



**Creative Scotland**

**National Lottery Distribution Fund**

**Annual Report and Accounts**

**For the year ended 31 March 2018**

Presented to Parliament pursuant to Section 34 (3) of the National Lottery etc. Act 1993

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## **Performance Report**

### **Overview**

#### **Joint Report by the Chair and the Acting Chief Executive**

2017/18 has been a year of change for Creative Scotland, a year where a great deal has been achieved but also a year of significant challenge. Through the year we made £69.6 million of awards to 1,059 organisations, projects and individuals and we also worked hard through our Creativity Matters campaign, and with the vital support of the sector, to secure a stable budget outcome for the arts, screen and creative industries in a time of continued pressure on public finances. We would like to thank all of our hard-working and dedicated staff who have been central to delivering our work throughout the year.

It was with great sadness that our Chair, Richard Findlay, died on 8 July 2017. He made an enormous contribution to the arts, screen and creative industries in Scotland over his lifetime and Creative Scotland benefited significantly from two and a half years of his leadership.

Ben Thomson took on the Chair role on an interim basis at short notice on 26<sup>th</sup> July 2017 until 9 February 2018. On 10 February 2018, Robert Wilson was appointed Chair on a permanent basis and his significant experience in leadership roles in the arts in Scotland and in business internationally will develop further the work done by his predecessors.

In July 2018, after five years, Janet Archer stepped down from her role as Chief Executive of Creative Scotland and Iain Munro stepped up from his role as Deputy Chief Executive to become Acting Chief Executive.

A major focus for Creative Scotland through 2017/18 has been the work to develop *Screen Scotland*, which was formally launched on 21 August 2018. This follows the commitment made in the Scottish Government's 2017/18 Programme for Government to create a new Screen Unit within Creative Scotland and an increase in public funding via Creative Scotland for our film and screen sector to £20 million a year. To deliver the ambitions set out for Screen Scotland in the collaborative agreement published in December 2017, we welcome the additional funding and further development of partnerships with Scottish Enterprise, Highlands and Islands Enterprise, the Scottish Funding Council and Skills Development Scotland. Screen Scotland is leading the growth of the sector through increased funding and support for film and television production, an increase in specialist staff, marketing and promotion, and further investment in skills, festivals, audiences and education.

A significant part of the activities of the year related to the 2018/19 to 2020/21 Regular Funding process. In April 2017, we received 184 eligible applications requesting a total of £153 million for the three-year period. At the time it was flagged that, given pressure on both grant-in-aid and National Lottery budgets, it was unlikely that there would be an uplift in funding to many existing Regularly Funded Organisations (RFOs), and overall the number of RFOs was likely to be reduced.

Funding decisions were delayed until after the Scottish Government 2018/19 Draft Budget announcement on 14 December, when the organisation was awarded an additional £6.6 million to support Regularly Funded Organisations, addressing the fall in National Lottery income. This enabled the announcement early in 2018 of 121 organisations to be awarded a total £101.6 million over 3 years. This includes 19 organisations new to regular funding and 15 organisations which would no longer be funded in this way. Although the decision process was challenging and attracted significant negative publicity and sector criticism, we have been able to fund 121 organisations which demonstrate creative excellence, potential and ambition, with significant reach throughout Scotland, and internationally, and across many areas of creative practice including craft, dance, literature, music, screen, theatre and visual arts.

We have carried out a formal, independent review of the Regular Funding Process and the findings from this review will help to inform the broader review of our overall funding approach which we intend to complete during 2018/19.

In terms of Creative Scotland's Board, in February 2018 the Cabinet Secretary for Culture, Tourism and External Affairs, Ms Fiona Hyslop, accepted the resignations of Ruth Wishart and Maggie Kinloch. We thank them for their contribution as Board members. Barclay Price stood down as a Board member on 30 June 2018 at the end of his second term. We thank him for the major contribution he has made to the organisation in the 8 years since Creative Scotland's inception.

In August 2018 we welcomed the appointment by the Cabinet Secretary of Elizabeth Partyka, David Strachan and Ewan Angus as Members of the Board of Creative Scotland. They bring impressive knowledge, expertise and extensive experience of broadcasting, television and film which will be hugely beneficial in helping drive further growth for Scotland's film and TV sector as set out in the ambition for Screen Scotland.

Isabel Davis joined the organisation in September 2018 as Executive Director, to lead the delivery of Screen Scotland. Isabel brings extensive international production, editorial and policy experience and expertise in growing the screen industries on an international scale. Well-known in the UK and international film industry, Isabel joins Creative Scotland with a strong reputation and established relationships with international talent, producers, financiers and funders.

Creative Scotland welcomes the development of the Scottish Government's Culture Strategy. We are particularly pleased to see an emphasis on achieving long term change through collaboration across different areas of society and different areas of Government policy. The emphasis on place and on equalities, diversity and inclusion is also significant in terms of how we all provide support for artists, cultural organisations and communities in order to see Scotland's culture continue to thrive.

Throughout 2017/18, the Scottish Parliament's Culture Tourism, Europe and External Relations Committee has taken a keen interest in Creative Scotland and we have given evidence five times during the year to the Scottish Parliament on the Committee's reviews of the 2018/19 Draft Budget, Screen Sector and Regular Funding. We take all feedback very seriously, fully recognise the need for full trust and confidence in our organisation, and we are implementing a broad range of changes in 2018/19 in terms of our overall approach to funding and through a review of our operations, values, structure and behaviours, work which is being led by the Chair and Board.

We remain committed to moving forwards positively and with ambition, working collaboratively with the people and organisations we are here to support and to the benefit of all aspects of public life in Scotland for those that live, work or visit here.

## **Introduction**

Creative Scotland is a national lottery distributor under the National Lottery etc. Act 1993 and maintains a National Lottery Distribution Fund (NLDF) which is entitled to receive 1.78% of the proceeds allocated to good causes from National Lottery ticket sales. The purpose of the NLDF is the support of artistic and creative activities in Scotland.

Under the financial directions issued by the Scottish Ministers, Creative Scotland is required to produce separate statements of accounts relating to these activities. An Annual Report for the National Lottery activity as required by the financial directions is incorporated within this Annual Report and Accounts. The accounts have been prepared in a form directed by the Scottish Ministers in accordance with Section 35 of Part II of the National Lottery etc. Act 1993. The Accountable Officer authorised this annual report and accounts for issue on 12 October 2018.

The policy directions issued by the Scottish Ministers under section 26 of Part II of the National Lottery etc. Act 1993 are shown in Appendix 2.

## **Unlocking Potential, Embracing Ambition**

In 2013/14 Creative Scotland published its 10 Year Plan, Unlocking Potential, Embracing Ambition. The Plan sets out a clear set of longer term ambitions, underpinned by shorter term priorities, to ensure that the arts, screen and creative industries in Scotland continue to thrive. Complementary annual plans provide detail on delivery of this long-term plan. All plans are available at **creativescotland.com**.

The five ambitions for the arts, screen and creative industries over the next ten years are:

- Excellence and experimentation across the arts, screen and creative industries is recognised and valued
- Everyone can access and enjoy artistic and creative experiences
- Places and quality of life are transformed through imagination, ambition and an understanding of the potential of creativity
- Ideas are brought to life by a diverse, skilled and connected leadership and workforce
- Scotland is a distinctive creative nation connected to the world

As well as the ambitions, there are four connecting themes that run through all aspects of Creative Scotland's work, these are:

- Creative learning- increasing the quantity and quality of opportunity for people of all ages to learn through engagement with the arts, screen and creative industries
- Equalities and diversity- we are committed to putting equalities and diversity at the heart of all our activity, enabling people from different backgrounds, from diverse communities and of all ages to access increased opportunity through access to the arts and culture
- Digital- supporting the arts and creative sectors to fully utilise all the benefits that new digital tools can bring
- Environment- We are committed to operating in an environmentally sustainable manner and will work to ensure that the individuals and organisations that we support do the same

## **Going concern**

At 31 March 2018, the Creative Scotland NLDF had net liabilities of £3 million (2017: £3.7 million). The net liabilities position arises from an over-commitment of long term capital grants which are recognised upon signature of the contracts, and for which cashflow profiles are spread over a number of years.

The Board and Senior Leadership Team have robust financial plans for the ongoing operation of the fund which support the going concern basis of preparation as stated in section 1c of the accounting policies on page 29.

## **Risk management**

The risks faced by Creative Scotland are reflected within the Business Risk Assessment Register. The register is reviewed regularly at management meetings, with additional substantive periodic reviews also undertaken during the year. The register is also a standing item at each Audit and Risk Committee meeting, and the register is also presented annually in full to the Board.

The main risks identified for Creative Scotland are:

1. Available funding from National Lottery and other sources reduces resulting in less funding for the arts, screen and creative industries which adversely impacts delivery of the 10 Year Plan.
2. Uncertainty around future political and economic policy at a UK level may result in a de-prioritisation of culture in Scotland.
3. Funding decisions and communications that support strategic ambitions result in criticism.
4. The number of change management commitments could negatively impact operational capacity.
5. The creation of the Screen Unit in 2018/19 will present operational and reputational risk to ensure it is delivered effectively.

## **Performance summary- review of the year**

In 2017/18, Creative Scotland committed £69.6 million of grant funding to the arts, screen and creative industries in Scotland arising from £41.9 million of Scottish Government grant-in-aid funding and £27.7 million of National Lottery funds. The annual levels of grant commitments are shown below for the five-year period.

### **Grant Commitments- five-year view**

	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Grant-in-aid	48.1	46.0	46.6	40.3	41.9
National Lottery	41.4	30.5	30.0	26.9	27.7
<b>Total</b>	<b>89.5</b>	<b>76.5</b>	<b>76.6</b>	<b>67.2</b>	<b>69.6</b>

Note 5 on page 33 provides a breakdown of grant commitments funded from the NLDF for 2017-18.

Creative Scotland's funding programmes are categorised into three routes: regular funding, open project funding and targeted funding for specific purposes.

### **Regular funding.**

Regular Funding seeks to ensure Scotland has a wide range of arts and creative organisations through which artists and creative people can deepen and deliver their work, their engagement with the public,

and their professional networks. Regular funding is one of the key means by which the ambitions, priorities and connecting themes highlighted in the 10-year plan will be addressed.

2017/18 was the final year of regular funding for the three-year period from April 2015 to March 2018. There were 118 organisations receiving regular funding in 2017/18, and £5.8 million was allocated from National Lottery funds to the portfolio in 2017/18.

### **Open Project Funding**

Open project funding aims to support the arts, screen and creative industries, with projects that explore, realise and develop creative potential, widen access to their work, and enrich Scotland's reputation as a distinctive creative nation connected to the world. The fund is open to both individuals and organisations for awards up to £150,000 and the fund awarded 464 grants consisting of £0.7 million of grant-in-aid and £9.8 million of National Lottery funding during 2017/18.

### **Targeted Funding**

Targeted funding is used to address specific activities and development needs in a sector, specialism, or geographic area. In 2017/18, total targeted grant funding was £25.2 million of which £14.6 million was funded from grant-in-aid and £10.6 million was from National Lottery.

Key examples of targeted funding during 2017/18 include:

- Screen- A total of £5.2 million of lottery funding was committed in 2016/17 for film funding. The largest route within the fund is production funding and the following film productions received awards of over £300,000:
  - *Outlaw King* (Sigma Films)
  - *Born to Run* (Bard Entertainments)
  - *Beats* (Rosetta Productions)
  - *The Cry* (Synchronicity Films)
  - *Yuli* (Potboiler Productions)
- The Production Growth Fund is jointly funded by grant-in-aid from the Scottish Government and Creative Scotland's National Lottery Distribution Fund. During 2017/18, Creative Scotland provided £1.25 million of funding to the Fund, which provided support to five film and TV productions:
  - *Outlaw King* (Sigma Films)
  - *Country Music* (Fable Pictures)
  - *The Victim* (STV)
  - *Tell it to the Bees* (Archface)
- 2017/18 was the third year of the Scottish Film Talent Network project, which received funding of £450,000 of which £200,000 was provided from the British Film Institute. The Network has three partners: the Centre for the Moving Image (CMI), Digi Cult and Hopscotch Films and has been awarded the contract by Creative Scotland to deliver the Scottish element of the BFI NET.WORK.
- Capital- the large-scale capital programme continued throughout 2017/18, with 1 application contracted during the year: the redevelopment of the Citizens Theatre in Glasgow. (£1.5 million).



- Year of Young People Creative Traineeships- to mark the Year of Young People in 2018, Creative Scotland launched a fund to provide £100,000 of funding to ten organisations to provide a traineeship for a young person. Funding was available for creative organisations and businesses to give young people interested in progressing a career in the arts, screen and creative industries, the opportunity to gain skills and experience that potential employers would value, to remove the barrier of lack of paid work experience, and to help boost the start of their career in 2018. Two of the grants were specific to Gaelic organisations.

These are just some examples of the range of work supported by Creative Scotland in 2017/18 in our role as funder, advocate, influencer and development body on behalf of the arts, screen and creative industries in Scotland.

### **Future developments**

In April 2014, Creative Scotland published its 10 Year Plan: Unlocking Potential Embracing Ambition: a shared plan for the arts, screen and creative industries 2014-2024. The Plan highlighted Creative Scotland's five ambitions and the priorities over the next 3 years to help achieve these ambitions. These priorities were reviewed at the end of this period and were not changed. The annual plan for 2018/19 sets out how Creative Scotland will continue to develop strategies for its three key areas of responsibility; the Arts, Screen and Creative Industries.

The new funding round for regularly funded organisations begins on 1 April 2018, and will run for three years to 31 March 2021. Funding of £101.6 million was awarded to 121 organisations over the three year period. The announcement of the regular funding portfolio was met with criticism, and Creative Scotland recognised the difficulties and challenges for both applicants and staff in the process for awarding this round of funding. A number of key tasks for 2018/19 will seek to address the issues raised from the regular funding process including:

- An independent review of the process for regular funding will be undertaken. This work was carried out over the Summer of 2018. The review found that overall the delivery of the 2018-21 RFO process against the stated aims and guidance was broadly compliant across all stages up to the announcement of the funding decisions taken by the Board in January 2018.
- Following the independent review, this will be followed up with a review of how Creative Scotland's funding works across the creative sectors, including the consideration of different funding models to ensure effectiveness in supporting the different ways artists and creative people work.
- A strategic and operational review will also be undertaken. This will review the strategies, funding mechanisms, business processes, and management and governance structures. The review will be undertaken under the direction of a board subcommittee.

The Arts Strategy published in 2016, sets out the ambitions for the arts in Scotland. As part of furthering this strategy, Creative Scotland will develop two new major funding routes for artists and producers:

- A strategic fund for the development of artist run initiatives
- A Strategic Touring Fund, which will be launched in 2018 in collaboration with the touring sector. The funding will begin from 1 April 2019.

The Scottish Government's 2017 Programme for Government announced a doubling of resources for the Screen Sector in Scotland from £10 million per annum to £20 million from 1 April 2018. As part of this, a Screen Unit within Creative Scotland will be created which will involve a more collaborative inter-

agency approach and clear leadership on public sector interventions and support for Scotland's screen sector. The Screen Unit will be a partnership between Creative Scotland, Highlands and Islands Enterprise, Skills Development Scotland, Scottish Enterprise and the Scottish Funding Council.

During 2018/19, the key task in Screen will be:

- Recruitment of a newly created Executive Director, Screen and Creative Enterprise role who will be responsible for leading the work of the Screen Unit across the partnership
  
- Launching and refreshing new dedicated screen funding routes, including:
  - A newly expanded £2 million Production Growth Fund
  - A refreshed £4 million Film Development and Production Fund
  - A new £3 million Content Development and Production Fund
  
- Finalisation of the business case for new studio capacity and secure new space for future productions.

In 2018/19, work on the creative industries strategy will continue and this forms the basis of Creative Scotland's work in this area. Joint working will continue with our partners such as Scottish Enterprise, the Scottish Funding Council and Scotland's Creative Industries Partnership (SCIP) to help creative businesses find the best route to support and investment, as well as offering support and information on how to access creative and business skills development and stimulating sector development initiatives.

Creative Scotland will continue to emphasise the value that public funding of the arts, screen and creative industries delivers and will further enhance its communications approach to ensure that this is better understood.

## Performance Analysis

### Performance overview

Under each of our five ambitions we have identified priorities to inform our work over a three-year period. These priorities inform our funding guidelines and decisions, as well as our own development, advocacy and influencing activity.

Each year we publish an Annual Plan which sets out how we will achieve our ambitions and priorities for that year and summarises our planned income and expenditure. Our Annual Plans include a detailed performance management framework comprising performance indicators which we report against in the Annual Review of Performance, which is published separately. Performance is measured with regards to statistical information from our grants management system, funding data supplied by regularly funded organisations and other applicants, third party data and from stakeholder surveys.

### Financial performance

The financial statements for 2017/18 have been prepared under an Accounts Direction, on page 40, issued by the Scottish Ministers to meet the accounting and disclosure requirements of applicable accounting standards so far as these requirements are appropriate and comply with the Government Financial Reporting Manual (FRM).

The budget is approved by the Board and actual out-turn is shown below.

#### Results for the year ending 31 March 2018 versus budget

	<u>Actual</u> £m	<u>Budget</u> £m	<u>Variance</u> £m
<b>Income</b>			
National Lottery Proceeds	(29.2)	(28.1)	1.1
Other	(0.6)	(0.4)	0.2
<b>Expenditure</b>			
Grants awards and investments	27.7		
Project Expenditure	0.6		
Less de-committed awards	(2.1)		
<b>Total net grants and project expenses</b>	<b>26.2</b>	<b>29.3</b>	3.1
Staff costs	2.0	2.1	0.1
Other operating expenditure/income	0.9	0.9	-
<b>(Surplus)/Deficit on the Fund</b>	<b>(0.7)</b>	<b>3.8</b>	<b>4.5</b>

National Lottery proceeds were £1.1 million above budget in 2017-18 as the expected decline in National Lottery ticket sales was not as severe as initially forecast, with Camelot reporting a small 0.4% increase in sales for the year. In addition, there was a higher return to the Fund from unclaimed prizes.

Total net grants and project expenditure for the year to 31 March 2018 was £3.1 million below budget, and other expenditure was £0.1 million lower than budget. This was mostly due to capital funding that was budgeted for in the financial year not finalising before the year end, with final funding decisions now taking place in 2017-18.

## **Environmental Sustainability**

Creative Scotland is committed to reducing the environmental impact of its operations, as well as promoting carbon efficiency and sustainable behaviours across the arts, screen and creative industries. An environment policy sets out Creative Scotland's statutory requirements under the Climate Change (Scotland) Act 2009 and to assist the Scottish Government's target of cutting CO<sub>2</sub> emissions by 42% by 2020. Our work in this area includes:

- Working in conjunction with Creative Carbon Scotland in promoting the environment to support funded organisations, enabling them to report on their sustainable behaviour and contribution to CO<sub>2</sub> emission reduction. Environmental sustainability is a criterion in the assessment of applications from organisations for regular funding and carbon reporting will be mandatory for these organisations during the period of funding.
- Ensuring environmental sustainability is a key criterion in the assessment of tenders during the procurement processes.
- Establishing an environmental working group to co-ordinate and lead on environmental sustainability issues

Monitoring of GHG emissions in tonnes of CO<sub>2</sub> for 2 key areas for our operations for 2016/17 and 2017/18 were undertaken, with key results shown in the table below:

	<b>2017-18 GHG (tCO<sub>2</sub>e)</b>	<b>2016-17 GHG (tCO<sub>2</sub>e)</b>	<b>% change</b>
Energy	41.8	57.6	-27%
Business Travel	116	88.1	+31%

Business travel outputs have increased due to a higher number of overseas trips undertaken in the year compared to the previous year.

More information on our environment policy can be found at [creativescotland.com](http://creativescotland.com)

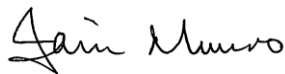
## **Social matters**

Creative Scotland is committed to ensuring people of all ages and from different types of communities throughout the country can have deep and meaningful engagement with the arts, screen and creative industries. Access and place are key ambitions in the 10 year plan to help achieve this. The following activities have taken place in 2017/18 to help achieve this:

- Continuing to work on the Corporate Parenting Plan, which identifies opportunities for young people from care backgrounds
- Working with local authorities throughout Scotland on our Place programme, which ensures Creative Scotland works closely with local partners over time to build and maintain a good working knowledge of local authority areas and their creative communities.
- Continuing to embed the concepts of equality and diversity in all our funding streams, and delivering targeted funds to support key projects. An Equalities, Diversity and Inclusion is reported on biennially.

## **Anti-bribery and corruption**

Creative Scotland has well developed policies and procedures to address anti-corruption and anti-bribery matters. All staff are required to act honestly and to safeguard the public resources for which they are responsible and are encouraged to raise concerns about possible improprieties. This includes: financial reporting, fraud, bribery or blackmail, criminal offences, failure to comply with a legal or regulatory obligation, miscarriages of justice, endangering the health and safety of an individual or concealment of any of these matters. Policies are designed to support Creative Scotland values and ensure that staff can raise concerns without fear of suffering retribution and ensure there is a transparent and confidential process for dealing with concerns.



**Iain Munro**  
**Acting Chief Executive of Creative Scotland and Accountable Officer**  
**12 October 2018**

## **Accountability Report**

### **Corporate Governance Report**

#### **Director's Report**

Officers in place as at 12 October 2018:

**Board Members**

Iain Aitchison  
Ewan Angus (appointed 1 August 2018)  
David Brew  
Karen Forbes  
Erin Forster  
Sheila Murray  
Cate Nelson-Shaw  
Elizabeth Partyka (appointed 1 August 2018)  
David Strachan (appointed 1 August 2018)  
Karthik Subramanya  
Robert Wilson (Chairman)

**Senior Leadership Team**

Iain Munro, Acting Chief Executive  
Isabel Davis, Executive Director, Screen & Creative Enterprise  
Kenneth Fowler, Director, Communications  
Ian Stevenson, Director, Finance  
Karen Lannigan, Director, HR & Office Services  
Philip Deverell, Director, Strategy  
Clive Gilman, Director, Creative Industries  
Scott Donaldson, Acting Director, Screen  
Joan Parr, Acting Director, Arts & Engagement

**Offices:**

Waverley Gate	The Lighthouse
2-4 Waterloo Place	Mitchell Lane
Edinburgh	Glasgow
EH1 3EG	G1 3NU

**External Auditors:**

Audit Scotland  
Athenaeum Building,  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

**Internal Auditors:**

Henderson Loggie  
11-15 Thistle Street  
Edinburgh  
EH2 1DF

**Bankers:**

National Westminster Bank PLC  
Government Banking Service  
2nd Floor, 280 Bishopgate  
London  
EC2M 4RB

## **Creative Scotland Board**

The Public Services Reform (Scotland) Act 2010 allows for up to a maximum of fourteen members, in addition to the Chair, all to be appointed by Scottish Ministers. The membership of the Board during the year was as follows:

<b>Name</b>	<b>Date of appointment</b>	<b>Term</b>	<b>End of current term</b>
Robert Wilson (Chair)	10 February 2018	1 <sup>st</sup>	9 February 2022
Richard Finlay (Chair)	1 January 2015	1 <sup>st</sup>	5 July 2017
Ben Thomson (Interim Chair)	26 July 2017	-	9 February 2018
Barclay Price	1 July 2010	2 <sup>nd</sup>	30 June 2018
Ruth Wishart	1 July 2010	2 <sup>nd</sup>	1 February 2018
David Brew	1 August 2015	1 <sup>st</sup>	31 July 2019
Erin Forster	1 August 2015	1 <sup>st</sup>	31 July 2019
Professor Maggie Kinloch	1 August 2015	1 <sup>st</sup>	1 February 2018
Shelia Murray	1 August 2015	1 <sup>st</sup>	31 July 2019
Iain Aitchison	1 August 2016	1 <sup>st</sup>	31 July 2020
Karen Forbes	1 August 2016	1 <sup>st</sup>	31 July 2020
Karthik Subramanya	1 August 2016	1 <sup>st</sup>	31 July 2020
Cate Nelson-Shaw	1 August 2016	1 <sup>st</sup>	31 July 2020

Ben Thomson, was appointed as the Interim Chair by the Scottish Ministers commencing from 26 July 2017, following the death of the previous Chair, Richard Findlay. Following an open recruitment process to appoint a permanent chair, Robert Wilson was appointed on 10 February 2018. Ruth Wishart and Professor Maggie Kinloch resigned from the Board on 1 February 2018.

A recruitment process to appoint additional board members with screen experience commenced in April 2018.

The Board has ultimate decision making responsibility, but to facilitate effective management, appropriate levels of delegated authority have been approved by the Board for the Accountable Officer. The Board is supported by an Audit and Risk Committee, and a Financial and General Purposes Committee. Members of these committees are appointed by the Board from their membership. There is also a Screen Committee made up of three Creative Scotland Board members, sector representatives and public sector partners.

A register of interests for Board members is maintained and is available on the Creative Scotland website. No board members, including the Chair, are remunerated for their roles.

The Board has corporate responsibility for ensuring that Creative Scotland fulfils the aims and objectives set by the Scottish Ministers; for promoting the efficient use of staff and other resources, in accordance with the principles of Best Value and for establishing the overall strategic direction for Creative Scotland. Further details on the responsibilities of the Board are reflected within the Framework Document between the Scottish Government and Creative Scotland available at [creativescotland.com](http://creativescotland.com).

### **Political and Charitable Donations**

There have been no political or charitable donations during the year or in the prior year. Grants have been made to charitable organisations but these are not classed as donations.

### **Data loss**

There were no reported incidents of unauthorised exposure or loss of personal data during the financial year.

## **Statement of Accountable Officer's responsibilities**

Under Section 35 of Part II of the National Lottery etc. Act 1993, the Scottish Government has directed Creative Scotland to prepare for each financial year a statement of accounts for the Creative Scotland National Lottery Distribution Fund (The Fund) in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Fund and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- and prepare the financial statements on a going concern basis.

The Principal Accountable Officer for the Scottish Administration has designated the Interim Chief Executive as Accountable Officer of Creative Scotland. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding Creative Scotland's assets, are set out in the Accountable Officer's Memorandum issued by Scottish Ministers.

The Fund's external auditor is appointed by the Auditor General for Scotland, and for the year ended 31 March 2018, Audit Scotland is the appointed auditor. So far as the Accountable Officer is aware, there is no relevant audit information of which the auditor is unaware and the Accountable Officer has taken all the steps that he ought to have taken in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

As far as the Accountable Officer is concerned, the annual report and accounts as a whole is fair, balanced and understandable, and he takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.



## **Governance Statement**

### **Scope of Responsibility**

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives set by the Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

### **Governance framework**

Creative Scotland's governance framework is based on the legislative powers of the organisation as stated in the Public Services Reform (Scotland) Act 2010 and the Framework Document with the Scottish Government.

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 and reporting of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety. Creative Scotland applies relevant sections of the SPFM to its governance framework arrangements.

The Board has corporate responsibility for ensuring that Creative Scotland fulfils the aims and objectives set by the Scottish Ministers. The Board is supported in its activities by two standing committees: the Audit and Risk Committee; and the Finance and General Purposes Committee (previously known as the Remuneration and Governance Committee). As is good practice, terms of reference are in place for the Board and its standing committees. These pull together the Board's statutory and regulatory responsibilities, as detailed within key governance documentation including the Public Services Reform (Scotland) Act 2010 and Creative Scotland's Management Statement and Framework Document.

### **Operation of the Board**

During 2017-18, the Board met on 9 occasions. During the year the Board approved the 2018/19 budget, large scale capital applications, and the regular funding programme for the three year period from 2018/19 to 2020/21.

The Audit and Risk Committee met four times during the year and is responsible for reviewing and monitoring all aspects of and issues relating to the preparation and production of all annual financial statements for Creative Scotland and the Creative Scotland National Lottery Distribution Fund. This includes consideration of accounting policies, levels of disclosure, risk management policies, internal control systems, compliance with applicable corporate governance requirements and reviewing any relevant matters relating to financial statements and reports raised by external or internal auditors as a result of their audit work.

The Finance and General Purposes Committee met five times during the year to review financial performance, the performance against objectives and set remuneration for the Chief Executive; consider and approve proposals on remuneration for staff, via review of pay remit submissions and consider and scrutinise budgets at a detailed level.

The Screen Committee's role is to oversee the delivery of Screen Scotland (previously the Screen Unit) as described in the Screen Unit Proposal published in December 2017. It is made up of three Creative Scotland Board members, sector representatives and public sector partners: Scottish Enterprise, Highland and Islands Enterprise, Skills Development Scotland and The Scottish Funding Council.

All activities undertaken by committees are reported to the Board through presentation and discussion of committee minutes, with matters escalated as required.

### **Accountable officer**

The Accountable officer during the period to 31 March 2018 was Janet Archer, the Chief Executive of Creative Scotland, who resigned on 30 June 2018. I was appointed Accountable Officer with effect from 12 June 2018.

### **Assessment of corporate governance in the period**

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 guidance from the Scottish Ministers provided in the Scottish Public Finance Manual and has been in place for the year ended 31 March 2018 and up to the date of approval of the annual report and financial statements.

The Accountable Officer is responsible for reviewing the effectiveness of the system of internal control and is informed by:

- the executive managers 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 and Risk Committee regular reports which include an independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;
- comments made by the external auditors in their management letters and other reports.

All recommendations from Internal and External audit are responded to by management and both the recommendations and responses for implementation are reviewed by the Audit and Risk Committee before being either approved or amended, for implementation. The findings from the Audit and Risk Committee are reported to the Board by way of submission of minutes of each meeting and an annual report on the committee's work. The independent Internal Auditor's Annual Report found that Creative Scotland has adequate and effective arrangements for risk management, control and governance and that proper arrangements are in place to promote and secure value for money.

More generally, the organisation is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area. In particular, in the period covering the year to 31 March 2018 and up to the

signing of the financial statements, the organisation has initiated reviews of the regular funding process, and a wider review of funding models and organisational development.

## **Risk management**

The Accountable Officer and Board have ultimate responsibility for the control of all identified organisational risks.

Creative Scotland's Risk Management Strategy outlines the key activities undertaken to manage risk.

The Board approves the strategic plan, and risks which may impact its delivery are identified through senior leadership team, Board and sub-committee discussions. These are recorded in the Strategic Risk Register, which identifies the organisation's risks and the relevant control strategy for each. The register has been developed in line with relevant guidance issued by the Scottish Ministers and with clearly defined processes and specific areas of responsibility.

There is an established process for the register to be reviewed and updated to reflect any changes in potential risks and or developments of the controls in place. Risk management is a regular agenda item at senior management meetings and risk management is fully incorporated into the corporate planning and decision-making processes of the organisation. The Register is a standing item at each Audit and Risk Committee meeting and, in addition to ongoing reporting through the Audit and Risk Committee minutes, the Register is also presented annually in full to the Board.

Internal Audit Reviews are undertaken by a third-party organisation. These Reviews are focussed on key risks identified in the risk register. In addition, professional advisors are used as appropriate to ensure legal compliance and minimisation of risk.

To ensure effective daily control, each identified risk is allocated to one or more members of the senior management team, based on their appropriate skills/knowledge within the area concerned and they have responsibility to ensure that current controls are maintained. Initiatives for improvement are undertaken and any new risks identified within their areas or within the wider organisation are immediately highlighted to the Accountable Officer/Chief Executive. To fully support the senior management in this process, any newly identified risks; decisions on controls, new initiatives, reviews of risks and re-assessment controls etc. are discussed at the management team meetings and further guidance is given before any action is taken.

## **Conclusion**

Based on the above and my own knowledge of the organisation, and review of the certificates of assurance completed by the Senior Leadership Team, I am satisfied that, during the year under review, the overall control environment within Creative Scotland operated effectively and supported the organisation in meeting its aims and objectives.

## Remuneration and staff report

The Chair, Board and Chief Executive are appointed by the Scottish Ministers. The Chair and Board receive no remuneration, the Chair having declined the offer of a remuneration package linked to the role. Incidental travel and subsistence expenditure are reimbursed to Board members in accordance with an established expenses policy. Board expenses for the year to 31 March 2018 were £3,424 (2017: £822).

The Chief Executive's remuneration arrangements comply with the Scottish Government Public Sector Pay Policy for Senior Management. Senior management's remuneration falls within the organisations' pay grades. Individual objectives are set for all senior management, by the Chief Executive. The Chief Executive's objectives are set by the Chair, and ratified by the Finance and General Purposes Committee. Satisfactory performance by attainment of set objectives is decided at the end of the objective period, in one to one meetings with the Chief Executive for the senior manager and by the Chair and Finance and General Purposes Committee for the Chief Executive. Proposed remuneration increases are submitted to the Finance and General Purposes Committee through the pay remit process before formal submission to the Scottish Government for approval.

The sections marked \* are subject to a separate opinion by Audit Scotland. The other sections were reviewed by Audit Scotland to ensure they were consistent with the financial statements.

### Salary entitlements of the Senior Leadership Team\*

Name	2017/18				2016/17			
	Salary/ (Bonus) £'000	Benefit in kind £'000	Pension Benefits £'000	Total	Salary/ (Bonus) £'000	Benefit in kind £'000	Pension Benefits £'000	Total
Janet Archer Chief Executive	115-120 (0)	-	25-30	140-145	115-120 (0)	-	30-35	145-150
Iain Munro Deputy Chief Executive	90-95 (0)	-	25-30	115-120	85-90 (0)	-	30-35	125-130
Kenneth Fowler Director, Communications	70-75 (0)	-	15-20	85-90	70-75 (0)	-	15-20	90-95
Karen Lannigan Director, HR & Office Services	65-70 (0)	-	25-30	85-90	60-65 (0)	-	25-30	85-90
Ian Stevenson Director, Finance	60-65 (0)	-	15-20	80-85	60-65 (0)	-	20-25	80-85
Leonie Bell <sup>1</sup> Director, Arts & Engagement	60-65 (0)	-	15-20	80-85	60-65 (0)	-	15-20	80-85
Phillip Deverell Director of Strategy	60-65 (0)	-	15-20	75-80	60-65 (0)	-	15-20	75-80
Clive Gillman <sup>2</sup> Director, Creative Industries	60-65 (0)	-	15-20	75-80	55-60 (0)	-	15-20	70-75
Claire Byers Interim Director, Arts & Engagement	55-60 (0)	-	10-15	70-75	0-5 (0)	-	0-5	0-5
Scott Donaldson <sup>3</sup> Acting Director, Screen	0-5 (0)	-	-	0-5	-	-	-	-
Natalie Usher <sup>4</sup> Director of Screen	50-55 (0)	-	15-20	70-75	55-60 (0)	-	15-20	75-80

Figures shown are for the Senior Leadership Team in place during 2017-18.

- Ms Bell is seconded to the Scottish Government Culture Division for the whole of 2017/18, and salary costs are reimbursed to Creative Scotland.
- Mr Gillman is employed by Creative Scotland and the post is part funded (50%) by the Scottish Funding Council
- Mr Donaldson is also Head of Film Education, and was appointed Acting Director, Screen from 12 March 2018. Remuneration includes salary and pension benefits paid for both roles from the period of his appointment to the Senior Leadership Team.
- Mrs Usher resigned from Creative Scotland on 9 March 2018.

## Salary

'Salary' includes gross salary; overtime; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by Creative Scotland to the individuals.

## Benefits in kind

The monetary value of benefits in kind covers any benefits provided by Creative Scotland and treated by HMRC as a taxable emolument, and any non-taxable emoluments not subject to taxation.

## Bonus

No bonuses were paid during the period (2016/17- Nil).

## Pension benefits

Pension benefits are calculated as the real increase in pension multiplied by 20, plus the real increase in any lump sum, less contributions made by the member.

### Senior staff pension accrued as at 31 March 2018 and 31 March 2017\*:

Name	Accrued pension (lump sum) 31 March 2018 £'000	Accrued pension (lump sum) 31 March 2017 £'000	Real increase in pension (lump sum) £'000	CETV 31 March 2018 £'000	CETV 31 March 2017 £'000	Real increase in CETV £'000
Janet Archer	5-10 (20-25)	5-10 (15-20)	0-2.5 (2.5-5)	140	123	22
Iain Munro	20-25 (70-75)	20-25 (65-70)	0-2.5 (2.5-5)	428	462	20
Kenneth Fowler	5-10 (15-20)	5-10 (15-20)	0-2.5 (0-2.5)	105	104	11
Karen Lannigan	10-15 (10-15)	10-15 (5-10)	0-2.5 (0-2.5)	142	121	21
Ian Stevenson	5-10 (15-20)	0-5 (10-15)	0-2.5 (2.5-5)	111	100	10
Leonie Bell	5-10 (20-25)	5-10 (15-20)	0-2.5 (0-2.5)	107	113	12
Philip Deverell	0-5 (10-15)	0-5 (5-10)	0-2.5 (0-2.5)	63	53	13
Natalie Usher	0-5 (5-10)	0-5 (5-10)	0-2.5 (0-2.5)	50	42	11
Clive Gillman	0-5 (5-10)	0-5 (0-5)	0-2.5 (0-2.5)	42	29	13
Claire Byers	0-5 (0-5)	0-5 (0-5)	0-2.5 (0-2.5)	15	1	12

## Pension scheme

Pension benefits are provided through the Arts Council Retirement Plan (1994) for Creative Scotland and legacy Scottish Arts Council staff. Legacy Scottish Screen staff are members of the Strathclyde Pension Fund. The members of the Senior Leadership Team are members of the two schemes on the same basis as other employees.

## Cash Equivalent Transfer Values

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 a pension benefit in another scheme or arrangement which the individual has transferred to Creative Scotland's 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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take into account any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### 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.

### Exit packages\*

Exit package cost band	Total number of packages by cost band (2017/18)	Total number of packages by cost band (2016/17)
Less than £10,000	-	-
£10,000 to £24,999	-	-
£25,000 to £49,999	-	-
£50,000 to £100,000	-	1
Over £100,000	-	-
<b>Total number of exit packages</b>	<b>-</b>	<b>1</b>

### Median pay multiples\*

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

	2017/18	2016/17
Banded remuneration of the highest paid director in Creative Scotland (the Chief Executive)	£115,000 to £120,000	£115,000 to £120,000
Median Remuneration of Creative Scotland staff	£33,468	£28,715
Ratio	3.52	4.11
Range of staff remuneration below highest paid director (bands of £5,000)	£15,000 - £95,000	£15,000 - £95,000
Employees receiving remuneration in excess of the highest-paid director	0	0

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.

## Staff numbers\*

	<b>2017/18</b>	<b>2016/17</b>
<b>Average number of persons employed (FTE)</b>		
Arts & Engagement	30.5	30.7
Creative Industries	5.8	7.5
Screen	10.8	12.0
Strategy	9.0	9.5
Executive Office	8.0	7.0
Communications	12.4	13.1
Finance & Funding Operations	20.4	20.8
HR & Office Services	9.1	8.5
	<b>106.0</b>	<b>109.1</b>

Staff costs are disclosed in Note 7.

## Breakdown of employee groups by gender\*

At 31 March 2018, Creative Scotland employed 111 members of staff, and the table below shows the breakdown by employment grade across the two genders.

Grade	Males	Females
A	1	9
B	6	14
C	13	34
D	13	11
F (Director)	5	3
Deputy Chief Executive	1	-
Chief Executive	-	1
<b>Total</b>	<b>39</b>	<b>72</b>

## Sickness absence

In the year to 31 March 2018, an average of 4.5 working days (2017: 4.5 days) was lost per staff member working in the year.

## Equalities and diversity

Creative Scotland is a 'Disability Two Ticks' organisation. This means that Creative Scotland guarantees that all disabled applicants who meet the minimum criteria for a job vacancy will be interviewed.

Creative Scotland is committed to ensuring equality of opportunity for those members of staff who are disabled or become disabled for the purposes of the Equality Act 2010 during their employment with Creative Scotland.

Creative Scotland is also a member of Stonewall's Diversity Champions Programme, the world's largest best practice employer's forum on sexual orientation in the workplace.

**External contractors**

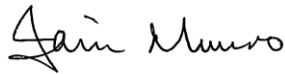
In the year to 31 March 2018, Creative Scotland incurred expenditure of £199,000 on external contractors, which is made up of:

	<b>£'000</b>
External assessors	198
Artistic & Creative Review Framework	1
	<hr/>
	<b>199</b>

All contractors and external assessors are employed in line with Creative Scotland's procurement policy.

**Trade Union Relations**

There are two unions currently at Creative Scotland: PCS and Unite and any employee can join either of the two unions. Employee representatives of both unions meet regularly with the Senior Leadership Team, and the Chair of the Board to discuss matters relating to working at Creative Scotland. In particular both unions are involved in negotiating the annual pay settlement, and the terms and conditions of employment.



**Iain Munro**  
**Acting Chief Executive and Accountable Officer**  
**12 October 2018**



## **Independent auditor's report to the members of Creative Scotland, the Auditor General for Scotland and the Scottish Parliament**

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Report on the audit of the financial statements**

#### **Opinion on financial statements**

I have audited the financial statements in the annual report and accounts of Creative Scotland National Lottery Distribution Fund for the year ended 31 March 2018 under the National Lottery etc. Act 1993. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2017/18 Government Financial Reporting Manual (the 2017/18 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Lottery etc. Act 1993 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2018 and of its net income for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 FReM; and
- have been prepared in accordance with the requirements of the National Lottery etc. Act 1993 and directions made thereunder by the Scottish Ministers.

#### **Basis of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Conclusions relating to going concern basis of accounting**

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

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

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

### **Responsibilities of the Accountable Officer for the financial statements**

As explained more fully in the Statement of the Accountable Officer Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

### **Other information in the annual report and accounts**

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

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

### **Report on regularity of expenditure and income**

#### **Opinion on regularity**

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

### **Responsibilities for regularity**

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

### **Report on other requirements**

#### **Opinions on matters prescribed by the Auditor General for Scotland**

In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the National Lottery etc. Act 1993 and directions made thereunder by the Scottish Ministers.

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

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Lottery etc. Act 1993 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Lottery etc. Act 1993 and directions made thereunder by the Scottish Ministers.

#### **Matters on which I am required to report by exception**

I am required by the Auditor General for Scotland to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

**Liz Maconachie**  
**Senior Audit Manager**  
**Audit Scotland**  
4<sup>th</sup> Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

22 October 2018

## Statement of Comprehensive Income

For the year ending 31 March 2018

	Notes	2017/18	2016/17
		£'000s	£'000s
<b>Income</b>			
National Lottery Fund proceeds	3	29,188	29,107
Other income	4	593	473
		<u>29,781</u>	<u>29,580</u>
<b>Expenditure</b>			
Grants	5	27,723	26,865
Less: de-commitment of prior year grants		(2,149)	(1,242)
Project expenditure		562	414
Staff costs	6	2,031	1,880
Other operating expenditure	7	879	752
		<u>29,046</u>	<u>28,669</u>
<b>Surplus on the Fund</b>		<u>735</u>	<u>911</u>

All the results of the Fund relate to continuing activities.

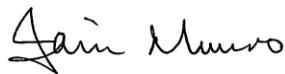
The notes on pages 29 to 39 form part of these annual report and financial statements.

## Statement of Financial Position

As at 31 March 2018

	Notes	31 March 2018	31 March 2017
		£'000s	£'000s
<b>Current assets</b>			
Trade and other receivables	8	263	176
Investments in the NLDF	9	17,062	22,318
Cash and cash equivalents	10	165	2,404
<b>Total current assets</b>		<u><b>17,490</b></u>	<u><b>24,898</b></u>
<b>Current liabilities</b>			
Trade and other payables	11	(1,413)	(2,245)
Grants outstanding	13	(16,336)	(18,828)
<b>Total current liabilities</b>		<u><b>(17,749)</b></u>	<u><b>(21,073)</b></u>
<b>Net current assets/(liabilities)</b>		<u><b>(259)</b></u>	<u><b>3,825</b></u>
<b>Non-current liabilities</b>			
Grants outstanding	13	(2,637)	(7,456)
Provisions	12	(70)	(70)
<b>Total non-current liabilities</b>		<u><b>(2,707)</b></u>	<u><b>(7,526)</b></u>
<b>Net liabilities</b>		<u><b>(2,966)</b></u>	<u><b>(3,701)</b></u>
<b>Reserves</b>		<u><b>(2,966)</b></u>	<u><b>(3,701)</b></u>

The Accountable Officer authorised these financial statements for issue on 12 October 2018.



**Iain Munro**  
Acting Chief Executive of Creative Scotland and Accountable Officer  
12 October 2018

The notes on pages 29 to 39 form part of these annual report and financial statements.

## Statement of Cash Flows

	Notes	2017/18	2016/17
		£'000s	£'000s
<b>Cash flows from operating activities</b>			
Surplus on ordinary activities		735	911
<i>Movements in working capital</i>			
Decrease/(Increase) in trade receivables		(87)	(82)
(Decrease)/Increase in trade payables		(8,143)	(238)
(Decrease)/Increase in provisions		-	-
Decrease/(Increase) in NLDF investments		5,256	(932)
<b>Net cash flow from operating activities</b>		<b><u>(2,974)</u></b>	<b><u>(1,252)</u></b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b><u>(2,239)</u></b>	<b><u>(341)</u></b>
<b>Net cash and cash equivalents as at 1 April</b>		2,404	2,745
<b>Net cash and cash equivalents as at 31 March</b>		165	2,404

## Analysis of changes in net funds

	Cash at bank and in hand	Net cash and cash equivalents
<b>1 April 2017</b>	2,404	2,404
Cash flows	(2,239)	(2,239)
<b>31 March 2018</b>	<b><u>165</u></b>	<b><u>165</u></b>

## Statement of Changes in Taxpayers' Equity

	2017/18	2016/17
	£'000s	£'000s
<b>Opening general reserve at 1 April</b>	(3,701)	(4,612)
Transferred from Statement of Comprehensive Income	735	911
<b>Closing general reserve at 31 March</b>	<b><u>(2,966)</u></b>	<b><u>(3,701)</u></b>

The notes on pages 29 to 39 form part of these annual report and financial statements.

## **Notes to the financial statements**

*(Forming part of the financial statements)*

### **1. Accounting Policies**

#### **a) Basis of accounting and preparation**

In accordance with the accounts direction issued by Scottish Ministers under Section 35 of Part II of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 2006), these financial statements have been prepared in accordance with the 2017/18 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) and IFRIC Interpretations as adapted or interpreted for the public-sector context.

The financial statements are prepared using accounting policies, and, where necessary, estimation techniques, which are selected as the most appropriate for the purpose of giving a true and fair view in accordance with the principles, set out in International Accounting Standard 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Changes in accounting policies which do not give rise to a prior year adjustment are reported in the relevant note.

The particular policies adopted by Creative Scotland are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### **b) Accounting Convention**

These accounts have been prepared under the historical cost convention, with the exception of the balances held in the National Lottery Distribution Fund which are calculated at market value.

#### **c) Going Concern**

These accounts have been prepared on the going concern basis. The Board is of the view that the financial plan for the future operation of the fund provides an adequate level of assurance that the going concern basis remains appropriate. This financial plan provides assurance around how the net liabilities position will be resolved in the forthcoming years and includes scenarios as to how variances in future income levels would be addressed. The settlement of commitments will be met by continuing cashflow from lottery proceeds and sufficient cash will be maintained to meet commitments as they fall due.

#### **d) Accruals Convention**

All income and expenditure is taken into account in the financial year to which it relates.

Projects awarded over a multi-year basis are accounted for on an annualised basis whereby awards are spread across the financial years of the project as outline in the contract.

#### **e) Accounting for funding awards**

Grants are recognised when these are approved unless there are conditions which may reasonably stop the payment of future instalments of the grant. Projects awarded over a multi-year basis are accounted for on an annualised basis whereby awards are spread across the financial years of the project.

Grants which have been approved but not recognised as future conditions have still to be met are disclosed in Note 15.

**f) Project development awards**

Creative Scotland makes awards which are for the development of projects to progress them to production. Some or all of these awards may be repayable in the event of a project reaching completion. Income is only accrued when the repayment conditions are fulfilled.

**g) Property, Plant & Equipment (PPE)**

No items of property, plant and equipment are held solely for Lottery use.

**h) National Lottery Distribution Fund**

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media & Sport. However, the share of these balances attributable to Creative Scotland is as shown in the Accounts and, at the Statement of Financial Position date has been certified by the Secretary of State for Culture, Media & Sport as being available for distribution by the body in respect of current and future commitments subject to:

- Completion of the Statement of Assurance of Payments due to the National Lottery Distribution Fund for 2017/18 by the National Lottery Commission.
- Completion of the audit of the National Lottery Distribution Fund accounts for 2017/18 by the National Audit Office.
- The NLDF balance is brought to account at market value reflecting the requirements of IFRS.

**i) Financial instruments**

Creative Scotland measures and presents financial instruments in accordance with International Accounting Standards 32 and 39 and International Financial Reporting Standard 7 as interpreted by the Government Financial Reporting Manual (FrM). IFRS 7 requires the classification of financial instruments into separate categories for which the accounting treatment is different. Creative Scotland has classified its financial instruments as follows:

**Financial Assets**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. Receivables comprise cash and cash equivalents, trade and other receivables and in the statement of financial position. Receivables are recognised at cost. A provision for impairment of loans and receivables is established when there is objective evidence that the Board will not be able to collect all amounts due according to the original terms of the receivables.

**Other financial liabilities**

Other financial liabilities are included in current liabilities or non-current liabilities as appropriate. Other financial liabilities comprise trade and other payables. Other financial liabilities are recognised at cost.



## **Recognition and measurement**

Financial liabilities are recognised when Creative Scotland becomes party to the contractual provisions of the financial instrument. A financial liability is removed from the statement of financial position when it is extinguished, that is when the obligation is discharged, transferred, cancelled or expired.

### **Embedded Derivatives**

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit and loss

### **j) Pensions**

#### **Creative Scotland as an employer**

Pension costs for Creative Scotland staff are recharged to the Lottery Fund for staff employed on lottery related activities. Past employees of Scottish Screen are covered by the provisions of the Strathclyde Pension Scheme and past employees of the Scottish Arts Council are covered by the Arts Council Retirement Plan 1994. On 1 July 2010, the Strathclyde Pension Scheme was closed to new members of Creative Scotland and all new starts are now admitted to the Arts Council Retirement Plan 1994.

As Creative Scotland is the employer of staff, the pension schemes are accounted for under International Accounting Standard 19 (revised), *Employee Benefits*, within the financial statements of Creative Scotland. Within the Lottery Fund therefore, the recharged share of the pension contributions is expensed to the Statement of Comprehensive Income in the year.

### **k) Provisions**

Provisions are made for legal or constructive obligations which are of uncertain timing or amount at the statement of financial position date on the basis of the best estimate of the expenditure required to settle the obligation. Where material they have been discounted using the appropriate discount rate as prescribed by HM Treasury.

### **l) Segmental Reporting**

IFRS 8, *Operating Segments*, requires operating segments to be identified on the basis of internal reports about components of the Fund that are regularly reviewed by the chief decision maker in order to allocate resources to the segments and assess their performance.

### **m) Cash and Cash Equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

### **m) Short Term Employee Benefits**

Short term employee benefits for Creative Scotland staff are recharged to the Lottery Distribution Fund for staff employed on lottery related activities. A liability and an expense is recognised for holiday days,

holiday pay, non-consolidated performance related pay and other short-term benefits when the employees render service that increases their entitlement to these benefits. As a result, an accrual has been made for holidays earned but not taken.

**o) VAT**

Creative Scotland is not registered for VAT and therefore does not charge VAT on supplies or reclaim VAT on eligible expenditure.

**2 Critical accounting estimates and judgements**

The following critical accounting estimates and judgements in the accounts are as follows:

- Creative Scotland has recognised provisions for dilapidations on rented premises. These provisions are based on expert valuations and are subject to agreement with landlords.
- Creative Scotland recharges 40% of applicable operating costs to the Creative Scotland National Lottery Distribution Fund. This is based on management's judgement of the most appropriate recharge rate based on a number of factors, including the proportion of income from each fund over the medium term of operations.

**3 National Lottery proceeds**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000s</b>	<b>£'000s</b>
Share of income from NLDF	29,104	29,013
Investment income	84	94
Movement in revaluation reserve	-	-
<b>Total National Lottery proceeds</b>	<b>29,188</b>	<b>29,107</b>

National Lottery proceeds are notified to Creative Scotland by the Department of Culture, Media and Sport (DCMS).

**4 Other income**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000s</b>	<b>£'000s</b>
British Film Institute	200	100
Project Income	135	159
Miscellaneous Income	2	23
Award repayments	256	191
<b>Total other income</b>	<b>593</b>	<b>473</b>

The British Film Institute contributed £200,000 in funding towards the Scottish Film Talent Network, a joint project with Creative Scotland.

Award repayments represent payments due to the Fund from royalties etc. from investments in film and media productions.

**5 Grant commitments**

	<b>2017/18 £'000s</b>	<b>2016/17 £'000s</b>
<b>Regularly Funded Organisations</b>	5,830	5,820
<b>Open Project Funding</b>	9,787	11,045
<b>Capital</b>	1,500	900
<b>Targeted- Arts and Engagement</b>		
Book Week Scotland	200	200
Creative Learning Plan	150	180
SCAN	50	70
Gavin Wallace Fellowship	25	25
Literature Translation	30	25
Arts Strategies	177	20
Creative Learning Strategic Development	50	-
Artists Rooms	55	-
Gaelic Development	79	52
Time to Shine	206	-
Scots Scriever	25	-
Scotland + Venice <sup>1</sup>	-	321
Momentum	-	80
Organisation Development Support	-	47
Artworks Scotland	-	34
Traditional Music Awards	-	32
<b>Targeted- Screen</b>		
Screen Funding	5,173	4,010
Production Growth Fund <sup>2</sup>	500	946
Screen Strategy	690	412
Film Education	405	204
Film Access Network	200	50
<b>Targeted- Creative Industries</b>		
Creative Industries <sup>3</sup>	315	8
<b>Targeted- Strategy</b>		
Visual Arts & Crafts Awards	90	105
Place	4	200
Awards For All	416	266
International Partnerships and Showcases	284	298
Equalities	-	250
<b>Targeted- Other</b>		
Sector Organisations	1,247	1,247
Strategic Fund	235	18
<b>Total grant commitments</b>	<b><u>27,723</u></b>	<b><u>26,865</u></b>

<sup>1</sup> Scotland + Venice is a biennale project, with the bulk of the funding for the 2017 exhibition taking place in 2016/17 .

<sup>2</sup> The Production Growth Fund made total awards of £1.25 million during 2017/18, of which £0.75 million was funded from grant-in-aid.

<sup>3</sup> Creative Industries targeted funds were funded from grant-in-aid in 2016/17.

**6 Staff costs**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000s</b>	<b>£'000s</b>
<b>Staff costs during the year</b>		
Wages and salaries	1,519	1,456
Social security costs	149	139
Pension costs	357	284
Movement in holiday pay accrual	6	1
<b>Total staff costs</b>	<b>2,031</b>	<b>1,880</b>

All employment contracts are with Creative Scotland, and relevant amounts are recharged to the Fund based on a recharge methodology. The recharge for the year was 40% (2016/17: 40%).

**7 Other operating expenditure**

	<b>Direct</b>	<b>Recharged</b>	<b>Total</b>	<b>Total</b>
	<b>2017/18</b>	<b>2017/18</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
HR	-	44	44	35
Estates	-	245	245	271
ICT	-	61	61	56
Operations	-	3	3	3
Office services	-	29	29	25
Audit fees	23	-	23	31
Central services	52	138	190	171
Legal & professional	162	-	162	81
Communications	-	72	72	44
External Assessors	16	-	16	18
Awards for All overheads	34	-	34	17
<b>Total other operating expenditure</b>	<b>287</b>	<b>592</b>	<b>879</b>	<b>752</b>

**8 Trade receivables and other current assets**

	<b>31 March</b>	<b>31 March</b>
	<b>2018</b>	<b>2017</b>
	<b>£'000s</b>	<b>£'000s</b>
Trade receivables	31	12
Sundry	232	164
<b>Total trade receivables and other current assets</b>	<b>263</b>	<b>176</b>

**9 Investment balance in the NLDF**

	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000s</b>	<b>£'000s</b>
Balance at 1 April	22,318	21,386
Adjustment to opening balances	-	-
Brought forward balance	<b>22,318</b>	<b>21,386</b>
Lottery proceeds	29,104	29,013
Investment income	84	94
Funds drawn down	(34,444)	(28,175)
<b>Total investment balance in the NLDF</b>	<b>17,062</b>	<b>22,318</b>

The closing market value as at 31 March 2018 reflects the balances available to the Fund from the National Lottery Distribution Fund as advised by the interim statement of balance provided by the Secretary of State for Culture, Media and Sport.

In accordance with the National Lottery etc. Act 1998, National Lottery income receivable by Creative Scotland is passed by the NLDF to the Commissioners for the Reduction of National Debt (CRND) whose role is to apportion funds received into the NLDF correctly between the distributing bodies; and to invest the funds held in the NLDF, in accordance with directions issued by HM Treasury, until such time as they are required by the bodies to make payments to successful grant applicants.

The CRND invest the income in a narrow band of low risk assets such as government bonds and cash. Creative Scotland has no control over the investment of funds on their behalf. The management of the National Lottery Distribution Fund meets with representatives of the Commissioners for the Reduction of National Debt on a regular basis to manage the risks associated with the investment of these monies.

**10 Cash and cash equivalents**

The following balances at 31 March were held at:

	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000s</b>	<b>£'000s</b>
Government Banking Service	116	-
Commercial banks	49	2,404
Cash in hand	-	-
<b>Total cash and cash equivalents</b>	<b>165</b>	<b>2,404</b>

**11 Trade payables and other current liabilities**

	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000s</b>	<b>£'000s</b>
Trade creditors	9	11
Accruals	309	390
Due to Creative Scotland	928	1,777
Other	167	67
<b>Total trade payables and other current liabilities</b>	<b><u>1,413</u></b>	<b><u>2,245</u></b>

**12 Provisions**

	<b>Dilapidations 2018 £'000s</b>	<b>Total 2018 £'000s</b>	<b>Total 2017 £'000s</b>
Balance at 1 April	70	70	70
Arising in the year	-	-	-
Utilised in the year	-	-	-
Reversal	-	-	-
<b>Total provisions</b>	<b><u>70</u></b>	<b><u>70</u></b>	<b><u>70</u></b>

The Dilapidation provision relates to the costs of reinstatement under the leases for our Edinburgh office, and is based on an externally commissioned report. The provision will be utilised towards the end of the lease terms subject to negotiation with the landlords.

**13 Grants outstanding**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000s</b>	<b>£'000s</b>
Balance at 1 April	26,284	27,951
De-commitment of prior year awards	(2,155)	(1,191)
Committed in year	28,182	26,599
Paid in year	(33,338)	(27,075)
<b>Total grants outstanding</b>	<b><u>18,973</u></b>	<b><u>26,284</u></b>

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000s</b>	<b>£'000s</b>
Balance due within one year	16,336	18,828
Balance due between one year and five years	2,637	7,456
Balance due over five years	-	-
<b>Total grants outstanding</b>	<b><u>18,973</u></b>	<b><u>26,284</u></b>

Grants outstanding have been profiled over years based on contracted payment profiles and for other projects that have other timeframes, the estimated cashflow profiles.

**14 Grant commitments not included as liabilities in the Statement of Financial Position**

	<b>31 March 2018</b>
	<b>£'000s</b>
Transition Funding	1,480
Large Scale Capital Programme	1,700
Screen Production	550
<b>Total</b>	<b><u><u>3,730</u></u></b>

Transition Funding relates to the agreed funding programmes for regularly funded organisations who were unsuccessful in the last application round for funding for the period 1 April 2018 to 31 March 2021. Transition Funding for a period of between six and twelve months were approved in 2017/18, subject to contracting in 2018/19.

The Large-Scale Capital Programme is awarded over two stages, with the first stage comprising of development funds. Successful applicants at the first stage have their stage 2 funding ring-fenced, and final award is subject to a successful application. There is one outstanding stage 1 application awaiting final contracting as at 31 March 2018 and one previously successful stage 2 application was withdrawn back to stage 1.

Screen projects include film production grants that have been offered but not yet fully contracted.

## **15 Financial instruments**

International Accounting Standard 32, *Financial Instruments: Presentation*, requires disclosure of financial instruments 'that are complex or play a significant medium to long-term role in the financial risk profile' that the Fund faces in undertaking its activities. Cash requirements for lottery expenditure are met by drawing down against monthly forecasts of need from the balances held on behalf of Creative Scotland by the National Lottery Distribution Fund (NLDF).

At 31 March 2017, the balance held at the NLDF was £22.3 million. This has decreased to £17.1 million by 31 March 2018, at which point there were £19 million of grant commitments yet to be paid out. In budgeting for current expenditure Creative Scotland balances the anticipated outflow of cash payments against grant commitments along with forward forecasts of Lottery income.

### **15 a) Liquidity risk**

During the financial year, 98% of the Fund's income derived from National Lottery proceeds. The remaining income is derived from bank interest and award repayments of 0.9%, and from other income in relation to the project income, of 1.1%.

### **15 b) Cash flow projections over the next financial year**

We do not believe that we are exposed to significant liquidity risks, and are satisfied that we have sufficient current liquid resources to cover our projected payments over the next financial year.

### **15 c) Interest rate risk**

In accordance with the National Lottery etc. Act 1998, National Lottery income receivable by Creative Scotland is passed by the NLDF to the Commissioners for the Reduction of National Debt (CRND) whose role is to apportion funds received into the NLDF correctly between the distributing bodies; and to invest the funds held in the NLDF, in accordance with directions issued by HM Treasury, until such time as they are required by the bodies to make payments to successful grant applicants. The CRND invest the income in a narrow band of low risk assets such as government bonds and cash. Creative Scotland has no control over the investment of funds on their behalf. The management of the National Lottery Distribution Fund meets with representatives of the Commissioners for the Reduction of National Debt on a regular basis to manage the risks associated with the investment of these monies.

At the balance sheet date, the market value of Creative Scotland's share of the National Lottery Distribution Fund was £17.1 million. In the year, the average return on these investments was 0.5%.

Cash balances which are drawn down by Creative Scotland from the National Lottery Distribution Fund to pay grant commitments and operating costs are held in the Government Banking Service through the National Westminster Bank plc. The cash balance at the year-end was £165,000. We consider that we are not exposed to significant interest rate risks on our cash balances.

### **15 d) Foreign currency risk**

Our exposure to foreign currency risk is not significant as less than 1% of transactions by value are processed in currencies other than sterling when compared to total operating costs.



**16 Related party transactions**

All transactions with related parties are completed at arms-length and the relevant party does not take part in the decision.

Related party transactions in respect of Creative Scotland are detailed in the Financial Statements for the year ended 31 March 2018. During the year, Creative Scotland invoiced the Lottery Distribution Fund for £2.6 million in respect of recharges for the year for staff, overhead and related costs. The Scottish Government's Directorate of Culture, External Affairs and Tourism is regarded as a related party. During the year, Creative Scotland had various material transactions with the Scottish Government Directorate of Culture, External Affairs and Tourism.

## Accounts Direction



### CREATIVE SCOTLAND

#### DIRECTION BY THE SCOTTISH MINISTERS

1. **The Scottish Ministers, in pursuance of Section 35 of Part II of the National Lottery etc. Act 1993, hereby give the following direction.**
2. **The statement of accounts which, it is the duty of Creative Scotland to prepare in respect of its National Lottery distribution activities for the financial year ended 31 March 2012, and subsequent financial 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. **Clarification of the additional disclosure requirements are set out in Schedule 1 attached.**

Signed by the authority of the Scottish Ministers

Dated

25 Jan. 2012

## SCHEDULE 1

### Additional Accounting and Disclosure Requirements

The following paragraphs detail the additional requirements as agreed by the Scottish Ministers and Creative Scotland, over and above those disclosures required in the Government Financial Reporting Manual.

1. The **Statement of Net Comprehensive Income/Expenditure** shall include as separate items, where material:
  - a) the share of Lottery proceeds attributable to the Fund
  - b) the share of investment income of the National Lottery Distribution Fund attributable to the Fund
  - c) interest receivable on lottery funds
  - d) repayment of grants
  - e) any other income
  - f) grant made from lottery funds
  - g) lapsed or revoked grant previously recorded as commitments from lottery funds
  - h) the total operating costs incurred in respect of National Lottery distribution activities
  
2. The **Statement of Financial Position** shall include:
  - a) under the heading "Current assets": shown as an investment, the balance held on behalf of the body at the National Lottery Distribution Fund;
  - b) Grant falling due for payment within one year should be disclosed separately under the heading "Current liabilities".
  - c) Grant falling due for payment after more than one year should be separately disclosed under the heading "Non-current liabilities"
  
3. The **Cash Flow Statement** shall use the indirect method when presenting "Cash flow from Operating Activities";
  
4. The **Notes to the Accounts** should meet the requirements of the FReM and include:
  - a) A statement that the Accounts have been prepared in a form directed by the Scottish Ministers in accordance with Section 35 of Part II of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 2006)
  - b) A statement of the accounting policies. This must include a statement explaining the nature of the balances held on the body's behalf in the National Lottery Distribution Fund as follows:
  - c) "Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media & Sport. However, the share of these balances attributable to Creative Scotland is as shown in the Accounts and, at the Statement of Financial Position date, has been certified by the Secretary of State for Culture, Media & Sport as being available for distribution by the body in respect of current and future commitments."
  - d) the value of grant commitments at the year- end which the body has made but which have not been included as liabilities in the Statement of Financial Position because they did not meet the criteria for being treated as liabilities at that date

- e) Where grants exceed available resources as shown in the Statement of Financial Position, a note explaining the rationale for the over-commitment taking into account any advice received from the Department as appropriate.
- f) A note reconciling the opening and closing balance of investments held at the NLDF. This should disclose proceeds received from the National Lottery, investment income, unrealised gains and losses on investment, and cash drawn down from the NLDF
- g) A breakdown of the total grant liabilities (current and non-current) in the SoFP to show:
  - i. Liability brought forward
  - ii. Commitments in the year
  - iii. Decommitments
  - iv. Commitments paid
  - v. Liability carried forward
  - vi. A breakdown of the liability for each year up to and including 5 years and over 5 years.

**Appendix 1- List of grants, awards and investments over £100,000**

Grants totalling £27.7 million were made during the year in support of a range of projects.

List of grants over £100,000 are noted below:

<b>Programme</b>	<b>Organisation</b>	<b>Award</b>
Regular Funded Organisations	Feisean Nan Gaidheal	466,667
	Imagine	365,000
	Scottish National Jazz Orchestra	227,675
	Regional Screen Scotland	225,043
	Enterprise Music Scotland	225,000
	Feis Rois	220,000
	National Youth Orchestras of Scotland	216,666
	Catherine Wheels Theatre Company	213,746
	Greenock Arts Guild	200,000
	National Youth Choir of Scotland (NYCoS)	200,000
	Solar Bear Limited	200,000
	Scottish Youth Dance Limited	183,334
	Stellar Quines	165,000
	Travelling Gallery (City of Edinburgh Council)	153,335
	Lung Ha's Theatre Company	151,180
	Birds of Paradise Theatre Company	150,000
	The National Piping Centre	150,000
	Project Ability	143,334
	Woodend Arts Limited	134,000
	Hands Up for Trad	133,336
	Rapture Theatre	125,000
	Youth Theatre Arts Scotland	125,000
	The Touring Network	120,000
	Drake Music Scotland	118,000
	Deveron Arts	110,000
	Glasgow East Arts Company Limited	110,000
	Festival & King's Theatre	105,000
	Glasgow Woman's Library	100,911
	Indepen-dance (Scotland)	100,000
	Luminate	100,000
Voluntary Arts Scotland	100,000	
Open Fund	Sound Festival	150,000
	Artlink Edinburgh and the Lothians	120,000
	Talbot Rice Gallery	120,000
Capital	Citizens Theatre	1,500,000

<b>Programme</b>	<b>Organisation</b>	<b>Award</b>
Targeted	Culture Republic	350,000
	Cultural Enterprise Office	337,000
	Federation of Scottish Theatres	210,000
	Scottish Book Trust	200,000
	Arts and Business	200,000
	Showcase Scotland	150,000
	Education Scotland	150,000
	Creative Carbon Scotland	150,000
Screen	Sigma Films	500,000
	Bard Entertainments	485,000
	Centre for the Moving Image	450,000
	Rosetta Productions	450,000
	Synchronicity Films	400,000
	Synchronicity Films	350,000
	Potboiler Productions	300,000
	Sigma Films	250,000
	Fable Pictures	250,000
	Scottish Film	250,000
	Film City Futures	250,000
	Screen Education Edinburgh	199,982
	SDI Outreach	165,000
	Fable Pictures	125,000
	Balloon Entertainment	125,000
	Hopscotch Films	120,000
	Archface Films	100,000
	Blazing Griffin Limited	100,000
	Sigma Films	100,000
	Synchronicity Films	100,000
LBP Outlander	100,000	
LUX Scotland	100,000	

A full list of all awards made can be found on our website at [creativescotland.com](http://creativescotland.com)

**Appendix 2- Policy direction**



**Directions issued to Creative Scotland under section 26(1) as read with section 26A(1)(a) of the National Lottery etc. Act 1993**

The Scottish Ministers, in exercise of the power conferred by section 26(1) as read with section 26A(1)(a) of the National Lottery etc. Act 1993, and having consulted with Creative Scotland pursuant to section 26(5) of that Act, hereby give the following directions:

1. In determining the persons to whom, purposes for which and the conditions subject to which they apply any money under section 25(1) of the National Lottery etc. Act 1993 in Scotland, Creative Scotland must take into account the following matters:
  - A. The need to ensure that money is distributed under section 25(1) for projects which promote the public good and which are not intended primarily for private gain.
  - B. The principles of:
    - Engagement – the development of programmes should be based on the active engagement of public, private and third sector partners, as appropriate;
    - Cohesion – ensuring that individuals and communities across Scotland have the opportunity to contribute to, participate and benefit from a more successful Scotland;
    - Sustainability – to improve Scotland’s environment today and for future generations while reducing Scotland’s impact on the global environment;
    - Additionality – the development of programmes should complement and add value to the strategies of partners and stakeholders;
    - Collaboration – where possible the outcomes of projects and programmes should benefit from effective collaboration between public, private and third sector partners.
  - C. The need to ensure that Creative Scotland considers applications which relate to the complete range of cultural, artistic and creative activities, in respect of which, it has the power to distribute money and its general functions as listed in the Public Services Reform (Scotland) Act 2010.

- D. The need to set specific time limits on the periods in respect of which grants are payable, whether for capital or revenue expenditure.
- E. The need:
  - (a) in all cases, for applicants to demonstrate the financial viability of the project for the period of the grant;
  - (b) where capital funding is sought:
    - (i) for a clear business plan incorporating the need for resources to be available to meet any running and maintenance costs associated with each project for a reasonable period, having regard to the size and nature of the project; and
    - (ii) to ensure that project evaluation and management process for major projects match those of the Cabinet Office's Gateway Reviews.
  - (c) in other cases, for consideration to be given to the likely availability of other funding to meet any continuing costs for a reasonable period after completion of the Lottery award, taking into account the size and nature of the project, and for Lottery funding to be used to assist progress towards financial sustainability.
- F. The need to ensure that Creative Scotland has such information as it considers necessary to make decisions on each application, including independent expert advice where required.
- G. The need to include a condition in all grants to acknowledge Lottery funding using the common Lottery branding.
- H. The need to keep the Scottish Government informed of the development of policies, setting priorities and making grants.
- I. The need to operate within the distinctive policy context in Scotland, adding value where appropriate to Scottish Ministers' strategy; with the development of opportunities for everyone to flourish within a more successful and sustainable Scotland.



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