

National Library of Scotland

2023/24 Annual Audit Report



 **AUDIT SCOTLAND**

Prepared for the National Library of Scotland and the Auditor General for Scotland

September 2024

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Key messages

2023/24 Annual Report and Financial Statement

- 1 An unqualified independent auditor's report has been issued for the 2023/24 Annual Report and Financial Statements.
- 2 Expenditure and income in the financial statements were incurred or applied in accordance with legislation and guidance issued by Scottish Ministers.
- 3 The Annual Report of the Board, Governance Statement and Remuneration and Staff Report are consistent with the financial statements and properly prepared in accordance with applicable guidance.

Financial management

- 4 National Library of Scotland (NLS) reported an underspend against budget in 2023/24.
- 5 There are well-established budget monitoring and reporting processes in place and NLS has appropriate financial control arrangements.
- 6 The British Library's experience highlights the need for effective arrangements to manage cyber security risks. As such, it is important that NLS proceeds at pace with its work towards achieving Cyber Essentials accreditation.

Financial sustainability

- 7 The 2024/25 budget is balanced.
- 8 Planning for the medium-term is challenging given the uncertainties over future funding settlements, public sector reform and ongoing cost pressures.

Vision, leadership and governance

- 9 NLS has a clear vision and strategy. Work is underway to develop its new Strategy which will coincide with the Library's centenary year in 2025.
- 10 Effective governance and decision-making arrangements were in place during 2023/24 with business conducted in an open and transparent manner.

Use of resources to improve outcomes

- 11 NLS has arrangements in place to secure Best Value, including an effective performance management framework.

Introduction

1. I, Andrew Kerr (Senior Audit Manager), have been appointed by the Auditor General for Scotland as auditor of National Library of Scotland (NLS) for the period from 2022/23 until 2026/27. The 2023/24 financial year was the second of my five-year appointment. My appointment coincides with the new Code of Audit Practice which was introduced for financial years commencing on or after 1 April 2022.

2. My team and I would like to thank Trustees,' senior management, and other staff, particularly those in finance, for their cooperation and assistance this year.

3. This report summarises the findings from the 2023/24 annual audit of NLS. The scope of the audit was set out in an Annual Audit Plan presented to the February 2024 meeting of the Audit Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of NLS's Annual Report and Financial Statements.
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
 - Financial Management
 - Financial Sustainability
 - Vision, Leadership, and Governance
 - Use of Resources to Improve Outcomes.

4. This report is addressed to the Board of NLS and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Responsibilities and reporting

5. NLS has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an Annual Report and Financial Statements that are in accordance with the Accounts Direction from the Scottish Ministers. NLS is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

6. The responsibilities of the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

7. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve NLS from its responsibility to address the issues we raise and to maintain adequate systems of control.

8. This report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation.

Communication of fraud or suspected fraud

9. In line with ISA (UK) 240 (*The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*), in presenting this report to the Audit Committee we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. Should Board members have any such knowledge or concerns relating to the risk of fraud within the Library, we invite them to communicate this to the appointed auditor for consideration prior to the Annual Report and Financial Statements being certified.

Auditor Independence

10. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2023/24 audit fee of £30,480 as set out in our 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

11. We add value to NLS by:

- identifying and providing insight on significant risks and making clear and relevant recommendations.
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

1. Audit of 2023/24 Annual Report and Financial Statements

NLS is required to prepare an Annual Report and Financial Statements. This is the principal means of accounting for the stewardship of public funds.

Main judgements

An unqualified independent auditor's report has been issued for the 2023/24 Annual Report and Financial Statements.

Expenditure and income in the financial statements were incurred or applied in accordance with legislation and guidance issued by Scottish Ministers.

The Annual Report of the Board, Governance Statement and the Remuneration and Staff Report are consistent with the financial statements and properly prepared in accordance with applicable guidance.

Key risks arising from the audit of National Library of Scotland Annual Report and Financial Statements were presented to the Audit Committee on 5 February 2024 in our Annual Audit Plan. There are no significant matters from that work to draw to the attention of the Board.

An unqualified independent auditor's report has been issued for the 2023/24 Annual Report and Accounts.

12. The Board approved the Annual Report and Financial Statements for National Library of Scotland for the year ended 31 March 2024 on 25 September 2024. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 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.
- the Annual Report of the Board, Governance Statement and the audited part of the Remuneration and Staff Report were consistent with the

financial statements and properly prepared in accordance with the relevant legislation and guidance.

13. We are satisfied that there are no matters upon which we are required by the Auditor General to report by exception.

The unaudited Annual Report and Financial Statements were received in line with the agreed audit timetable.

14. The unaudited Annual Report and Financial Statements were received in line with our agreed audit timetable on 10 June 2024. The document submitted for audit was of a high standard as were the supporting working papers. Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Overall materiality was assessed as £1.885 million.

15. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor’s report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor’s professional judgement.

16. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed on receipt of the unaudited Annual Report and Financial Statements and is summarised in [exhibit 1](#).

Exhibit 1
Materiality levels

Materiality level	Amount
Overall materiality: This is the figure we calculate to assess the overall impact of audit adjustments on the Financial Statements. It was set at 1.5% of net assets for the year ended 31 March 2024. We have used gross assets as the basis for calculating materiality as a primary function of National Library of Scotland is to operate as a custodian of public assets. This treatment is in line with ISA (UK) 320 (<i>Materiality in planning and performing an audit</i>) and Practice Note 10 (<i>Audit of financial statements and regularity of public sector bodies in the United Kingdom</i>).	£1.885 million
Performance materiality: This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 65% of planning materiality.	£1.225 million

Materiality level	Amount
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. We have ensured this threshold is reasonable to allow appropriate testing of income and expenditure items.	£0.035 million

Source: Audit Scotland

We have no significant findings to report on the Annual Report and Financial Statements.

17. Under ISA (UK) 260 (*Communication with Those Charged with Governance*), we communicate significant findings from the audit to the Board of Trustees, including our view about the qualitative aspects of NLS's accounting practices.

18. The Code of Audit Practice also requires all auditors to communicate key audit matters within the Annual Audit Report under ISA (UK) 701 (*Communicating key audit matters in the Independent Auditor's Report*). These are matters that we judged to be of most significance in our audit of the Financial Statements.

19. We have no issues to report from the audit.

20. The qualitative aspects of NLS's accounting practices, accounting policies, accounting estimates and accounts disclosures are satisfactory and appropriate.

21. In accordance with normal audit practice, a few presentational and disclosure amendments were discussed and agreed with management. The disclosure changes were satisfactory.

One immaterial misstatement was identified.

22. Our audit identified one misstatement. NLS's land and buildings are revaluated on a five-year rolling basis with indexation factors applied in the years where a full revaluation is not undertaken. For 2023/24 Building Cost Information Service (BCIS) indexation factors were applied.

23. At the time of conducting the audit in June we referred to the most recent forecasted BCIS indexation rate for March 2024. When preparing the financial statements, management used an earlier forecasted rate. Using the most recent March 2024 indexation factor would result in a £0.161 million increase in the net book value of land and buildings in the Financial Statements.

24. It is our responsibility to request that all misstatements, other than those below our reporting threshold are corrected, although the final decision on making the correction lies with those charged with governance. Given the immaterial nature of this matter, management have decided not to adjust for it.

Our audit work responded to the risk of material misstatement we identified in the Annual Report and Financial Statements.

25. We have obtained audit assurances over the identified significant risk of material misstatement in the Annual Report and Financial Statements. [Exhibit 2](#) sets out the significant risk of material misstatement to the financial statements we identified in our 2023/24 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over this risk and the conclusions from the work completed.

Exhibit 2
Significant risk of material misstatement in the Annual Report and Financial Statements

Audit risk	Assurance procedure	Results and conclusions
1. Management override of controls As stated in ISA (UK) 240 (<i>The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements</i>), management is in a unique position to perpetrate fraud because of their ability to override controls that otherwise appear to be operating effectively.	Owing to the nature of this risk, assurances from management are not applicable in this instance.	Results: We assessed the design and implementation of controls over journal entry processing. No issues were noted. Journal adjustments were tested, and no indication of management override of controls were found. We tested accruals and prepayments and confirmed that income and expenditure was properly accounted for in the financial year. We reviewed transactions during the year – no issues were identified with significant transactions outside the normal course of business. Judgements and estimations applied were tested to confirm they were appropriate and reasonable. Conclusion: No instances of management override of controls were identified.

Source: Audit Scotland

26. In addition, we identified another area of audit focus in our 2023/24 Annual Audit Plan where we considered there to be a risk of material misstatement to the financial statements. The area of specific audit focus was:

- Valuation of land and buildings:** Based on the findings of the audit procedures performed, there is one matter which we need to bring to your attention, and this is detailed at [paragraphs 22 to 24](#).

The Annual Report of the Board complies with applicable guidance.

27. The Annual Report of the Board is a narrative statement from the Trustees which the charity regulations (Charities SORP 2019) require to be included alongside the statement of accounts. Additionally, in line with the Accounts Direction, the Annual Report of the Board should meet the requirements for a Performance Report in line with the HM Treasury Government Financial Reporting Manual (FReM).

28. The report should provide a fair, balanced, and understandable review of the charity's structure, legal purposes, objectives, activities, financial performance, and financial position.

29. Our review of the Annual Report of the Board found that it was of a reasonable standard and covered all the required disclosures.

The Governance Statement provides an appropriate level of disclosure on the Library's governance arrangements during 2023/24.

30. The FReM requires inclusion of a Governance Statement in the Annual Report and Financial Statements. The Scottish Public Finance Manual (SPFM) sets out guidance on the content and minimum requirements of the statement but does not prescribe a format.

31. The National Library of Scotland's Governance Statement complies with SPFM guidance and presents a reasonable explanation and assessment of its governance arrangements for the year under review.

The audited part of the Remuneration and Staff Report was consistent with the accounts and has been prepared in accordance with applicable guidance.

32. The FReM requires NLS as a Charitable Non-Departmental Public Bodies (NDPB) to disclose the content required of the Remuneration and Staff Report. This should include details of:

- the Library's remuneration policy
- details of the remuneration of senior officers, including pension entitlements, for the financial year (and prior year comparator); and accrued pension benefits figures as at 31 March 2024
- the number and cost of exit packages approved during the financial year
- a percentile pay disclosure and a range of other information on staff costs, numbers, and related activity.

33. We have no issues to report in relation to the information disclosed within the Remuneration and Staff Report in the Library's 2023/24 Annual Report and Financial Statements.

2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Conclusion

NLS reported an underspend against budget in 2023/24.

There are well-established budget monitoring and reporting processes in place and NLS has appropriate financial control arrangements.

The British Library's experience highlights the need for effective arrangements to manage cyber security risks. As such, it is important that NLS proceeds at pace with its work towards achieving Cyber Essentials accreditation.

NLS reported an underspend against budget in 2023/24.

34. The main financial objective for NLS is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers. NLS also must self-generate income and manage costs over the long-term to ensure its financial sustainability.

35. As a charitable Non-Departmental Public Body, NLS is primarily funded by the Scottish Government (SG) by way of Grant-in-Aid (GIA). For 2023/24, the Financial Statements for NLS show that it was due to receive £23.708 million from the SG. This comprised a resource grant of £16.808 million, capital of £2.800 million and funding for depreciation of £4.100 million.

36. NLS has reported an underspend of £1.130 million against its final resource and capital grant budgets for 2023/24. The resource budget was underspent following an increase in the Library's non-GIA income ([see paragraph 37](#)) with this used to fund part of the pay award to staff. The underspend in capital funding relates to the timing of works on the Causewayside fire protection and damper projects. This funding will be carried forward and spent 2024/25. The financial performance against fiscal resources is shown in [exhibit 3](#).

Exhibit 3

Performance against fiscal resource in 2023/24

Performance	Final budget £'million	Outturn £'million	Variance (under)/over £'million
Resource	16.808	16.677	(0.131)
Capital	2.800	2.183	(0.617)
Depreciation	4.100	3.718	(0.382)
Total	23.708	22.578	(1.130)

Source: National Library of Scotland Audited 2023/24 Annual Report and Financial Statements

37. NLS also recognises other income of £2.682 million (12% of total income) in the Statement of Financial Activities. This consists of donations, income from charitable activities, income from other trading activities and income from investments. NLS's other non-GIA income streams have been increasing over the last few year (2022/23: 10%, 2021/22: 9%) with increases in this area part of its plan for a sustainable financial future.

38. A large element of NLS's resource expenditure (80%) consists of staff costs, which were £13.483 million in 2023/24. Despite the impact of pay awards and retaining an overall equivalent size workforce, staff costs reduced by over £0.150 million from the prior year. Additionally, the percentage of staff costs to resource expenditure has dropped by 7% year-on-year. This indicates the costs savings measures implemented by management, including the running of a voluntary severance scheme in 2022/23, have been successful in generating savings to support the Library's financial planning for future years.

39. Overall, NLS remains in satisfactory financial health. The balance sheet discloses what is owned and owed by NLS as at 31 March 2024. This currently shows net assets of £125.770 million, an increase of £1.422 million on the prior year.

40. NLS continued to comply with its reserve strategy of maintaining at least £0.802 million available for use in its unrestricted General Reserve, with £0.913 million being held as at 31 March 2024. This has increased from £0.597 million in 2022/23.

There are well-established budget monitoring and reporting process in place.

41. NLS has strong financial management processes in place which are sufficiently robust to manage financial activity and capture and address any challenges to the achievement of its financial targets. This is supported by an experienced finance team.

42. The Leadership Team, Audit Committee and Board regularly review progress against budget throughout the year, with financial reports included on the agenda of each meeting of the Audit Committee and Board. The budget updates provide a good level of information on the reasons for variances, where savings have been made and the challenges facing NLS for the rest of the year. The information is provided at timely intervals throughout the year which enables scrutiny from Trustees. Additionally, the level of reserves held by the charity are subject to regular review by Trustees.

43. We concluded that NLS has effective budgetary and financial management processes in place that allow Trustees to carry out effective scrutiny of its finances.

NLS has appropriate financial control arrangements in place.

44. We undertook a review of the design and implementation of systems of internal control relevant to our audit approach.

45. We found that the key controls within the main financial systems were designed and implemented appropriately. As such, we are satisfied that the risk of material misstatement to the Financial Statements is low.

Internal audit reported that NLS had reasonable risk management, control, and governance arrangements in place during 2023/24.

46. NLS's internal audit function is carried out by BDO. The internal audit service, in any organisation, is an important element of internal control. It provides Trustees and management with independent assurance on risk management, internal control and corporate governance processes as well as providing a deterrent effect to potential fraud.

47. As part of our review of the Governance Statement included within the 2023/24 Annual Report and Financial Statements, we considered internal audit's Annual Audit Report, presented to the June 2024 Audit Committee. This disclosed internal audit's opinion that NLS had reasonable risk management, control, and governance arrangements in place during 2023/24.

Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate.

48. NLS's Board is responsible for ensuring that appropriate standards of corporate governance and personal conduct on the part of Trustees and staff are maintained.

49. NLS management is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery, and corruption. The arrangements in place at NLS include:

- codes of conduct for Trustees and staff
- fraud prevention and response policies
- whistleblowing policy

- gifts, fees, hospitality, bribery, and corruption policy
- system of internal controls in place which includes segregation of duties, and multiple levels of authorisation and approval.

50. NLS continues to participate in the National Fraud Initiative (NFI), a biennial counter-fraud exercise co-ordinated by Audit Scotland that uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity. Overall, we have concluded that NLS has made good progress with all matches being investigated and closed.

51. NLS has adequate arrangements in place for the prevention and detection of fraud and other irregularities. In addition, our testing of expenditure and income during the audit did not highlight any issues with the regularity of NLS transactions, or any instances of business decisions being taken that did not appear to reflect value for money. We are not aware of any specific issues that we need to bring to your attention.

NLS has played an important role in supporting the British Library's recovery from its cyber-attack.

52. There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place to help mitigate these. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation.

53. The British Library (BL) was the subject of a major ransomware attack in October 2023. This encrypted or destroyed much of its server estate during the attack. While the BL has secure copies of all its digital collections, and the metadata that describes it, it has been hampered by the lack of viable infrastructure on which to restore it. The re-build of its infrastructure has been under way since December 2023 and remains ongoing.

54. The National Library of Scotland's electronic Legal Deposit collection is a shared effort with the other UK Legal Deposit Libraries. This national digital collection, which includes copies of e-books, digital journals, and archived websites, is normally managed and made accessible through the BL's systems. However, the fallout from the cyber-attack continues to affect the BL website, online systems, and services, which includes the electronic Legal Deposit.

55. NLS has played a key support role in helping the BL recover from the cyber-attack, principally through the safe retention of a backup copy of the national print collection. This support has come at a cost and NLS will be seeking financial re-imbursement from BL for the support it has provided.

The British Library's experience highlights the need for effective arrangements to manage cyber security risks. As such, it is important that NLS proceeds at pace with its work in towards achieving Cyber Essentials accreditation.

56. Cyber security is included within the NLS strategic risk register. The risk register is reported to each meeting of the Board and Audit Committee for review, amendment, and approval. The Library also holds a separate, more detailed, cyber security risk register that is subject to regular review by the Leadership Team.

57. NLS has in place a cyber security plan that outlines cyber security activities for the financial year. These are aligned with the cyber security risk register. Items marked as high priority on the plan address the highest risks on the risk register. The cyber security plan is overseen by the Cyber Security Steering Group which reports to the Library Security Board. Updates on cyber security are provided to the Audit Committee. For 2023/24 NLS reported that no significant cyber incidents or vulnerabilities occurred.

58. Throughout 2023/24 the Library continued its work in progressing towards Cyber Essentials accreditation. This accreditation provides assurance that the arrangements within an organisation to manage cyber security risks are adequate. Given the nature and sophistication of cyber-attacks no organisation can be fully protected against these. Whilst NLS recognises the importance of Cyber Essentials accreditation, and it aims to achieve this by August 2024, since 2019/20 auditors have been reporting on NLS's lack of accreditation ([see appendix 1 b/f recommendation 1](#)).

59. Additionally, through our discussions with management, it was noted that digital business continuity plans have not been tested in the past year although a tabletop exercise is ready to go. Whilst cognisant of the resource and operational impact of running these exercises, given the significant issues experienced by the BL, it would be prudent for NLS to undertake testing of its digital business continuity and disaster recovery processes. Good practice suggests testing this annually.

Recommendation 1

A formal regular testing programme should be developed to ensure that digital business continuity plans are understood by staff and can be applied in practice.

3. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusion

The 2024/25 budget is balanced.

Planning for the medium-term is challenging given the uncertainties over future funding settlements, public sector reform and ongoing cost pressures.

The 2024/25 budget is balanced.

60. The Board approved a balanced budget for 2024/25 in March 2024. The Library noted this was achieved against the backdrop of a challenging financial settlement from the Scottish Government (SG). The Library's Chair and Accountable Officer together with their counterparts at the other two collection bodies (National Galleries of Scotland and National Museum Scotland) engaged in several discussions with the SG in early 2024 around the challenging 2024/25 financial settlement. They set out the risks associated with their funding and noted the specific staffing challenges that the collections face. However, during these discussions the SG confirmed there was no additional funding for the portfolio in 2024/25.

61. The narrative that supported the budget provided a good level of detail on the assumptions used. These appeared reasonable and were based on the latest and best available information to management.

62. The budget sets out £24.153 million of total expenditure in 2024/25 with a corresponding level of income, including £16.770 million in revenue Grant-in-Aid (GIA) from the Scottish Government (SG). This is an increase of £0.682 million from 2023/24 (4%). However, when the costs of 2023/24 agreed pay awards, increases in employer pension rates and general inflation are included, the Library reports that the 2024/25 GIA funding reduced in cash terms by around £0.050 million and in real terms by over 5% when compared to the final 2023/24 funding allocation.

63. GIA for 2024/25 remains NLS's main source of income (93%). The £1.983 million of non-GIA income, includes an increase of £0.387 million in conditional grant income. The budget also shows a year-on-year increase in capital GIA of £2.600 million, which provides support for IT infrastructure and collection protection projects.

64. The main risks to the budget relate to the use of one-off measures such as using some of the Collections Purchase Fund to support staff costs and freezing posts where possible to achieve in-year savings. Significant revisions to service

provisions are under consideration and discussions are ongoing regarding the implementation of these to ensure a financially sustainable future. The efforts to date, along with the development of the 2025-2030 strategy, are focused on identifying which services the Library can afford within the current budgetary constraints. Discussions with the Scottish Government are also ongoing to secure greater financial flexibility in the use of the Library's reserves, with the objective of improving its overall financial management.

65. NLS has good financial management arrangements in place and has a history of operating within its budget. We are satisfied from a review of the 2024/25 budget, consideration of the actual position in 2023/24, and the assumption of continued provision of services set out in the FReM and Practice Note 10, that it is appropriate to prepare the Financial Statements on a going concern basis, and that no material uncertainty on going concern exists. Management have made appropriate disclosures relating to going concern in the Annual Report and Financial Statements.

Planning for the medium-term is challenging given the uncertainties over future funding settlements, public sector reform and ongoing cost pressures.

66. The SG published its [Medium-Term Financial Strategy](#) in May 2023. This placed an emphasis on public sector reform and pay sustainability. As noted in Audit Scotland's October 2023 report on [The Scottish Government's workforce challenges](#) *"The Scottish Government's approach to reform includes workforce as a key component, and its medium-term plans rely on slower workforce growth. An approach focused purely on controlling workforce numbers and pay costs will not address capacity issues and is unlikely to be sufficient to put public finances on an even keel. Reform must deliver services differently, supporting the Scottish Government workforce to manage this change, rather than simply doing more with less. Historically, there has been an implementation gap between public sector reform ambitions and the ability of the Scottish Government to deliver change on the ground. Addressing this implementation gap is vital to deliver affordable public services."*

67. Whilst the SG has a reform agenda, with the Library participating in a number of Culture cluster group sessions over the past year, the SG has made little progress in reform within the sector. This lack of drive and focus nationally is an impediment to the Library's ability to plan for the medium-term efficiently and effectively.

68. Staff costs comprise the greater part of the NLS's annual expenditure (80% of total resource expenditure in 2023/24). This should dictate that the NLS adopts a strategic approach to workforce and succession planning, with this closely related to its Strategy and budgets. Given the percentage of the overall Library budget that staff costs comprise, in the absence of clarity on the [announced](#) additional funding (circa £25 million for the culture sector for 2025/26) or effective reform, the achievement of budget savings in the short-term will primarily rely on staffing efficiencies.

69. The Library has established a workforce planning group that meets every two weeks. This consists of the Leadership Team and the group reviews all vacant posts and decides on the most appropriate response to the vacancy taking into consideration various factors such as the budget and staff wellbeing.

Where possible, posts are backfilled from within the Library. Additionally, the Organisational Development partner meets with Directors annually to review any anticipated departures which may have implications for departmental effectiveness and to consider any measures which can be put in place.

70. The financial pressures facing the SG, and the wider public sector, have intensified as tougher economic conditions such as increased pay awards and high inflation continue. Despite this, planning for the medium-term term, while difficult, is necessary for NLS. The development of these forecasts brings into focus the identified challenges together with opportunities to address them.

71. Set in the context above, as part of the 2024/25 budget paper, management outlined forecasts for 2025/26 and 2026/27. These budgets are designed around a number of key assumptions which allow management to undertake a degree of scenario planning and stress testing to determine the sensitivity to the risks the organisation faces in the medium-term, with positive, neutral, and negative scenarios outlined in the paper. Recent events such as inflationary pressures and the SG's Resource Spending Review have highlighted how important it is to 'stress test' these assumptions. A number of scenarios are presented in the paper. The stress testing indicates that the Library is most vulnerable to:

- Reductions in Scottish Government funding – particularly any reductions received without significant prior warning; and
- Unfunded changes to the Scottish Government's Pay Policy and general pay pressures e.g. pension increases.

72. The forecasts highlight a challenging financial position over the medium-term. The library's risk management acknowledges its vulnerability to reductions in SG funding, cyber security risks and inflation, especially in relation to staffing and property costs. As further information is made available from the SG, NLS will have to assess the impact of its funding settlement, including any further efficiency targets, and reform announcements on its forecasts.

4. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Conclusion

NLS has a clear vision and strategy. Work is underway to develop its new Strategy which will coincide with the Library's centenary year in 2025.

Effective governance and decision-making arrangements were in place during 2023/24 with business conducted in an open and transparent manner.

NLS has a clear vision and strategy. Work is underway to develop its new Strategy which will coincide with the Library's centenary year in 2025.

73. The National Library of Scotland Act 2012 confirms that NLS's Board of Trustees has the responsibility of:

- reserving, conserving, and developing its collections.
- making the collections accessible to the public and to persons wishing to carry out study and research.
- exhibiting and interpreting objects in the collections.
- promoting collaboration and the sharing of good practice with and between other persons providing library and information services, and the adoption of good practice by those persons.

74. To support the Board in achieving these responsibilities, NLS has established a clear strategic vision as set out in its Library Strategy 2020-25. The specific strategic aims over this period are:

- Safeguarding collections
- Improving access
- Engaging audiences
- Supporting learning, research, and discovery

- Developing the organisation

75. Responsibility for delivering the Strategy and operational objectives is devolved to the National Librarian and the NLS Board, supported by the Library Leadership Team.

76. In addition to setting out the strategic aims for NLS, the plan provides a link to the Scottish Government's National Performance Framework, setting out how NLS will contribute to this.

77. The delivery of the Strategy will be monitored through a suite of 13 key indicators (analysed further in [paragraphs 90 to 93](#)).

78. To help progress the priorities of the Strategy, each year an operational Library Plan is established that identifies key objectives linked to each of the five priority areas. The year's budget is included as part of this which helps link, and evidence, the Library's use of resource to its strategic aims and priorities. At each meeting of the Board, the National Librarian presents a report that is structured around the strategic priorities and Library Plan. The reports detail various activities the Library is involved in and features real life case studies to help evidence its impact.

79. The 2023/24 year-end Library Plan was considered by the Board in June 2024 and indicates a good level of progress with the objectives (27 out of 31 achieved). For those targets that were missed, clear explanations were provided by management and those actions will be included in the 2024/25 plan.

80. Work on the Library's new strategic plan covering 2025-30 is ongoing. There has been engagement with staff and Board sessions have been held with Trustees. The launch of the new strategy will coincide with the centenary year of the Library in 2025.

Effective governance and decision-making arrangements were in place during 2023/24.

81. A Framework Document is in place between the Scottish Government and NLS. It sets out the broad framework within which NLS will operate and defines key roles and responsibilities which underpin the relationship between it and the Scottish Government.

82. The Board of Trustees is responsible for the overall governance of the NLS. It is responsible for ensuring the governance framework is operating as intended, together with the monitoring of the adequacy and effectiveness of these arrangements. NLS's governance arrangements have been set out in the Governance Statement in its Annual Report and Financial Statements. We are of the view that governance arrangements remained effective in 2023/24.

83. The Board provides leadership, direction, support, and guidance to ensure NLS delivers and is committed to delivering its functions effectively and efficiently and in accordance with the aims, policies, and priorities of the Scottish Ministers. The Board is supported in its governance role by several committees, including an Audit Committee (AC).

84. From our attendance at AC meetings, we note that committee papers are well prepared in advance of each meeting, and enough time is made available at each meeting to allow appropriate discussion of each item on the agenda. Committee members are well-prepared and provide effective scrutiny.

NLS conducts its business in an open and transparent manner.

85. There is an increasing focus on how public money is used and what is achieved. Transparency means that the public have access to understandable, relevant, and timely information about how NLS is taking decisions and how it is using resources such as money, people, and assets.

86. There is evidence from several sources which demonstrate the Library's commitment to openness and transparency:

- NLS makes its Annual Report and Financial Statements available on its website. These include a Trustees Annual Report which adequately explains NLS's financial performance and use of resources for the year.
- The NLS website provides the public with access to a wide range of corporate information including details of its strategy, its annual plan and performance, and equality and diversity reporting.
- On its website, it publishes, in an accessible and transparent way, an annual review that evidences its use of resource and key activities over the past year.

5. Use of resources to improve outcomes

NLS need to make best use of its resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Conclusions

NLS has arrangements in place to secure Best Value.

There is an effective performance management framework in place. Overall performance levels improved during 2023/24.

NLS has arrangements in place to secure Best Value

87. [Ministerial guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

88. The duty of Best Value in Public Services is as follows:

- To make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance,
- To have regard to economy, efficiency, effectiveness, the equal opportunities requirements, and to contribute to the achievement of sustainable development.

89. We have not undertaken any specific Best Value work in 2023/24. However, based on our findings in this report, we consider that NLS has arrangements in place to secure Best Value. This is evidenced through:

- a clear strategy and performance reporting, including its framework for continuous improvement.
- established governance and decision-making arrangements.
- recognition that strategic priorities must be delivered within the financial and workforce resources available.

There is an effective performance management framework in place. Overall performance levels improved during 2023/24.

90. NLS's performance is monitored by the Board against several performance targets which support the delivery of the priorities in its Library Strategy 2020-25. The responsibility for the detailed review and scrutiny of operational and financial performance lies with the Board, which meets quarterly.

91. At each meeting of the Board, the National Librarian presents a report to the Trustees covering key operations matters. Included within this is information on the key indicators assigned to the Strategy along with detailed information for each these. These key indicators are then transparently reported within the Annual Report and Financial Statements.

92. This year has seen strong overall performance results with 10 of the 13 indicators exceeding their in-year performance target together with a similar number seeing an increase in performance when compared with 2022/23, [exhibit 4](#). Whilst not directly affected, the cyber-attack on the British Library ([see paragraphs 52 to 55](#)) did have a detrimental impact on NLS's collection growth indicator. The attack has meant that access to electronic legal deposit has not been available since October 2023. This has reduced the collection in legal deposits and in turn the growth in the collections.

93. NLS has a clear performance management framework in place aligned to its Strategy and its performance is strong.

Exhibit 4

Library Strategy 2020-25 key performance indicators

	2022/23 Results	2023/24 Target	2023/24 Results
Environmental compliance	● 98.02%	95%	● 98%
Growth in the collections	● 2.4 million	1.4 million	● 1.2 million
Percentage reduction in hidden collections	● 68.24%	72%	● 76.91%
Percentage of collections available in a digital format	● 32.98%	33%	● 34.73%
Number of research collaborations	● 59	50	● 62
Public events	● 352	200	● 356
Exhibition visitors	● 119,123	110,000	● 120,152
Website usage	● 5.2 million	4.8 - 5.0 million	● 7.2 million
Reading room visits	● 43,178	38,000 - 42,000	● 52,225
Staff absence rate (days per employee)	● 9.0	7.4 - 8.0	● 8.9
Percentage raised against fundraising target	● 105%	100%	● 81%
Central support costs as a percentage of income	● 8.60%	10%	● 7.8%
Reduction in CO2 emissions	● 2.5%	1%	● 1.96%

Source: NLS Annual Report and Financial Statements 2023/24

Appendix 1. Action plan 2023/24

2023/24 and follow-up of prior year recommendation

Issue/risk	Recommendation	Agreed management action
1. Digital business continuity / disaster recovery testing Digital business continuity plans have not been tested in the past year. Risk: There is a risk that the plans may not be implemented effectively in the event of a digital business continuity incident due to a lack of testing and corporate understanding of the documentation and required response.	A formal regular testing programme should be developed to ensure that digital business continuity plans are understood by staff and can be applied in practice. See paragraph 59	Management action IT Disaster Recovery documentation will be reviewed and updated, alongside the ongoing development of Cyber Incident Response Plans. Scenario testing of cyber incidents to be included in the organisation's annual Business Continuity Workplan.
b/f 1. Cyber security risk Cyber security remains an ongoing risk and officers are still working towards cyber essentials plus. Since 2020/21 the Library has not held the Cyber Essentials accreditation. Risk: There is a continued risk of data loss, ransomware, and reputational damage while the Library is exposed to cyber-attacks.	Management should continue to make the required improvements to achieve Cyber Essentials and Cyber Essentials Plus status.	Overdue Work carried out under the 2023/24 cyber security plan, and the proposed work included in the 2024/25 plan will address many of the requirements for accreditation. The Library continues to work towards Cyber Essentials accreditation in 2024/25. See paragraphs 56 to 58

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