



**NATIONAL LIBRARY OF SCOTLAND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st MARCH 2014**

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

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

What do a bus shelter on Shetland; the 200<sup>th</sup> anniversary of the birth of the explorer David Livingstone; the diary written by the commander of the British Army during WWI; and the popular website Wikipedia have in common?

The answer is that they all featured in various ways in the work of the National Library of Scotland (NLS) in the past year, illustrating the huge range of activity that goes on every day across the organisation.

The bus shelter on Unst was chosen as one of the Scottish websites that historians of the future may choose to study to discover how we lived in the early years of the 21<sup>st</sup> century. It has become a tourist attraction due to the power and reach of the internet. This remote location was being celebrated as legal deposit libraries across the UK and Ireland were given the power to start collecting and storing websites in the same way that printed material has been collected for centuries. This was a landmark development, warmly welcomed by NLS, that means the growing proportion of the nation's cultural and intellectual output that appears in digital form can be preserved and saved for future generations.

David Livingstone's travels in Africa were the subject of our main summer exhibition that focussed on the sketches, paintings, photographs and maps he brought back which were the first images people in Victorian Britain ever saw of Africa. The exhibition gathered many positive comments from visitors and helped to contribute to a pleasing 6% increase in exhibition visitors throughout the year.

One of the treasured items held by NLS is the diary written by Field Marshal Douglas Haig in the First World War. Its importance was recognised when it became the latest in a series of items from the Library to be added to the UK Memory of the World Register. This online register promotes the importance of documentary heritage across the UK and the world and is run by the United Nations Educational, Scientific and Cultural Organization (UNESCO). This is the sixth time that material from the Library's collections has been added to the register.

Widening access to the wealth of material held within our collections is one of our goals. As part of that, we entered into a partnership with online encyclopaedia Wikipedia aimed at sharing the richness of the Library's collections with a global audience. A temporary post of Wikimedian-in-residence was created to work with staff and the public to add content to Wikipedia which is the sixth most popular website in the world.

These are just four examples of the many ways in which we are strengthening our collections, helping to interpret and communicate the knowledge held within them and making them more accessible and available to people across Scotland and the wider world.

Progress continues to be made on developing a new home for the Scottish Screen Archive within the redevelopment of the Kelvin Hall in Glasgow. This will give improved public access to more than 100 years of Scottish history on film and video as well as providing a good base for NLS in the west of Scotland from where people can use our digital collections. Major renovation work started throughout the year on our main building in Edinburgh. The repairs and maintenance are essential to ensure the Library's world class collections are housed in the best conditions possible.

The development of the internet has meant that at no time in our history has it been easier to share the story of Scotland with a global audience. Many more people currently access our collections online than ever come into one of our buildings. That is why the digital strategy that we worked on throughout the year is so important in ensuring that we make the most of the opportunities offered by the information revolution.

We welcomed seven new members to the NLS Board in early 2014 and they will be responsible for guiding the future development of the organisation. They have all achieved prominence in their respective fields and will play a key role in determining the strategies, policies and priorities for the Library in the coming years. This annual report also marks my last as National Librarian. I joined the Library in 2002 and have been very proud to lead NLS during what has proved to be a period of development and innovation. A key focus has been on widening public access to the collections which led to the opening of our popular visitor centre along with the successful programme of events and exhibitions.

NLS plays a crucial role in the life of Scotland through acting as custodian for our written heritage as well as supporting education, research, business and innovation. It has been described by the Culture Secretary Fiona Hyslop as one of Scotland's national treasures. Its strength lies in the richness of the collections and in the skills of its staff who make it such a special place.

It has been a real privilege to have been at the centre of the organisation for over a decade and I look forward to seeing it grow and develop further in the years to come.

..........  
Martyn Wade  
National Librarian and Chief Executive

Date: .....11/09/14.....

## **Annual Report of the Board**

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

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

The National Library is the largest library in Scotland, with over 24 million items, and it is among the half dozen largest libraries in the British Isles. It has extensive and varied collections of printed material (maps, music, newspapers, etc, as well as books) and large collections of manuscripts and increasingly important digital collections. Its special characteristics derive from its status as a national and legal deposit library. Since 1710 the Library has had the right, under successive Copyright Acts, to acquire all books published in the United Kingdom, and it now seeks to obtain, through legal deposit, books and other publications that are within the scope of the Library's collection development policy. By reciprocal legislation the British Copyright Libraries have similar rights in the Republic of Ireland. The Library also acquires, mainly by purchase, but also by gift and deposit, older books, maps and music, modern foreign publications, and manuscripts.

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 (NDPB), 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 as follows:

The name of the charity is National Library of Scotland. Its principal address is George IV Bridge, Edinburgh, EH1 1EW.

Board Members 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.

## **Financial Results for the Current Year**

The way in which the Library presents its financial statements is governed by a combination of the Government Financial Reporting Manual (FRoM) and the requirements of charity legislation. Under the requirements of the FRoM the annual Grant in Aid, received from the Scottish Government for running costs, is credited directly to the General Fund rather than being included as income within the Income and Expenditure Account. It is for this reason that the Income and Expenditure Accounts at Page 20 indicates a technical deficit for the year of £17.441 million. In 2013/14 the Grant in Aid which would have been credited under different accounting rules totalled £14.875 million.

During 2013/14, the Library continued to make progress with the development of a new pay and grading structure, work which will complete in 2014/15. In line with proper accounting practice the Library has recognised the potential future 'one-off' costs associated with changes to pay and grading and has therefore made a provision in the accounts totalling £0.55 million. Finally, during 2013/14, the Library agreed to make a transfer of £2.1 million to the National Library of Scotland Foundation (NLSF). As a result of this transfer there have been significant corresponding reductions in the Library's reserves and cash balances. It is the intention of the Library to make periodic applications to NLSF for financial support for defined activities.

When these factors are taken into account the underlying picture would have been a surplus of £84,000 for the year which is considered satisfactory.

As part of the 2013/14 budget, the Library agreed to support the Collection Purchase Fund with a transfer from reserves. In addition to the budget allocation, during the year the Executive Leadership Team also approved the transfer of some excess funding, attributable to the non-filling of staff posts, to the Collection Purchase Fund. Gross spending on the purchase of new items, such as books and manuscripts, for the Library's collections totalled £1.07 million during the year.

Work also continued on the upgrade and maintenance projects on the Lawnmarket, George IV Bridge and Causewayside buildings. This work was supported by specific funding totalling £1.6 million from the Scottish Government. Work has also continued on the project to relocate the Library's Scottish Screen Archive into Glasgow, as part of the planned re-development of the Kelvin Hall.

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

During the year the Library purchased fixed assets of £498,000 (2013: £701,000). This included spending on Land & Buildings, Plant & Machinery and Computer Equipment, all of which will yield benefits over more than one year.

In addition, items to the value of £280,000 (2013: £246,000) were added to the Library's Heritage Assets. This included the purchase of important historical and cultural archives and papers for the Library's collections.

#### 4. The Board

With effect from 1<sup>st</sup> February 2013, there were nine Board Members, all appointed by Scottish Ministers, under the provisions of the 2012 Act. Board appointments are made by Scottish Ministers after advertising vacancies in the national press. Due to terms of office ending and the wish to increase the number of Board Members to the maximum permitted by the 2012 Act, a recruitment round was held during 2013 which resulted in Scottish Ministers appointing seven new Board Members in February 2014. The names of the Board Members who served between 1<sup>st</sup> April 2013 and 31<sup>st</sup> March 2014 are as follows:

##### Chair

James Boyle

##### Members

Noreen Adams	*	3
Andrea Batchelor (to 31/01/14)		2
Graham Caie		3
Lorraine Fannin		1
Dianne Haley	*	1
Jonathan Lake		
Simon Learoyd	*	1
Charles Lovatt		1
Moira Methven		2
Neil McIntosh	*	2
Richard Parsons		1
Willis Pickard (to 31/01/14)		2, 3
Fiona Robertson	*	3
Adrienne Scullion	*	2
Melissa Terras	*	2

##### Committee Membership

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

Those Board Members indicated by an asterisk were appointed by Scottish Ministers to the Board with effect from 1<sup>st</sup> February 2014.

Paul Dollman was a co-opted member of the Audit Committee. After demitting office, Andrea Batchelor and Willis Pickard were co-opted as members of the Staffing and Remuneration Committee.

None of the Board Members receives remuneration for their service to the Library. A total figure of travel and subsistence expenses amounting to £3,066 (2013: £787) were paid to Board Members in respect of attendance at meetings. Neither the Board Members nor the Senior Management 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. Board Members are required to update the register within 28 days of a change to their registerable interests.

New Board Members are provided with an induction pack that contains a range of documentation

including the Scheme of Delegation (Board), Responsibilities of the Board, Code of Conduct, Rules on Declaration of Interest and the Corporate Plan, and are invited to tour the Library. Over two half days, new Board Members 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. Board Members 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.

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 2012 NLS Act.

Responsibility for delivering the Strategy and Operational objectives is devolved to the National Librarian and Chief Executive, supported by the Executive Leadership Team. The Executive Leadership Team consisted of:

Martyn Wade	National Librarian and Chief Executive
Duncan Campbell	Deputy Chief Executive
Dr Darryl Mead	Deputy National Librarian

## **5. Investments**

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

## **6. Suppliers Payment Policy**

The policy of the Library is to pay creditors within agreed commercial terms or within 30 days of receipt of a valid invoice - whichever is sooner. During the year the Library took an average of 28 days to settle invoices (2013: 32 days). The Library recognises, supports and is working towards the Scottish Government target of paying suppliers within ten days. During the year 32% of invoices were paid within ten working days (2013: 26%).

## **7. 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.

## **8. Employee Consultation**

The Library places great emphasis on employee consultation and engagement. It recognises three trade unions, 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 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 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. There are also well-maintained and current notice boards in all buildings.

## **9. Policy in relation to equalities**

On 6th 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 additional responsibilities under the Public Sector Equality Duty (PSED) were announced and implemented in 2013. The Library maintains, develops and monitors equality objectives in consultation with people from groups identified in the Act as having protected characteristics. The Library also conducts equality impact assessments as required, and publishes this information on the Library website. The Library continues to build understanding and awareness on equalities through involvement with the NDBPs Equalities Forums.

## **10. Sickness Absence**

The Library strengthened the 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 1st 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 2013/14 was 8 days (2012/13: 7 days) which was above the target set by the Library.

## **11. Environmental matters**

During 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 2013/14, achieving a reduction in CO2 emissions of 42% compared to its baseline year.

In its operation the Library now uses 3.1MwH less energy, consumes 3,568 cubic metres less water and recycles 22% more waste. In addition, staff now travel 186,000 fewer miles than they did four years ago.

The NLS Public Sector Sustainability Report 2013-14 provides comprehensive data relating to the Library's sustainability activity.



## **12. Changes since 31st March 2013**

The National Librarian and Chief Executive during 2013/14 was Martyn Wade. As a result of the absence of Mr Wade during 2013/14, though illness, the designation of Accountable Officer was transferred by Scottish Government to Dr Darryl Mead, the Deputy National Librarian.

In December 2013, Mr Wade announced his intention to retire as National Librarian and Chief Executive, with effect from 31st March 2014. The Board began the search for his successor in February 2014 and Dr John Scally has now been appointed as the new National Librarian and Chief Executive. Dr Scally will take up his new post in September 2014.

## **13. Future Developments**

Over the coming months the Library will be developing a new corporate strategy, building on its predecessor 'Connecting Knowledge'. This will equip the Library to exploit digital technology and to widen access while at the same time continuing to fulfil its historic role of preserving, conserving and developing the collections. This work will be led by the new National Librarian and Chief Executive. The Library is committed to a number of ambitious, but achievable goals, some of which will be highly visible to our users, others less so as we continue to develop our organisational capacity, skills and culture which place a high value on innovation, customer focus and continuous improvement.

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, while also providing more extensive access to the Screen Archive's collections. At the same time, work continues on our existing buildings, with renovations continuing at our George IV Bridge and Causewayside sites.

The new Board was established under the National Library of Scotland Act 2012. This year has seen the Board formally set up its new operational structures and it will also continue the phased process to replace long-standing Board members with new appointees through the official appointments process of the Scottish Government.

## **14. Appointment of Auditors**

The financial statements of the Library are audited by an independent auditor appointed by the Auditor General for Scotland. PricewaterhouseCoopers LLP, Atria 1, 144 Morrison Street, Edinburgh, EH3 8EX were appointed from 1st April 2011.

The agreed fee for audit services was £24,770 (2013 - £17,800) which relates wholly to the provision of statutory audit services.

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

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

**15. Other Professional Advisers and Bankers**

<b>Investment Advisers</b>	Brewin Dolphin	Sixth Floor Atria 1, 144 Morrison Street, Edinburgh
	Brown Shipley	Conference House, 152 Morrison Street, Edinburgh
<b>Legal Advisers</b>	Dundas and Wilson	Saltire Court, 20 Castle Terrace, Edinburgh
	Murray Snell LLP	40 Castle Street, Edinburgh
	Pinsent Masons	Quay 2, 139 Fountainbridge, Edinburgh
	Turcan Connell	Princes Exchange, 1 Earl Grey Street, Edinburgh
<b>Bankers</b>	Bank of Scotland	The Mound, Edinburgh
	Royal Bank of Scotland	St Andrew Square, Edinburgh
	Citigroup	Canada Square, London
<b>VAT Advisers</b>	Scott Moncrieff	Exchange Place, 3 Semple Street, Edinburgh

**16. Risk Management**

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

During 2013/14 responsibility for Strategic Risk Management was managed by the Executive Leadership Team (ELT). Strategic Risk Management is overseen by the Audit Committee which reports to the Board.

Risk at departmental level is managed by Heads of Department, under guidance from the ELT. The Secretary's Department has responsibility for developing library-wide 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 Strategic 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 Strategic Risk Register.

The Library's approach to, and management of risk is regularly reviewed by its Internal Auditors

and Board Members. 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 the Board.

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.

## 17. Objectives and Achievements

During 2013/14, the National Library of Scotland was guided by the strategic goals outlined in its corporate strategy Connecting Knowledge. This can be found on the Library's web-site.

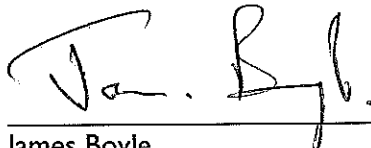
<http://www.nls.uk/about-us/corporate-documents>

These goals fall into broad themes: Content, Connectivity, Collaboration and Organisational Development.

The activities and achievements of the National Library of Scotland in 2013/14 are described and reviewed in detail in the Library's Annual Review to be published in Autumn 2014.

## 18. Disclosure of relevant audit information

As Accountable Officer, the Deputy National Librarian 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  
Chair of the National Library of Scotland

Date: 23 Sep 2014

## 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 31st March 2014 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 were no other staff who earned above £60,000.

	2014 Salary	2013 Salary	2014 Accrued Pension	Real Increase in Pension	CETV as at 31/3/2014	CETV as at 31/3/2013	Real Increase in CETV funded by NLS	2014 Total Remuneration	2013 Total Remuneration
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<u>Martyn Wade</u> National Librarian & Chief Executive	90-95	90-95	40-45	0	995	940	(6)	88	96
<u>Duncan Campbell</u> Deputy Chief Executive	70-75	70-75	40-45	1	809	739	19	95	149
<u>Darryl Mead</u> Deputy National Librarian	70-75	70-75	10-15	2	143	96	17	104	96

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 (2013: £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. Pension lump sums at 31/3/2014 were payable to Martyn Wade £133,000 (2013: £126,000).

Martyn Wade left NLS on 31st March 2014 under Scottish Government approved early severance terms. The total payroll cost of this early severance was in the range £85,000-£90,000.

Darryl Mead  
Dr Darryl Mead, Deputy National Librarian and Accountable Officer

Date: 23 September 2014

## **Statement of Board Members' responsibilities**

The Board Members are responsible for preparing the Annual Report of the Board 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 Board 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 Board Members are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state 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 Board Members 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 Board Members are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Governance Statement**

### **Scope of Responsibility**

The Deputy National Librarian (DNL) is the Accountable Officer and, together with the Board Chair, has joint responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives as 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. I have retained the Accountable Officer status since the phased return to work of the National Librarian and Chief Executive (NLCE) and his subsequent decision to retire from his current role on 31st March 2014.

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 financial statements. 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 process within the organisation accords with the SPFM and has been in place for the year ended 31st March 2014 and up to the date of approval of the financial statements and accords with guidance from the Scottish Ministers.

## Risk and Control Framework

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

During the current year a revised risk management process has been introduced which has improved the awareness and application of risk management across NLS. There is now a three tier approach to risk management with the introduction of a Strategic Risk Register, which is reviewed quarterly and presented both to the Audit Committee (AC) and the NLS Board.

This register is supported by a Corporate Risk Register which is owned by the Corporate Leadership Team (CLT) along with underpinning Departmental Risk Registers that are owned by each Head of Department. All registers are updated quarterly with new risks escalated to the appropriate level. These risk registers are reviewed on a quarterly basis by CLT.

The Strategic Risk Register sets the tone for risk management across NLS with all subsequent risks held on the Corporate and Departmental risk registers cross referenced to this, enabling the organisation to identify and manage these key business risks down to Departmental level.

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. NLS has revised its approach to the provision of Internal Audit as it is now provided on a "co-source" basis with the Compliance, Audit and Review (CAR) Manager managing the Internal Audit process, working closely with the external providers, Henderson Loggie (HL) who were appointed as the Library's Internal Audit contractors in July 2013. Their current contract runs from 1st August 2013 to 31st March 2015. All audits conducted are fully compliant with the required Public Sector Internal Audit Standard (PSIAS).

The internal audit activity in 2013/14 focussed on the following areas:

- Usage of Government Procurement Cards;
- Procurement and Contact Management; and
- Key Financial Controls.

As a result of this and other assurance work, the CAR Manager has concluded within the Annual Audit Report and Opinion that NLS had an adequate framework of control over the systems examined. In addition the internal audit carried out did not identify any fraud, alleged fraud or suspected fraud affecting the Library in the year to 31st March 2014.

Responsibilities within the internal control and risk framework include the following;

**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.

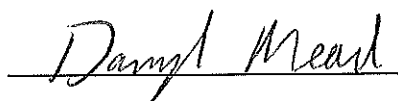
**Heads of Department** are responsible for managing risk within their departments and the risk register is revised to reflect the results of discussion as well as in response to any other significant changes in circumstances or controls at any other time during the year. Where risks are perceived to have increased above acceptable levels, Heads of Department are required to identify additional control mechanisms to mitigate those increased risks. There are some instances of weaknesses in controls. However, where these exist they are currently not significant as to put the business objectives at serious risk. In addition, appropriate action is in place to address the identified weaknesses and steps are being taken to ensure the continuous improvement of the system of internal control. Heads of Departments 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 the Board Chair, we have responsibility for reviewing the effectiveness of the system of internal control. Our review is informed by:

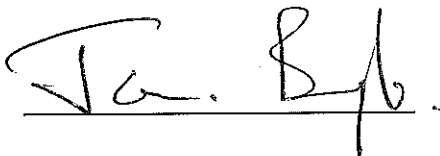
- the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework;
- the work of the internal auditors, who submit to the organisation's Audit Committee regular reports which include the CAR Manager's Annual Audit Report and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

Appropriate action would be taken to address any weaknesses identified and to ensure the continuous improvement of the system.



Dr Darryl Mead  
Deputy National Librarian and Accountable Officer

Date: 23 September 2014



James Boyle  
Chair of NLS

Date: 23 Sep 2014

## **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 31st March 2014 under Paragraph 12 of Schedule 1 to the National Library of Scotland Act 2012. The financial statements comprise the Income and Expenditure Statement, the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, 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 Board Members' Responsibilities, the Board 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 us 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 in accordance with the Public Finance and Accountability (Scotland) Act 2000.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, 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 2014 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:

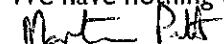
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers; and
- the information given in the Annual Report of the Board for the financial year for which the financial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

### **Matters on which we are 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.

  
Martin Pitt, Senior Statutory Auditor  
For and on behalf of PricewaterhouseCoopers LLP

23 September 2014

**Income and Expenditure Account for the year ended 31st March 2014**

		<b>2014</b>	<b>2013</b>
		<b>£000</b>	<b>£000</b>
	Notes		
<b>INCOME</b>			
Gross income from revenue-earning activities	4	127	103
Gross income from grant-aided activities		1,535	961
		<u>1,662</u>	<u>1,064</u>
<b>EXPENDITURE</b>			
Staff costs	5	9,878	9,419
Other operating charges	7	8,799	4,392
Depreciation on and permanent diminution in value of fixed assets	8	2,130	1,919
		<u>20,807</u>	<u>15,730</u>
<b>EXCESS OF EXPENDITURE OVER INCOME BEFORE INTEREST</b>		(19,145)	(14,666)
Interest received – Unrestricted funds	3	10	10
<b>EXCESS OF EXPENDITURE OVER INCOME</b>		<u>(19,135)</u>	<u>(14,656)</u>
Release in respect of depreciation of tangible fixed assets and in respect of permanent diminution in value of assets	16	1,361	1,476
Release from Revaluation Reserve	16	333	69
Amount transferred to reserves		<u>(17,441)</u>	<u>(13,111)</u>

All activities relate to continuing operations.

The notes on pages 26 to 47 form part of these financial statements.

## Statement of Financial Activities for the year ended 31st March 2014

	Notes	Restricted Funds £000	Endowment funds £000	Unrestricted Funds £000	2014 Total £000	2013 £000
<b>Incoming resources</b>						
<b>Incoming Resources from Generated Funds</b>						
Voluntary Income	3	43	-	360	403	338
Activities for generating funds	4	-	-	127	127	103
Investment income	3	186	-	10	196	180
<b>Incoming resources from Charitable Activities</b>						
Charitable donations	3	316	-	36	352	55
Other charitable activities	3	-	-	595	595	569
<b>Other incoming resources - Grant in aid</b>	<b>2</b>	<b>384</b>	<b>-</b>	<b>14,875</b>	<b>15,259</b>	<b>14,625</b>
<b>Total Incoming Resources</b>		<b>929</b>	<b>-</b>	<b>16,003</b>	<b>16,932</b>	<b>15,870</b>
<b>Resources expended</b>						
<b>Cost of generating funds</b>						
Costs of generating voluntary income	3	-	-	379	379	423
Trading: cost of goods sold and other costs	3	-	-	111	111	95
Investment management costs	3	23	-	-	23	18
<b>Charitable Activities</b>						
Collection development	3	120	-	8,096	8,216	7,435
User access to collections	3	-	-	5,855	5,855	5,647
Strategy and communications	3	-	-	755	755	890
Collection Purchase	3	789	-	-	789	746
Grant to NLS Foundation	19	1,500	-	600	2,100	1,500
Depreciation	3	-	-	2,130	2,130	1,919
Governance costs	3	-	-	450	450	367
<b>Total Resources Expended</b>		<b>2,432</b>	<b>-</b>	<b>18,376</b>	<b>20,808</b>	<b>19,040</b>
<b>Net outgoing resources before transfers</b>		<b>(1,503)</b>	<b>-</b>	<b>(2,373)</b>	<b>(3,876)</b>	<b>(3,170)</b>
Release in respect of depreciation		(1,694)	-	1,694	-	-
<b>Net outgoing resources before other recognised gains and losses</b>		<b>(3,197)</b>	<b>-</b>	<b>(679)</b>	<b>(3,876)</b>	<b>(3,170)</b>
<b>Other recognised gains and losses</b>						
Gains on investment assets	10	-	273	-	273	567
Fixed Assets added	8	-	-	-	-	700
Collection items with a value in excess of £5,000	9	-	-	-	-	246
Gains on the revaluation of fixed assets for the charity's own use	8	3,476	-	-	3,476	985
<b>Net movement in funds</b>		<b>279</b>	<b>273</b>	<b>(679)</b>	<b>(127)</b>	<b>(672)</b>
<b>Fund balances brought forward at 1 April</b>	<b>16</b>	<b>71,736</b>	<b>5,913</b>	<b>879</b>	<b>78,528</b>	<b>79,201</b>
<b>Fund balances carried forward at 31 March</b>	<b>16</b>	<b>72,015</b>	<b>6,186</b>	<b>200</b>	<b>78,401</b>	<b>78,528</b>

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

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

The notes on pages 26 to 47 form part of these financial statements.

**Statement of Total Recognised Gains and Losses for the year ended 31st March 2014**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Net gain on revaluation of fixed assets	3,476	985
Unrealised gains on investments	273	567
	<hr/>	<hr/>
<b>Total recognised gains and losses related to the financial year</b>	<b>3,749</b>	<b>1,552</b>

The notes on pages 26 to 47 form part of these financial statements.

**Balance Sheet at 31st March 2014**

		2014	2013
		£000	£000
<b>Fixed Assets</b>	Notes		
Tangible Assets	8	39,693	37,848
Heritage Assets	9	32,700	32,419
Investments	10	5,805	5,555
<b>Total fixed assets</b>		<u>78,198</u>	<u>75,822</u>
<b>Current Assets</b>			
Stocks	12	26	18
Debtors	11	1,029	522
Cash at bank and in hand	13	2,503	4,122
<b>Total current assets</b>		<u>3,558</u>	<u>4,662</u>
<b>Liabilities - amounts falling due within one year</b>	14	<u>(2,850)</u>	<u>(1,771)</u>
<b>Net current assets</b>		<u>708</u>	<u>2,891</u>
<b>Total assets less current liabilities</b>		<u>78,906</u>	<u>78,713</u>
Provisions for Liabilities and Charges	15	<u>(505)</u>	<u>(185)</u>
<b>Net assets</b>		<u><u>78,401</u></u>	<u><u>78,528</u></u>
<b>The funds of the charity:</b>			
<b>Endowment funds</b>	16	6,186	5,913
<b>Restricted funds</b>			
Capital Assets Fund	16	71,317	69,219
Collection Purchase	16	272	895
Designated Purpose	16	120	1,120
<b>Voluntary Income</b>	16	306	502
<b>Unrestricted Funds</b>			
General Fund	16	200	579
Board Reserve Fund	16	-	300
<b>Total Charity Funds</b>		<u><u>78,401</u></u>	<u><u>78,528</u></u>

The Accountable Officer authorised these financial statements for issue on 23<sup>rd</sup> September 2014

*Darryl Mead*

Dr Darryl Mead  
Deputy National Librarian and Accountable Officer

The notes on pages 26 to 47 form part of these financial statements.



**Cash Flow Statement for the year ended 31st March 2014**

		<b>2014</b>	<b>2013</b>
		<b>£000</b>	<b>£000</b>
	Notes		
Net Cash outflow from Operating Activities	17	(16,141)	(14,177)
Capital Expenditure	17	(780)	(1,720)
Grant to NLS Foundation	19	-	(1,500)
		<u>(16,921)</u>	<u>(17,397)</u>
Financing	17	15,302	14,625
<b>Decrease in cash</b>		<u><b>(1,619)</b></u>	<u><b>(2,772)</b></u>

The Grant to the NLS Foundation for 2013/14 is included within the Net Cash outflow figure from Operating Activities. This is detailed at Note 17.

The notes on pages 26 to 47 form part of these financial statements.

## Notes to the Financial Statements for the year ended 31st March 2014

### I. 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 31st 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 (FRM), 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. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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

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

Buildings	over 10 to 60 years
Motor Vehicles	over 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 direct costs of each of those departments.

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

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

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

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

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.

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 and Customs Notice 998. This VAT status allows the Library to recover (in full) any VAT that is incurred on expenses linked to free rights of admission. There are 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 (PCSPS), which is a defined benefit scheme and is unfunded.

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

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 Board has 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 are credited to the Capital Asset Fund. Amounts are then released from the Fund and credited to the Income and Expenditure Account as the related assets are depreciated. In addition, Land and Buildings are revalued every five years. The difference between the revalued amount and historical cost is also included within the Capital Assets Fund.

### 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 £5,000 are 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 Board 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 Board 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 Board 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.

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

As the Library has an undertaking, other than a subsidiary undertaking, in which it has an investment representing 20% of the voting rights and over which it exerts significant influence, this is treated as an associated undertaking. Group financial statements are not prepared on grounds of materiality. (See Note 23)

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 1st 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 1st 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>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Grant-in-Aid Received</b>		
Running Costs	13,309	13,375
Capital	1,600	700
	<u>14,909</u>	<u>14,075</u>
Purchase Grant	350	550
<b>Total Received during year</b>	<u><b>15,259</b></u>	<u><b>14,625</b></u>

The Board agreed to supplement the allocated Purchase Grant during the year from Running Costs.

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

The allocation of support costs to Collection Development, User Access, Strategy and Communications and Costs of Generating Voluntary Income 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.

	Restricted Funds £000	Unrestricted Funds £000	2014 Total £000	2013 Total £000
<b>Grant In Aid</b>				
Grant In Aid	384	14,875	15,259	14,625
<b>Voluntary income</b>				
Conditional grants	43	360	403	338
Donations	316	36	352	55
	359	396	755	393
<b>Revenue earning activities</b>				
Shelving	-	44	44	35
Café and Shop Income	-	83	83	68
	-	127	127	103
<b>Investment income</b>				
Investment Income	186	10	196	180
<b>Income from charitable activities</b>				
Property rental	-	108	108	75
Agency services	-	87	87	91
Reprography	-	89	89	88
Sundry income	-	311	311	315
	-	595	595	569
<b>Total Incoming Resources</b>	<b>929</b>	<b>16,003</b>	<b>16,932</b>	<b>15,870</b>
<b>Analysis of Resources Expended</b>	<b>Direct Costs £000</b>	<b>Support Costs £000</b>	<b>2014 Total £000</b>	<b>2013 Total £000</b>
<b>Charitable activities</b>				
Collection development	4,443	3,773	8,216	7,435
User access to collections	3,127	2,728	5,855	5,647
Strategy and communications	403	352	755	890
Collection Purchase (CPF funded)	734	-	734	683
Collection Purchase (Endowment funded)	55	-	55	63
	8,762	6,853	15,615	14,718
<b>Cost of generating funds</b>				
Cost of generating voluntary income	203	176	379	423
Cost of goods sold and other costs	111	-	111	95
	314	176	490	518
Depreciation	-	2,130	2,130	1,919
Investment management costs	23	-	23	18
Governance costs	450	-	450	367
Grant to NLS Foundation	2,100	-	2,100	1,500
<b>Total Resources Expended</b>	<b>11,649</b>	<b>9,159</b>	<b>20,808</b>	<b>19,040</b>



**4. REVENUE-EARNING ACTIVITIES**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Income</b>		
Shelving	44	35
Café and Shop Income	83	68
<b>Total Income</b>	<b>127</b>	<b>103</b>
<b>Less: Costs</b>		
Cost of sales	(53)	(47)
Direct wages	(45)	(37)
Administration	(13)	(10)
<b>Total Costs</b>	<b>(111)</b>	<b>(94)</b>
<b>Surplus for the year: transferred to Board Reserve Fund</b>	<b>16</b>	<b>9</b>

**5. EMPLOYEES**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Staff costs during the year were:		
Wages and salaries	7,584	7,120
Social Security costs	530	481
Pension costs	1,325	1,250
Agency staff costs	338	264
Early Retirement and severance costs	101	377
<b>Total</b>	<b>9,878</b>	<b>9,492</b>
<b>Accounted for within:</b>		
Unrestricted Funds	9,813	9,419
Restricted Funds	65	73
<b>Total</b>	<b>9,878</b>	<b>9,492</b>

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

	<b>2014</b>	<b>2013</b>
	<b>Number</b>	<b>Number</b>
Access	52	51
Collections & Interpretation	66	62
Communications & Enterprise	7	7
Corporate Services	24	24
Ingest	44	43
Resources	87	87
<b>Total</b>	<b>280</b>	<b>274</b>

Employees whose emoluments exceeded £60,000

	<b>2014</b>	<b>2013</b>
	<b>Number</b>	<b>Number</b>
£60,000 to £69,999	-	-
£70,000 to £79,999	2	2
£80,000 to £89,999	-	-
£90,000 to £99,999	1	1
<b>Total</b>	<b>3</b>	<b>3</b>

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.

Board Members receive no remuneration but are reimbursed for travel expenses and any childcare expenses. Total travel and subsistence expenses amounting to £3,066 (2013: £787) were paid to Board Members in respect of attendance at meetings. Five Board Members received reimbursement for expenses (2013: 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 senior officer in their organisation and the median remuneration of the organisation's workforce.

The remuneration of the Library's highest paid senior officer in 2013/14 was £94,430 (2012/13: £94,430). This was 4.37 times (2012/13: 4.62 times) the median remuneration of the workforce which was £21,632 (2012/13: £20,438).

In 2013/14 no employees received remuneration in excess of the highest paid senior officer (2013: none). Remuneration ranged from £14,246 to £75,000 (2013: £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 (PCSPS) 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 31st March 2012, however, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds as part of the Government's reform of public service pensions. 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 30th 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 between 1.50% - 6.25% of pensionable earnings for classic and 3.50% - 8.25% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1st April 2014. 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 1st 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 (31st March) the member's earned pension account is credited with 2.30% 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 2013/14 employers' contributions of £1.254 million were payable to the PCSPS (2012/13: £1.25 million) 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 2014/15, the rates will also be in the range 16.7% to 24.3%.

The contribution rates are set to meet the cost of the benefits accruing during 2013/14 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 £12,000 (2013 - £9,000) 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 £1,000 (2013 - £1,000). Contributions prepaid at that date were Nil (2013 - £Nil).

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

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

	2014		2013	
	Total Exit Packages (Number)	Total Exit Packages (Value) £000	Total Exit Packages (Number)	Total Exit Packages (Value) £000
<b>Exit Package Cost</b>				
Less than £10,000	-	-	-	-
Between £10,000 - £24,999	-	-	4	86
Between £25,000 - £49,999	2	81	5	173
Between £50,000 - £99,999	1	85	1	84
Between £100,000 - £150,000	-	-	-	-
<b>Total</b>	<b>3</b>	<b>166</b>	<b>10</b>	<b>343</b>

**7. OTHER OPERATING CHARGES**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>General</b>		
Administration expenses	564	501
Operating lease rentals (see note below)	24	23
Travel, subsistence and hospitality	208	187
Office equipment and supplies	170	151
Publications and Exhibitions	1,051	206
Copyright Agency	154	150
Computer Services	814	614
Digitisation and Web Development	127	104
Record purchase	21	20
Audit fees (see note below)	43	33
Conservation and Preservation	70	56
Grant to NLS Foundation	2,100	-
Provision	549	-
Consultancy	133	120
<b>Sub-total</b>	<b>6,028</b>	<b>2,165</b>
<b>Buildings</b>		
Utilities	392	453
Rent, rates and service charges	213	205
Lease of Land and Buildings	80	80
Buildings maintenance	2,047	1,443
Furniture	7	32
Transport	32	14
<b>Sub-total</b>	<b>2,771</b>	<b>2,227</b>
<b>Total</b>	<b>8,799</b>	<b>4,392</b>

Operating lease rentals are paid in respect of rental of buildings and general office equipment. Included in Audit Fees is £24,770 in relation to External Audit services for 2013/14 provided by PricewaterhouseCoopers LLP (2012/13: £17,800).

**8. TANGIBLE FIXED ASSETS**

	<b>Land and Buildings</b>	<b>Motor vehicles</b>	<b>Equipment and Machinery</b>	<b>Computer equipment</b>	<b>2014 Total</b>
<b>COST OR VALUATION</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April 2013	41,569	94	1,218	844	43,725
Additions	34	-	301	163	498
Write down of assets	-	(18)	-	-	(18)
Revaluation/Indexation Adjustment	3,949	-	-	-	3,949
<b>Balance at 31 March 2014</b>	<b>45,552</b>	<b>76</b>	<b>1,519</b>	<b>1,007</b>	<b>48,154</b>
<b>ACCUMULATED DEPRECIATION</b>					
Balance at 1 April 2013	4,768	76	589	444	5,877
Charge for the year	1,694	4	196	235	2,129
Write down of assets	-	(18)	-	-	(18)
Revaluation/Indexation Adjustment	473	-	-	-	473
<b>Balance at 31 March 2014</b>	<b>6,935</b>	<b>62</b>	<b>785</b>	<b>679</b>	<b>8,461</b>
<b>NET BOOK VALUE</b>					
<b>At 31 March 2014</b>	<b>38,618</b>	<b>14</b>	<b>734</b>	<b>328</b>	<b>39,693</b>
At 31 March 2013	36,801	18	629	400	37,848

Land and buildings include £850,000 (2012/13: £825,000) in respect of land which is not depreciated.

At 31st March 2010 all Land and Buildings were revalued by District Valuer Services, an executive agency of HM Revenue and 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>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Balance of capitalised items at 1 April	32,420	32,174
Other additions in year of individual items with a value exceeding £5,000	280	246
<b>Balance at 31 March</b>	<b>32,700</b>	<b>32,420</b>

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 as 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. Growing amounts of 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 very successful year-round programme of exhibitions as well as over 120 events.

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

The Board 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 1st April 2001 are not included in the balance sheet as data is not available for that period. Acquisitions for collections of individual items with a value at the date of acquisition in excess of £5,000 have been capitalised since 1st April 2001, and are included in the balance sheet at cost. Depreciation is not charged and the items are not revalued. 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>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Cash held by investment managers	96	39
UK Investments (Market Value) held by Investment managers	3,686	3,528
Total UK holdings with investment managers	<u>3,782</u>	<u>3,567</u>
Overseas Investments (Market Value) held by investment managers	2,023	1,988
Total (Market Value) held by investment managers	<u>5,805</u>	<u>5,555</u>
Endowment Cash balances held by the Library	685	661
Other voluntary fund cash balances held by the Library	-	267
Total Endowment Funds holdings	<u>6,490</u>	<u>6,483</u>
Listed investments - at cost	4,404	4,370

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

	<b>£000</b>
Opening Value of Investments at 1 April 2013	5,555
Charges & Income Withdrawn	(205)
Income Received	190
Capital Appreciation	265
Closing Value at 31 March 2014	<u>5,805</u>

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

There are also two Trust funds established for the benefit of the Library, to which the Library may apply for financial support for appropriate activities. During the year, the Library received £10,168 (2013 Nil) from Trust funds.



**11. DEBTORS**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	311	138
Other debtors	196	26
Provision for bad debts	(16)	(14)
VAT recoverable	332	258
Prepayments and accrued income	206	114
<b>Total</b>	<b>1,029</b>	<b>522</b>

**Intra Government balances, included in above balances,**

Balances with other Central Government bodies	442	345
-----------------------------------------------	-----	-----

A total of £12,000 in bad debts were written off during the year.

**12. STOCKS**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Stock for shop trading activities	26	18

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

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Government Banking Services	1,176	3,006
Other current accounts	897	438
Term Deposits	423	672
Cash	7	6
<b>Total</b>	<b>2,503</b>	<b>4,122</b>

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

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Other creditors	2,002	737
Taxation and social security	315	308
Deferred Conditional Income	193	304
Deferred Pension Costs	96	154
Accruals and deferred income	244	268
<b>Total</b>	<b>2,850</b>	<b>1,771</b>

Intra Government balances, included in above balances

Balances with other Central Government bodies	453	522
-----------------------------------------------	-----	-----

**15. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Deferred Pension: Amounts due outwith 1 year	102	185
Pay & Grading Amounts due outwith 1 year	403	-
<b>Total</b>	<b>505</b>	<b>185</b>

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 retirements or early departures are recognised, in full, in the year in which an individual leaves the Library's service.

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

**16. RESERVES**

	RESTRICTED FUNDS			ENDOWMENT FUNDS			UNRESTRICTED FUNDS			Total
	Capital Assets Fund	Collection Purchase	Designated Purpose	Voluntary Income	Endowment Funds	General Fund	Board Reserve Fund	£000	£000	
<b>Balances at 1 April 2013</b>	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Incoming Resources</b>										
Government Funding received	34	350	-	-	-	14,875	-	-	-	15,259
Other Restricted funding received	-	43	-	-	-	(43)	-	-	-	-
Donations (including bequests) received	-	-	-	316	-	(316)	-	-	-	-
Dividend, interest income and other	-	-	-	186	-	(186)	-	-	-	-
Contribution from trading activities	-	-	-	-	-	(16)	16	-	-	-
<b>Outgoing Resources</b>										
Collection items with a value in excess of £5,000	282	(227)	-	(55)	-	-	-	-	-	-
Expenditure funded by restricted funding	-	(789)	-	(143)	-	932	-	-	-	-
Release to Income and Expenditure Account in respect of depreciation	(1,694)	-	-	-	-	-	-	-	-	(1,694)
Deficit from Income and Expenditure Account	-	-	-	-	-	(17,441)	-	-	-	(17,441)
<b>Gains &amp; Losses</b>										
Surplus on revaluation	3,476	-	-	-	-	-	-	-	-	3,476
Changes in market value of holdings	-	-	-	-	273	-	-	-	-	273
Transfers	-	-	(1,000)	(500)	-	1,816	(316)	-	-	-
<b>Balance as at 31 March 2014</b>	<b>71,317</b>	<b>272</b>	<b>120</b>	<b>306</b>	<b>6,186</b>	<b>200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,401</b>

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

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Reconciliation of operating deficit to net cash outflow from operating activities</b>		
Deficit for the financial year	(19,135)	(14,656)
Depreciation on tangible fixed assets	2,130	1,919
Net cash movement in restricted funds	(19)	(912)
Increase in stock	(7)	(5)
(Increase)/Decrease in debtors	(475)	129
Increase/(Decrease) in creditors and provisions	1,365	(652)
Net cash outflow from operating activities	<u>(16,141)</u>	<u>(14,177)</u>
<b>Capital Expenditure</b>		
Additions to fixed assets	(499)	(700)
Purchase of items for the collections	(281)	(1,020)
Net capital expenditure for year	<u>(780)</u>	<u>(1,720)</u>
Grant to NLS Foundation	-	(1,500)
<b>Financing</b>		
Scottish Government funding for year	15,259	14,625
Other funding received for purchase of Collections	43	-
Total Financing received	<u>15,302</u>	<u>14,625</u>
<b>Analysis of changes in cash during the year</b>		
Opening balance at 1 April	4,122	6,894
Net cash outflow during the year	(1,619)	(2,772)
<b>Closing balance at 31 March</b>	<u><b>2,503</b></u>	<u><b>4,122</b></u>

Within this Note the 2013/14 grant to the NLS Foundation of £2.1 million has been included within the Deficit for the financial year line. In the 2012/13 accounts the equivalent payment was disclosed separately.

## CAPITAL COMMITMENTS

At the end of the 2013/14 financial year, the National Library of Scotland is contractually committed to two large refurbishment projects. The amounts contracted for but not provided in the accounts at 31st March 2014 are as follows;

	<b>2014</b>
	<b>£000</b>
George IV Bridge refurbishment	1,282
Causewayside Building refurbishment	247
<b>Total</b>	<b><u>1,529</u></b>

## 18. NATIONAL LIBRARY OF SCOTLAND FOUNDATION

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

During 2013/14 the National Library of Scotland agreed to transfer up to £3.0 million to NLSF, of which £2.1 million was paid (2012/13: £1.5 million). It is the intention of the Library to make periodic applications to NLSF for financial support for defined activities. Such applications will be considered on their merits by the Trustees of NLSF.

## 19. RELATED PARTY TRANSACTIONS

The Library is a Non-Departmental Public Body sponsored by the Scottish Government, which is regarded as a related party. During the year the National Library has had various material transactions with the Scottish Government, in the form of receipt of Grant In Aid which totalled £15.259 million in 2013/14 (2012/13: £14.625 million).

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

- A senior manager had an involvement with a company providing services to the Library, but was not involved in any aspect of the procurement, delivery, or acceptance of these services. The company ceased trading during 2013/14.
- Richard Parsons, a member of NLS' Board and Audit Committee, and University Librarian at the University of Dundee is also the Chair of Scottish Higher Education Digital Library (SHEDL). SHEDL aims through collaboration and combined purchasing power to achieve a shared digital library in Scotland with easier access to online content to support research and learning and teaching. The NLS works with SHEDL to procure journals and eBook resources.

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.

## 20. LEASE COMMITMENTS

Obligations under lease commitments as at 31st March 2014 under non-cancellable operating leases are as follows:

	2014	2014	2014	2013	2013	2013
	Land and	Other	Total	Land and	Other	Total
	Buildings			Buildings		
	£000	£000	£000	£000	£000	£000
Operating leases which expire within one year	-	-	-	-	-	-
In the second to fifth year inclusive	50	21	71	50	21	71
In over five years	21	-	21	21	-	21
<b>Total</b>	<b>71</b>	<b>21</b>	<b>92</b>	<b>71</b>	<b>21</b>	<b>92</b>

## 21. FINANCIAL INSTRUMENTS

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

## 22. ASSOCIATE COMPANY

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 disappplied 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

The 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 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>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Net Assets at 31 March	102	110
Turnover	147	150
Deficit for the year	(8)	(6)

### 23. POST BALANCE SHEET EVENTS

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

### 24. FINANCIAL REVIEW

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

	<b>2014</b>	<b>2014</b>
	<b>Outturn</b>	<b>Offer</b>
		<b>Letter</b>
	<b>£000</b>	<b>£000</b>
<b>Cash Items</b>		
Running Costs	12,834	13,309
Purchases	1,069	350
Capital – Various	1,500	1,600
<b>Total Cash</b>	<b>15,403</b>	<b>15,259</b>
<b>Non Cash Items (notional)</b>		
Grant Payment	2,100	2,000
Depreciation	2,130	2,380
	<b>19,633</b>	<b>19,639</b>

## Appendix - National Library of Scotland Accounts Direction



### NATIONAL LIBRARY OF SCOTLAND

#### DIRECTION BY THE SCOTTISH MINISTERS

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



Signed by the authority of the Scottish Ministers

Dated 19 November 2013