significant developments was the passage of the National Library of Scotland 2012 Act into law, updating our powers and functions and replacing previous legislation enacted in 1925. This strengthens the role of the Library in safeguarding and sharing knowledge for current and future generations and also reduces the number of our Board of Trustees.

The former Controller of BBC Radio 4 and founder of Edinburgh UNESCO City of Literature, James Boyle joined as our new Chair, replacing Professor Michael Anderson who stood down after 12 years. I would like to pay particular tribute to Michael under whose chairmanship the Library has developed into a modern, forward thinking, welcoming organisation which has considerably widened access to its collections. Our thanks go to him for his many years of service.

Our exhibitions and events continue to be extremely popular and in the year under review our two main exhibitions featured the history of cinema in Scotland and the success of the famous Scottish mapmaking firm of John Bartholomew & Son, one of the finest publishers of maps and atlases in the world. In addition, our series of Treasures displays featured a wide range of topics including American independence, Scottish Women of Science and a celebration of 75 years of the Dandy comic.

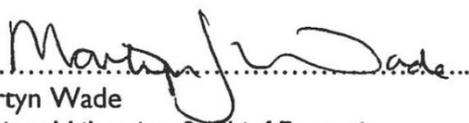
Although we take our role in safeguarding the nation's treasures extremely seriously, we can have fun at the same time. This year we ran a competition on Facebook asking people to turn a famous phrase from the movies into Scots. Winning entries included "Raindraps keep stoatin' aff ma heid" and "Be feart, be pure feart." This was used to promote our cinema exhibition and proved enormously popular with well over 1000 entries. It also increased traffic to our website. The campaign has been nominated for a Marketing Society award.

We add around 5000 items to our collections every week mostly through the legal right we have to claim a copy of anything published in the UK. In addition we acquire, either by donation or purchase, important collections which in the past year have included the archive of one of the most important travel writers of the 20th century, Sir Patrick Leigh Fermor; a prized collection of papers and books relating to Robert Louis Stevenson; important additions to the world-class archive of the John Murray publishing family and letters written by one of Scotland's leading 20th century poets, George Mackay Brown.

Preparations continued throughout the year in anticipation of the approval of regulations that would give the Library the legal right to collect and store electronic publications in the same way that printed publications have been collected for centuries. This is a landmark development that will allow us to archive valuable digital information and save it for future generations.

We are always looking for new ways to raise awareness of the riches in our collections and to share these with as many people as possible both within Scotland and further afield. We have an active programme of engagement with schools and continue to form partnerships and built relationships with many organisations.

We believe the National Library of Scotland is “a special place” but it is not restricted to our buildings in Edinburgh. The opportunities available through electronic communication give us the capacity to bring this special place to many more people. Through the work of our dedicated and skilled staff, we will continue to reach as many of them as possible.

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

Date: .....6/11/13.....

## **Annual Report of the Board of Trustees**

### **1. History of the National Library of Scotland**

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

The National Library 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 a 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 the Library 'on the foundation of the Library gifted for that purpose by the Faculty of Advocates, and for purposes connected therewith'. This legislation has been replaced by the National Library of Scotland Act 2012 which modernises the Library's governance arrangements and updates its powers and functions. It came into force in February 2013.

The National Heritage (Scotland) Act 1985 made the Library a Non-Departmental Public Body, grant-aided by the Scottish Government.

The Library is a registered charity. The Charities Statement of Recommended Practice (SORP 2005) on accounting for charities requires certain additional disclosures in the Annual Report of the Board of Trustees 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 2012.

The Library is one of five 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 Year**

The financial result for 2012-13 is considered to be satisfactory, characterised by continuing improvements in operating efficiencies with resulting cost savings and improvements in service delivery, and by continuing steady progress with implementing capital plans.

Service delivery improvements are monitored, including the regular use of “mystery” users, and this monitoring provides evidence of the continuing efforts and progress in improving accessibility of the Library and the Collections to the public. This will be a major theme in the development of the new Strategic Plan described elsewhere.

The management restructure which began during 2011/12 was completed and the Voluntary Early Exit (VEE) scheme was concluded in March. During 2012/13, the Library made progress with the development of a new pay and grading structure, work on which will continue with expected completion in 2013/14. Savings from VEE and management restructuring will be utilised to fund implementation costs.

Ring fenced projects funded from carry forward from 2011/12 were mostly completed. Work continued on the project to relocate the Library’s Scottish Screen Archive into Glasgow city centre, as part of the planned re-development of the Kelvin Hall, and major capital maintenance projects on George IV Bridge and Causewayside buildings were initiated. These will continue over the next two years.

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. Expenditure on additions to the collections in 2012/13 exceeded £1m.

A significant development was the establishment of the National Library of Scotland Foundation, described in detail in the notes to the Financial Statements.

### **4. Significant changes to Fixed Assets**

Fixed Assets of £701k (2012: £403k) were capitalised during the year.

### **5. The Board of Trustees**

During the year, the statutory requirement for the Board changed, with the commencement of the National Library of Scotland Act 2012 on 1<sup>st</sup> February 2013. Until then, the Board had 32 Trustees, of whom eleven were ex officio, five (including the Chairman) appointed by Scottish Ministers, 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 the commencement of the provisions of the 2012 Act, there were four vacancies.

With effect from 1<sup>st</sup> February 2013, there were nine Trustees, all appointed by the Secretary of State, under the provisions of the 2012 Act. Board appointments are made by the Scottish Ministers after advertising vacancies in the national press. The names of the Board Members who served between 1<sup>st</sup> April 2012 and 31<sup>st</sup> March 2013 are as follows:

**Chairman**

Professor M Anderson, OBE, MA, PhD, FBA, FRSE (to 1/10/2012)	2, 3, 4
James Boyle (from 1/10/2012) *	

**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	

A. Lorraine Fannin, OBE, BA, DipEd *	1
Dr Willis Pickard, MA, LLD, DEd *	4
Andrea M Batchelor, BSC (Hons), TeachCert, MAppSci *	3

## Appointed by the Faculty of Advocates

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

## 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

Ms Moira Methven, MCILIP *	3, 4
Charles Lovatt *	1

## Committee Membership

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

Those Trustees indicated by an asterisk were appointed by the Scottish Ministers to the Board with effect from 1<sup>st</sup> February 2013.

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.

None of the Trustees receives remuneration for their service to the Library. Travel and subsistence expenses amounting to £787 (2012: £1,446) 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 Scheme of Delegation (Trustees), 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 six times during the year to effect general management and control over THE LIBRARY, including one additional meeting to consider Corporate Strategy and governance.

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 and the Staffing and Remuneration Committees have delegated responsibility for certain matters under the Scheme of Delegation. In addition, the Governance Committee has continued to consider appropriate ways to improve governance of the Library, principally associated with the implementation of the new NLS Act.

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 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 Library's investment policy and will review the content of the portfolio and its performance on an annual basis.

## **7. Suppliers Payment Policy**

The policy of the Library is to pay creditors within agreed commercial terms, and the Library recognises and supports the Scottish Government target of paying suppliers within ten days. During the year the Library took an average of 32 days to settle invoices (2012: 34 days), and 25.5% of invoices were paid within ten working days (2012: 20.9%). (Note that 2012 figures have been restated to reflect improved methodology)

## **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 was re-launched during the year to improve communication with employees.

## **9. Employee 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 and 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.

## **10. 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, the Library will maintain, develop and monitor equality objectives in consultation with people from groups identified in the Act as having protected characteristics. The Library will also conduct equality impact assessments as required, and publish this information on the Library website. The Library continued to build understanding and awareness on equalities through involvement with the NDBPs Equalities Forums.

## **11. Sickness Absence**

The Library 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 2012/13 was 7 days, maintaining the improvements achieved over the past two years. The figures continue to be encouraging and are below the average figure for public sector organisations.

## **12. Environmental matters**

In 2010 the Library committed to reduce CO2 emissions from its operations by 30% by the end of financial year 2014/15 from 2008/09 levels. The Library exceeded this commitment during 2012/13, achieving a reduction in CO2 emissions of 36% compared to its baseline year.

The Library now uses 2.4 MWh less energy, consumes 3,750 cubic metres less water, recycles 37% more waste and travels 437,000 fewer miles than it did four years ago.

The NLS Public Sector Sustainability Report 2012-13 provides comprehensive data relating to the Library's sustainability activity.

## **13. Changes since 31 March 2012**

The National Library of Scotland Act 2012 came into effect on February 1 2013.

The Accountable Officer throughout the reporting period and at the start of the financial year 2013-14 was Mr. Martyn Wade, National Librarian and Chief Executive. As a result of the absence of Mr. Wade through illness for a period in mid-2013, the designation of Accountable Officer was transferred on a temporary basis to Dr. Darryl Mead, Deputy National Librarian.

## **14. Future Developments**

The Library's current strategy 'Connecting Knowledge' covers the period to 2014. Priority is being given to replacing this with a six-year strategic plan that will set out a vision for the development of the Library through to 2020. A comprehensive programme of consultation will take place to ensure that the new strategy meets the needs of all current and potential Library users.

The plans to offer National Library of Scotland services at the Kelvin Hall in Glasgow continue to develop as a part of a £25.5 million project with Glasgow Life and The University of Glasgow's Hunterian Museum. This involves relocating the Library's Scottish Screen Archive from Hillington, establishing a Scottish National Sound Archive while also providing full access to the Library's extensive digital collections.

Our collaboration with the National Galleries of Scotland to create shared back-office services will begin to mature and we hope to create our first formal shared service with the Library taking over delivery of Human Resources and Organisational Development for both bodies.

The new Board of Trustees was established under the National Library of Scotland Act 2012. This year will see the Board formally set up its new operational structures and it will also begin a phased

process to replace all existing Board members with new appointees through the official appointments process of the Scottish Government.

## 15. Appointment of Auditors

The Financial statements of the Library 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 £17,800 (2012 - £20,251) which relates wholly to the provision of statutory audit services.

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

Internal Audit services during the year were supplied by Baker Tilly, 139 Fountainbridge, Edinburgh. From August 2013 these services will be provided by Henderson Loggie, 34 Melville Street, Edinburgh.

## 16. 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

## 17. Risk Management

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

During 2012/13 responsibility for Corporate Risk Management was managed by the Executive Leadership Team ("ELT") comprising the Accountable Officer, the Deputy Chief Executive and the Deputy National Librarian. Corporate Risk Management is overseen by the Audit Committee with reports to the Board of Trustees.

Risk at departmental level is managed by Heads of Department, under guidance from the ELT. The Secretary's Department has responsibility for developing corporate risk policy and monitoring conformance to it.

Operational risk management was kept under review by the ELT and 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 the Library does not achieve its objectives.

## 18. Objectives and Achievements

During 2012/13, the National Library of Scotland was guided by the strategic goals outlined in its corporate strategy Connecting Knowledge. These goals fall into broad themes: Content, Connectivity, Collaboration and Organisational Development.

The activities and achievements of the National Library of Scotland in 2012/13 are described and reviewed in detail in the Library's Annual Review to be published in autumn 2013.

## 19. 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.

  
\_\_\_\_\_  
James Boyle  
Chairman, Board of Trustees

Date: 4/11/2013

## 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 2013 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 during the year. There are no other staff earning above £60k.

	2013	2012	2013	Real Increase in Pension	CETV as at 31/3/2013	CETV as at 31/3/2012	Real Increase in CETV funded by NLS
	Salary	Salary	Accrued Pension	£000s	£000s	£000s	£000s
	£000s	£000s	£000s				
<u>Martyn Wade</u> National Librarian & Chief Executive	90-95	90-95	40-45	0-2.5	940	888	2
<u>Duncan Campbell</u> Deputy Chief Executive	70-75	65-70	35-40	2.5-5	739	633	69
<u>Darryl Mead</u> Deputy National Librarian	70-75	60-65	5-10	0-2.5	96	50	19

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 (2012: £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 31/3/2013 were payable to Martyn Wade £126K (2012: £126k) – no real increase.



Dr. Darryl Mead, Deputy National Librarian and Accountable Officer

Date: 4 November 2013

## **Statement of Trustees' responsibilities**

The trustees are responsible for preparing the Annual Report of the Board of Trustees and the Financial Statements in accordance with paragraph 12(1-3) and 13(1-4) of Schedule 1 to the National Library of Scotland Act 2012 and 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 Deputy National Librarian is the Accountable Officer at the time of signing these financial statements 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 Accountable Officer, I am personally answerable to the Scottish Parliament in accordance with section 15 of the Public Finance and Accountability (Scotland) Act 2000. I am responsible for the propriety and regularity of financial transactions under my control and for the economical, efficient and effective use of resources provided to the Library, for ensuring that arrangements have been made to secure best value and for signing the Library's annual accounts. I am also responsible for providing the necessary assurances to the Principal Accountable Officer to enable him/her to sign the Statement on Internal Control contained within the Scottish Government consolidated accounts. I have responsibility for ensuring that effective management systems are in place within the Library and that all risks are identified, assessed and managed appropriately.

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

### **Purpose of the System of Internal Control**

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

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

The internal control process within the organisation accords with the SPFM and has been in place for the year ended 31 March 2013 and up to the date of approval of the financial statements. It 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.

Corporate Risk Management remains the responsibility of the Executive Leadership Team (ELT) through the Strategic Risk Register which is regularly reviewed and overseen by the Audit Committee which reports to the Board of Trustees. However, Risk Registers were not consistently maintained across all the Library Departments. Steps have now been taken to address these weaknesses with an introduction of a revised system of Departmental Risk Registers in October 2012 to underpin the risk management process and manage both strategic and departmental risks across the organisation.

For the majority of the year the Library had a stable senior management team in place, but in February 2013 significant changes occurred with the absence of some senior managers, who have been replaced with interim appointments. In addition due to illness of the National Librarian & Chief Executive, the Accountable Officer designation was temporary transferred to the Deputy National Librarian. During this period effective management of the Library has continued, this issue has been satisfactorily addressed and the loss of senior members of the management team is not considered a significant risk to the organisation.

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 2013 and up to the signing the financial statements, the Library has continued with the implementation of the recommendations of the Internal Auditors.

The internal audit activity in 2012/13 focussed on project management, Shared Services and IT Controls. The remaining reports for these areas were considered by the Audit Committee in June 2013. As a result of this work the internal auditors found the Library had an adequate framework of control over the systems examined and in addition they had no knowledge of any fraud, alleged fraud or suspected fraud affecting the Library in the year to 31 March 2013.

However, only 75% of the agreed 2012/13 audit programme was delivered, this shortfall arising through changes in audit priorities which meant that the original programme could not be delivered by 31 March 2013. The Internal Audit contractors to the Library have now changed with this service being delivered by Henderson Loggie from August 2013. The Library have also appointed a Compliance Audit and Review (CAR) Manager, reporting to the Secretary to the Library, with the responsibility to manage the Internal Audit contractors while ensuring an effective compliance regime is in place and being adhered to across the organisation.

In preparing this statement the assurance has been provided from the following sources:

**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.

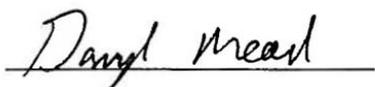
**Heads of Department** are responsible for managing risk within their departments and the risk register is revised to reflect the results of discussion and in response to any other significant changes in circumstances or controls at any other time during the year. Where risks are perceived to have increased above acceptable levels, Deputies are required to identify additional control mechanisms to mitigate those increased risks. As already outlined above there are some instances of non-compliance with this process. In addition Heads of Departments also complete an annual Certificate of Assurance for their relevant Deputy confirming controls are reviewed and are effectively applied.

## 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 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.



Dr. Darryl Mead  
Deputy National Librarian and Accountable Officer

Date: 4 November 2013



James Boyle  
Chairman

Date: 4/11/2013

## **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 2013 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 2013 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  
2013

**Income and Expenditure Statement for the year ended 31 March 2013**

	Notes	2013 £000	2012 £000
<b>INCOME</b>			
<i>Gross income from revenue-earning activities</i>	4	103	89
<i>Gross income from grant-aided activities</i>		961	1,077
		<hr/> 1,064	<hr/> 1,166
<b>EXPENDITURE</b>			
<i>Staff costs</i>	5	9,419	9,264
<i>Other operating charges</i>	7	4,392	5,223
<i>Depreciation on and permanent diminution in value of fixed assets</i>	8	1,919	2,128
		<hr/> 15,730	<hr/> 16,615
<b>EXCESS OF EXPENDITURE OVER INCOME BEFORE INTEREST</b>		(14,666)	(15,449)
<i>Interest received – Unrestricted funds</i>	3	10	14
<b>EXCESS OF EXPENDITURE OVER INCOME</b>		(14,656)	(15,435)
<i>Release in respect of depreciation of tangible fixed assets and in respect of permanent diminution in value of assets</i>	16	1,476	1,459
<i>Release from Revaluation Reserve</i>	16	69	245
		<hr/> 1,545	<hr/> 1,704
<i>Amount transferred to reserves</i>	16	(13,111)	(13,731)

All activities relate to continuing operations.

The notes on pages 24 to 48 form part of these financial statements.

**Statement of Financial Activities for the year ended 31 March 2013**

	Notes	Restricted Funds £000	Endowment funds £000	Unrestricted Funds £000	2013 Total £000	2012 £000
<b>Incoming resources</b>						
Incoming Resources from Generated Funds						
Voluntary Income	3			338	338	384
Activities for generating funds	4			103	103	89
Investment income	3	170		10	180	190
Incoming resources from Charitable Activities						
Charitable donations	3	4		51	55	136
Other charitable activities	3			569	569	698
Other incoming resources - Grant in aid	2	550		14,075	14,625	15,675
<b>Total Incoming Resources</b>		<b>724</b>		<b>15,146</b>	<b>15,870</b>	<b>17,172</b>
<b>Resources expended</b>						
Cost of generating funds						
Costs of generating voluntary income	3			423	423	225
Trading: cost of goods sold and other costs	3			95	95	75
Investment management costs	3	18			18	9
Charitable Activities						
Collection development	3			7,435	7,435	8,104
User access to collections	3			5,647	5,647	4,351
Strategy and communications	3			890	890	1,303
Collection Purchase	3	746			746	826
Grant to NLS Foundation	19	250		1,250	1,500	
Depreciation	3			1,919	1,919	2,128
Governance costs	3			367	367	430
<b>Total Resources Expended</b>		<b>1,014</b>		<b>18,026</b>	<b>19,040</b>	<b>17,451</b>
<b>Net incoming/(outgoing) resources before transfers</b>		<b>(290)</b>		<b>(2,880)</b>	<b>(3,170)</b>	<b>(279)</b>
<b>Transfers</b>	16	<b>(101)</b>		<b>101</b>		
<b>Net incoming/(outgoing) resources before other recognised gains and losses</b>		<b>(391)</b>		<b>(2,779)</b>	<b>(3,170)</b>	<b>(279)</b>
<b>Other recognised gains and losses</b>						
Gains / (losses) on investment assets	10		567		567	14
Fixed Assets added	8			700	700	
Collection items with a value in excess of £5,000	9			246	246	
Gains / (losses) on the revaluation of fixed assets for the charity's own use	8	985			985	4,020
Release from Capital Assets Fund in respect of depreciation		(1,545)		1,545		
<b>Net movement in funds</b>		<b>(951)</b>	<b>567</b>	<b>(288)</b>	<b>(672)</b>	<b>3,755</b>
<b>Fund balances brought forward at 1 April</b>	16	<b>72,687</b>	<b>5,346</b>	<b>1,168</b>	<b>79,201</b>	<b>75,446</b>
<b>Fund balances carried forward at 31 March</b>		<b>71,736</b>	<b>5,913</b>	<b>879</b>	<b>78,528</b>	<b>79,201</b>

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.

The notes on pages 24 to 48 form part of these financial statements.

**Statement of Total Recognised Gains and Losses for the year ended 31 March 2013**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Net gain on revaluation of fixed assets	985	4,020
Unrealised gains on investments	<u>567</u>	<u>14</u>
Total recognised gains and losses related to the financial year	1,552	4,034

The notes on pages 24 to 48 form part of these financial statements.

**Balance Sheet at 31 March 2013**

		<b>2013</b>	<b>2012</b>
		<b>£000</b>	<b>£000</b>
<b>Fixed Assets</b>	Notes		
Tangible Assets	8	37,848	38,081
Heritage Assets	9	32,419	32,174
Investments	10	<u>5,555</u>	<u>3,997</u>
<b>Total fixed assets</b>		<b>75,822</b>	<b>74,252</b>
<b>Current Assets</b>			
Stocks and work in progress	12	18	12
Debtors	11	522	651
Cash at bank and in hand	13	<u>4,122</u>	<u>6,894</u>
<b>Total current assets</b>		<b>4,662</b>	<b>7,557</b>
<b>Creditors - amounts falling due within one year</b>	14	<u>(1,771)</u>	<u>(2,290)</u>
<b>Net current assets / liabilities</b>		<b>2,891</b>	<b>5,267</b>
 <b>Total assets less current liabilities</b>		 <b>78,713</b>	 <b>79,519</b>
<b>Creditors - amounts falling due after one year</b>			
Provisions for Liabilities and Charges	15	<u>(185)</u>	<u>(318)</u>
<b>Net assets</b>		<b>78,528</b>	<b>79,201</b>
 <b>The funds of the charity:</b>	16		
<b>Endowment funds</b>		5,913	5,346
<b>Restricted funds</b>			
Capital Assets Fund		69,219	69,364
Collection Purchase		895	832
Designated Purpose		1,120	2,062
Voluntary Income		502	429
<b>Unrestricted Funds</b>			
General Fund		579	877
Board Reserve Fund		<u>300</u>	<u>291</u>
<b>Total charity Funds</b>		<b>78,528</b>	<b>79,201</b>

The Accountable Officer authorised these financial statements for issue on 4<sup>th</sup> November 2013

  
 Dr. Darryl Mead, Deputy National Librarian and Accountable Officer

The notes on pages 24 to 48 form part of these financial statements.

**Cash Flow Statement for the year ended 31 March 2013**

		<b>2013</b>	<b>2012</b>
		<b>£000</b>	<b>£000</b>
	Notes		
Net Cash outflow from Operating Activities	17	(14,177)	(15,236)
Capital Expenditure	17	(1,720)	(1,344)
Grant to NLS Foundation	19	(1,500)	-
		<u>(17,397)</u>	<u>(16,580)</u>
Financing	17	<u>14,625</u>	<u>15,685</u>
(Decrease)/Increase in cash		(2,772)	(895)

The notes on pages 24 to 48 form part of these financial statements.

## Notes to the Financial Statements for the year ended 31 March 2013

### 1. ACCOUNTING POLICIES

#### a. Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of fixed assets and the inclusion of investments at market value, in accordance with directions given by the Scottish Ministers under paragraph 8(3) of the schedule to the National Library of Scotland Act 1925 as amended by the National Heritage (Scotland) Act 1985 and the National Library of Scotland Act 2012. The Accounts Direction given by the Scottish Ministers is produced as an appendix to these financial statements.

The financial statements incorporate the transactions and balances of the Library, 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 financial statements meet the requirements of the Companies Act 2006 and Accounting Standards issued or adopted by the Accounting Standards Board as far as those are applicable. They also comply with the Government Financial Reporting Manual (FRoM), 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

Title to the Land and Buildings administered by the Library is held in the name of the Scottish Ministers. The Library 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.

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

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

Buildings	over 10 to 60 years
Motor Vehicles	over 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

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.

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 financial statements 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 endowment funds are partly held in the form of listed investments from which income is derived and used to meet the specific objects of the funds. These investments are shown at market value in accordance with the Charities SORP 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

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

The Library has special VAT status. It is specifically listed in Section 33a of the VAT Act 1994 and HM Revenue & Customs Notice 998. This VAT status allows the Library to recover (in full) any VAT that is incurred on expenses linked to free rights of admission. There are 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 endowment funds for which the donor has not imposed restrictions on usage. The policy is to use these funds for the benefit of the Library and the levels of reserves are disclosed in the Financial Statements.

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 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 the Library 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.
- Trust Funds – the Library is the beneficiary of income from two trust funds. Any unspent balance of the amounts received 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 are credited to the Restricted Purpose Fund, and are recognised as income when the related asset has been acquired.
- 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.

#### Endowment Funds

The Endowment funds are made up of bequests and large donations to the Library where the Trustees and management of the Library have operational control of the capital and where either

- there is a restriction, that capital should be preserved, attached to the bequest or donation (as in the case of the £3m 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), or
- the Trustees have elected to preserve the principal amount.

#### 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 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.

#### I. Relationship between the Library and the Agency for the Legal Deposit Libraries

As the Library has an undertaking, other than a subsidiary undertaking, in which it has an investment representing 20% of the voting rights and over which it exerts significant influence, this is treated as an associated undertaking. Group financial statements are not prepared on grounds of materiality. (See Note 24)

#### 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:

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

#### 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**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
<u>Grant-in-Aid Received</u>		
Running Costs	13,375	13,275
Early Severance Funding		300
Capital	700	1,400
	<hr/>	<hr/>
	14,075	14,975
Purchase Grant	550	700
	<hr/>	<hr/>
Total Received during year	14,625	15,675

The Trustees of the Library agreed to supplement the allocated Purchase Grant during the year from running costs.

**3. NOTES TO THE STATEMENT OF FINANCIAL ACTIVITIES**

	<b>Restricted Funds</b>	<b>Unrestricted Funds</b>	<b>2013 Total</b>	<b>2012 Total</b>
<b>Analysis of Incoming Resources</b>				
Grant In Aid	550	14,075	14,625	15,675
Voluntary income				
HLF and other conditional grants	-	338	338	384
Donations	4	51	55	136
	4	389	393	520
Revenue earning activities				
Shelving	-	35	35	33
Café and Shop Income	-	68	68	56
		103	103	89
Investment Income	170	10	180	190
Income from charitable activities				
Property rental	-	75	75	72
Services to Associate company	-	91	91	105
Reprography	-	88	88	276
Sundry income	-	315	315	245
		569	569	698
<b>Total</b>	<b>724</b>	<b>15,146</b>	<b>15,870</b>	<b>17,172</b>
<b>Analysis of Resources Expended</b>				
	<b>Direct Costs</b>	<b>Support Costs</b>	<b>2013 Total</b>	<b>2012 Total</b>
Charitable activities				
Collection development	4,544	2,891	7,435	8,104
User access to collections	3,451	2,196	5,647	4,351
Strategy and communications	544	346	890	1,303
Collection Purchase (CPF funded)	683	-	683	741
Collection Purchase (endowment funded)	63	-	63	85
	9,285	5,433	14,718	14,584
Cost of generating funds				
Cost of generating voluntary income	423	-	423	225
Cost of goods sold and other costs	95	-	95	75
	518		518	300
Depreciation		1,919	1,919	2,128
Investment management costs	18	-	18	9
Governance costs	367	-	367	430
Grant to NLS Foundation	1,500	-	1,500	-
<b>Total Resources Expended</b>	<b>11,688</b>	<b>7,352</b>	<b>19,040</b>	<b>17,451</b>

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

**4. REVENUE-EARNING ACTIVITIES**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
<u>Income</u>		
Shelving	35	33
Café and Shop Income	68	56
	<hr/>	<hr/>
	103	89
Less: costs		
Cost of sales	(47)	(34)
Direct wages	(37)	(32)
Administration	(10)	(9)
	<hr/>	<hr/>
	(94)	(75)
Surplus/(Deficit) for the year: transferred to Board Reserve Fund	9	14

**5. EMPLOYEES**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Staff costs during the year were:		
Wages and salaries	7,120	7,133
Social Security costs	481	498
Pension costs	1,250	1,263
Agency staff costs	264	149
Early Retirement and severance costs	377	272
	<hr/>	<hr/>
	9,492	9,315
<u>Accounted for within:</u>		
Unrestricted Funds	9,419	9,264
Restricted Funds	73	51
	<hr/>	<hr/>
	9,492	9,315

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

	<b>Number</b>	<b>Number</b>
Corporate services	74	72
Customer Services	92	95
Collection Development	87	90
Development	11	10
Other	10	12
	<hr/>	<hr/>
	274	279

Note that because of restructuring, comparison with the previous year's figures is approximate only.

Employees whose emoluments exceeded £60,000

	<b>2013</b>	<b>2012</b>
£60,000 to £69,999	-	2
£70,000 to £79,999	2	-
£80,000 to £89,999	-	-
£90,000 to £99,999	1	1
	<hr/>	<hr/>
	3	3

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 £787 (2012: £1,446) were paid to Trustees in respect of attendance at meetings. Four trustees received reimbursement for expenses (2012: 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 the Library 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 2012/13 was £94k (2012: £94k). This was 5 times (2012: 5 times) the median remuneration of the workforce which was £20k (2012: £20k).

In 2012/13 no employees received remuneration in excess of the highest paid director (2012: none). Remuneration ranged from £14,246 to £75,000 (2012: £13,996 to £72,750).

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.

#### 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 FReM 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 2012, 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. Details are available in the resources accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://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 1/80<sup>th</sup> of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement. For premium benefits accrue at the rate of 1/60<sup>th</sup> of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on 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](http://www.civilservice.gov.uk/pensions).

For 2012/13 employers' contributions of £1,250k were payable to the PCSPS (2012: £1,263k) 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 2013/14, 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 2012/13 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 (2012 - £9k) 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 (2012 - £1k). Contributions prepaid at that date were £Nil (2012 - £Nil).

## 6. REPORTING OF CIVIL SERVICE AND OTHER COMPENSATION SCHEMES – EXIT PACKAGES

	<b>Total number of exit packages by cost band</b>		<b>Total number of exit packages by cost band</b>	
	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2012</b>
		<b>£000</b>		<b>£000</b>
Exit Package Cost				
Between £10,000 - £24,999	4	86	5	101
Between £25,000 - £49,999	5	173	2	73
Between £50,000 - £99,999	1	84	2	119
	<hr/> 10	<hr/> 343	<hr/> 9	<hr/> 293

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**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
General		
Administration expenses	501	512
Operating lease rentals (see note below)	23	4
Travel, subsistence and hospitality	187	67
Office equipment and supplies	151	99
Publications and Exhibitions	206	338
Copyright Agency	150	162
Computer Services	614	445
Digitisation and Web Development	104	86
Record purchase	20	20
Audit fees (see note below)	33	35
Conservation and Preservation	56	111
Consultancy	120	78
	<hr/>	<hr/>
	2,165	1,957
Buildings		
Utilities	453	445
Rent, rates and service charges	205	249
Lease of Land and Buildings	80	71
Buildings maintenance	1,443	2,421
Furniture	32	67
Transport	14	13
	<hr/>	<hr/>
	2,227	3,266
Total	4,392	5,223

**Notes:**

Operating lease rentals are paid in respect of rental of buildings and general office equipment.

Included in Audit fees is £17,800 in relation to External Audit services for 2012/13 provided by PricewaterhouseCoopers LLP (2012: £20,251).

**8. TANGIBLE FIXED ASSETS**

	<b>Land and Buildings</b>	<b>Motor vehicles</b>	<b>Equipment and Machinery</b>	<b>Computer equipment</b>	<b>2013 Total</b>
<b>COST OR VALUATION</b>	£000	£000	£000	£000	£000
Balance at 1 April 2012	40,489	94	1,050	1,171	42,804
Additions	170	-	231	300	701
Disposal/Write down of assets	-	-	(63)	(627)	(690)
Revaluation/Indexation Adjustment to cost	910	-	-	-	910
Balance at 31 March 2013	41,569	94	1,218	844	43,725
<b>ACCUMULATED DEPRECIATION</b>					
Balance at 1 April 2012	3,299	72	483	870	4,724
Charge for the year	1,545	4	169	201	1,919
Disposal/Write down of assets	-	-	(63)	(627)	(690)
Revaluation/Indexation Adjustment to Accumulated Depreciation	(76)	-	-	-	(76)
Balance at 31 March 2013	4,768	76	589	444	5,877
<b>NET BOOK VALUE</b>					
At 31 March 2013	36,801	18	629	400	37,848
At 31 March 2012	37,190	23	567	302	38,081

Land and buildings include £825K (2012 - £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**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Balance of capitalised items at 1 April	32,174	32,072
Other additions in year of individual items with a value exceeding £5,000	246	102
Balance at 31 March	32,420	32,174

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](http://www.nls.uk). This Strategy document sets out policy on acquisition, disposal, preservation and management. The collections can be accessed online with digital resources available following registration. Material can also be consulted in the Library’s reading rooms. There is also a year-round programme of events and exhibitions.

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

The 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.

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, as this is considered to be impracticable.

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

**10. INVESTMENTS**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Cash held by investment managers	39	215
UK Investments (market value) held by Investment managers	3,528	2,459
Total UK holdings with investment managers	3,567	2,674
Overseas Investments (market value) held by investment managers	1,988	1,323
Total (market value) held by investment managers	5,555	3,997
Endowment Cash balances held by the Library	661	1,581
Other voluntary fund cash balances held by the Library	267	198
Total Endowment Funds holdings	6,483	5,776
Listed investments - at cost	4,370	3,177

Analysis of income from Investments	<b>Restricted</b>	<b>2013 Total</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Income from Trust Funds	-	-	94
Income from listed investments	162	162	63
Interest on cash and other balances	8	8	32
	170	170	189

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. There are also two Trust funds established for the benefit of the Library, to which the Library may apply for financial support for appropriate activities. During the year, the Library received no income (2012 £94k) from Trust funds.

**11. DEBTORS**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	138	233
Other debtors	26	20
Prepayments and accrued income	114	71
Provision for bad debts	(14)	(14)
VAT recoverable	258	341
	<hr/>	<hr/>
	522	651
Intra Government balances, included in above balances:		
Balances with other Central Government bodies	345	367

**12. STOCKS**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Stock for shop trading activities	18	12
	<hr/>	<hr/>

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

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Government Banking Services	3,006	5,321
Other current accounts	438	500
Term Deposits	672	1,070
Cash	6	3
	<hr/>	<hr/>
Total	4,122	6,894

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

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Other creditors	737	1,243
Other taxation and social security	308	301
Accruals and deferred income	268	433
Deferred Conditional Income	304	138
Deferred Pension Costs	154	175
	<u>1,771</u>	<u>2,290</u>

Intra Government balances, included  
in above balances:

Balances with other Central Government bodies	522	388
--	-----	-----

**15. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Deferred Pension: Amounts due within 1 year	154	175
Deferred Pension: Amounts due after 1 year	185	318
	<u>339</u>	<u>493</u>

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				ENDOWMENT FUNDS	UNRESTRICTED FUNDS	
	Capital Assets Fund £000	Collection Purchase £000	Designated Purpose £000	Voluntary Income £000	£000	General Fund £000	Board Reserve Fund £000
Balances at 1 April 2012	69,364	832	2,062	429	5,346	877	291
Incoming Resources							
<i>Government Funding received</i>		550				14,075	
<i>Other Restricted funding received</i>		104				(104)	
<i>Donations (including bequests) received</i>							
<i>Dividend, interest income and other</i>				187			
<i>Contribution from trading activities</i>						(9)	9
Outgoing Resources							
<i>Grant to NLS Foundation</i>			(250)			(1,250)	
<i>Collection items with a value in excess of £5,000</i>	246	(246)					
<i>Expenditure funded by restricted funding</i>	170	(766)	(558)	(114)		389	
<i>Release to Income and Expenditure Account in respect of depreciation</i>	(1,545)						
<i>(Deficit)/Surplus from Income and Expenditure Account</i>						(13,111)	
Gains & Losses							
<i>Surplus/(Deficit) on revaluation</i>	985						
<i>Changes in market value of holdings</i>					567		
Transfers		421	(133)			(288)	
Balance as at 31 March 2013	69,219	895	1,120	502	5,913	579	300

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

	2013	2012
	£000	£000
Reconciliation of operating deficit to net cash outflow from operating activities		
Deficit for the financial year	(14,656)	(15,435)
Depreciation on tangible and intangible fixed assets	1,919	2,128
Net cash movement in restricted funds held by Trustees	(912)	(1,784)
Increase in stock	(5)	(12)
Decrease in debtors	129	57
Decrease in creditors and provisions	(652)	(190)
Net cash outflow from operating activities	(14,177)	(15,236)
Capital Expenditure		
Additions to fixed assets	(700)	(501)
Purchase of items for the collections	(1,020)	(843)
Net capital expenditure for year	(1,720)	(1,344)
Grant to NLS Foundation	(1,500)	-
Financing		
Scottish Government funding for year	14,625	15,675
Other funding received for purchase of Collections	-	10
Total Financing received	14,625	15,685
Analysis of changes in cash during the year		
Opening balance at 1 April	6,894	7,789
Net cash outflow/inflow during the year	(2,772)	(895)
Closing balance at 31 March	4,122	6,894

## 18. CAPITAL COMMITMENTS

National Library of Scotland although not contractually committed at 31 March 2013, had undertaken commitments in respect of projects to rationalise pay and grading structures and to relocate the Scottish Screen Archive from Hillington to the Kelvin Hall in Glasgow.

## 19. NATIONAL LIBRARY OF SCOTLAND FOUNDATION

During the year the National Library of Scotland Foundation (NLSF) was established. This is an independent company limited by guarantee (CRN 442292) and registered charity (SC043799) established with the objective "to advance the charitable purposes of National Library of Scotland to include the advancement of arts, heritage and culture and the advancement of education by making grants and providing financial support for projects and activities being carried out and supported by the National Library of Scotland."

In 2012-13 National Library of Scotland awarded a grant of up to £3.5million to NLSF, of which £1.5 million was paid, from Reserves. It is the intention of the Library to make further grants to NLSF, and to make periodic applications to NLSF for financial support for defined activities. Such applications will be considered on their merits by the Directors of NLSF.

## 20. RELATED PARTY TRANSACTIONS

The Library is a Non-Departmental Public Body sponsored by the Scottish Government, which is regarded as a related party. During the year the National Library has had various material transactions with the Scottish Government, in the form of receipt of Grant In Aid which totalled £14,625K in 2012/13 (2012: £20,055k)

During the year, none of the Trustees, members of key management staff or other related parties has undertaken any material transactions with the Library, with one exception, declared in the Library Register of Interests. A senior manager has an involvement with a company providing services to the Library, but is not involved in any aspect of the procurement, delivery, or acceptance of these services. In addition, the Library has had a number of material transactions with other government departments, central government bodies, local government, non-departmental public bodies and similar organisations.

## 21. LEASE COMMITMENTS

Obligations under lease commitments as at 31 March 2013 under non-cancellable operating leases are as follows:

	2013	2013	2013	2012	2012	2012
	Land and Buildings	Other	Total	Land and Buildings	Other	Total
	£000	£000	£000	£000	£000	£000
Operating leases which expire within one year				-	-	-
In the second to fifth year inclusive	50	21	71	50	14	64
In over five years	21		21	21	0	21
	71	21	92	71	14	85

## 22. FINANCIAL INSTRUMENTS

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

## 23. ASSOCIATE COMPANY

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 because 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 of the Articles of Association 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 over residual assets

Martyn Wade, National Librarian and Chief Executive of the Library 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 the Library has not prepared consolidated financial statements, the following disclosure shows the effects of including them. The Library holds a stake of 20% in the 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 the Library in the net assets and results of ALDL is 20% of the company and is summarised below:

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
<b>Net Assets at 31 March</b>	110	117
<b>Turnover</b>	150	152
<b>Deficit for the year</b>	(6)	(6)

## 24. POST BALANCE SHEET EVENTS

The Library continues to consult with the Scottish Government on the application of financial rules governing Departmental Expenditure Limits (DEL). 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 the Library.

The implications for the National Library of Scotland are that any surplus carried forward from one

year into the next cannot be spent unless the Scottish Government agrees to increase the Library expenditure limit for that year to accommodate the additional budget element. 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.

## 25. FINANCIAL REVIEW

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

	<b>2013 Outturn £000</b>	<b>2013 Offer Letter £000</b>
Cash Items		
Running Costs	13,884	13,375
Purchases	550	550
Capital – Various	700	700
	15,134	14,625
Non-Cash Items (notional)		
Depreciation	1,919	2,380
Total Grant in Aid	17,053	17,005

## 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. Stewart', written over a horizontal line.

Signed by the authority of the Scottish Ministers

Dated 31 March 2006