



Creative Scotland

National Lottery Distribution Fund

Annual Report and Accounts

For the year ended 31 March 2019

HC 304

SG/2019/239

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Performance Report

Joint Report by the Chair and the Acting Chief Executive

This year has been a significant year in the evolution of Creative Scotland as an organisation and our contribution to the vibrant cultural offer for people who work, visit or live in Scotland. Following significant public criticism and feedback on our approach in 2018, we have been progressing three interlinked change programmes supporting organisational development, a revised funding approach and a strategic update in order to make improvements to the organisation. At the same time we have continued to deliver a substantial programme of work to develop, fund and advocate for the arts, screen and creative industries in Scotland.

A major focus for Creative Scotland throughout 2018/19 has been to establish Screen Scotland, which was formally launched on 21 August 2018. Screen Scotland is leading 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.

Under the leadership of its Executive Director, Isabel Davis, the Screen Scotland team have been building a strong programme of work to support sustainable growth for the screen sector. This has included launching the tender process for a major Film and TV Studio in Bath Road, Leith in December 2018. We are completing the final stages of due diligence on the necessary technical and legal processes after which we will announce the operator, activate the lease on the building and building works will commence.

We also announced a Memorandum of Understanding and partnership with the BBC in February 2019 to help build a sustainable television industry in Scotland and to improve the on-air representation and portrayal of Scotland and its people.

Across Creative Scotland, funding remains a crucial catalyst for our development work. We presently offer three funding routes: Regular Funding for up to three years for organisations; Open Project Funding for individuals and organisations for programmes of work for up to two years; and Targeted Funding to support specific sectors, projects and initiatives.

Over the last year we have continued to work with, and support, the network of 121 Regularly Funded Organisations that make a vital contribution to the health and future development of the arts, screen and creative industries in Scotland. This has included £101.6 million grant-in-aid funding across three years from the 2018-21 round of Regular Funding.

We have also continued to support creative activity by individuals and organisations through our Open Project Funding (supported by The National Lottery). This includes creative work across crafts, dance, design, digital, film and screen, literature and publishing, multi-art form, music, theatre and the visual arts. In total in 2018/19 we received 1,170 applications requesting £23.7 million and were able to award £10.5 million to 487 applicants. Of these, 201 awards (41%) were made to individual artists and practitioners and 286 (59%) to organisations, who in turn support many hundreds of artists through their projects.

The Open Project Fund is only possible thanks to funding from the National Lottery. As the National Lottery turns 25 on the 19th November this year, it is important to reflect and recognise the significant contribution and impact National Lottery investment has made on communities right across Scotland and we will be playing a full part in celebrating this significant landmark.

Many more opportunities for creativity have also been supported through our Targeted Funding which helps support specific art forms or types of work, or to meet a strategic need or gap. This last year has seen fantastic work delivered through this route including the ongoing delivery of the Youth Music

Initiative, which supports music-making activity for young people; and the Made in Scotland Fund, which supports Scottish theatre, dance and music projects as part of the Edinburgh Fringe Festival.

In addition, in February 2019 we launched the Create:Inclusion Fund. This targeted fund seeks to increase the diversity of people in the arts, screen and creative industries. Supported by the National Lottery, it is designed to support diversification of the sector and address historic issues of under representation.

As part of Targeted funding we also developed, launched and delivered the first awards from the £2m Touring Fund in 2018/19 which aims to improve the touring of publicly funded theatre and dance productions and supports greater access for diverse audiences.

In September 2018 it was fantastic to see the V&A in Dundee, Scotland's first design museum, open its doors to the public, having had £5 million of support from The National Lottery through Creative Scotland. The only V&A museum in the world outside London, it is an international centre for design, and enables visitors to experience and learn from the remarkable story of design past, present and future, and the vital contribution design makes to all our lives.

In parallel with delivering existing funding we have been progressing our three interlinked reviews - organisational development, a revised funding approach and a strategic update. At the end of 2018/19 we commenced a programme of significant engagement, internally and externally on the way forward for the organisation.

Since that time, we have conducted and concluded public conversations on our strategic update and future funding approach and this has included 317 participants in 15 locations across Scotland, from Shetland to Dumfries, and 70 contributions through an Online Conversation. The feedback has resulted in thousands of contributions and ideas and we are using all views to inform the development of our future approach. We will be communicating further on this work externally in the early part of 2020.

Throughout the year we have also been working hard in progressing our organisational review, looking at culture, working practices, values, structure and operations. All staff and the board have been involved in some way and work is progressing across seven themes for change: our approach to funding, our strategic focus, systems and processes which make it easier for applicants, improving how we connect externally, learning opportunities for staff, leadership and removing any siloed ways of working. This work has also involved external organisations who have undergone significant change and have shared their experience with Creative Scotland staff. This is in keeping with our intention to build on our existing relationships and make a culture shift in how we engage with stakeholders, engaging on peer-to-peer basis and through discussion, debate, discourse and dialogue.

In terms of Creative Scotland's Board, we recently welcomed the appointment of Duncan Cockburn, Philip Long, Sarah Munro and Stephanie Fraser as Members of the Board of Creative Scotland. They bring impressive knowledge, expertise and extensive experience which will be hugely beneficial in helping to strengthen Creative Scotland's role in enabling creative people, places, communities and activity to thrive.

We would also like to recognise the contribution made by Sheila Murray and Erin Forster who stepped down from the board in the last year. We thank them both for their significant contribution to the organisation's progress during their time with us.

This year has also seen a change in leadership. In June 2018, after five years, Janet Archer stepped down from her role as Chief Executive of Creative Scotland. We thank Janet for her contribution and dedication to the organisation and its work. Iain Munro stepped up from his role as Deputy Chief Executive to become Acting Chief Executive and is using his extensive experience and leadership to continue to move the organisation forward.

Throughout 2018/19, the Scottish Parliament's Culture Tourism, Europe and External Relations Committee has taken a keen interest in Creative Scotland and in supporting wider developments of the cultural offer in Scotland through their current inquiry into sustainable funding for the arts in Scotland. We will continue to engage positively in this dialogue in order to support a vibrant cultural offer in Scotland.

This year has been a significant step forward in the organisation's development. Everyone at Creative Scotland is 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. We look forward to the year ahead.

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 4 October 2019.

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 2019, the Creative Scotland NLDF had net assets of £724,000 (2018: net liabilities of £3 million). The net liabilities position in previous years was due to 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 35.

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 grant-in-aid, the 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. Reductions in cultural funding by local authorities could impact on strategic outcomes.
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. Loss of key senior staff members could lead to skills and knowledge gaps could negatively impact operational capacity.

Performance summary- review of the year

In 2018/19, Creative Scotland committed £79.2 million of grant funding to the arts, screen and creative industries in Scotland arising from £57 million of Scottish Government grant-in-aid funding and £22.2 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>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Grant-in-aid	46.0	46.6	40.3	41.9	57.0
National Lottery	30.5	30.0	26.9	27.7	22.2
Total	76.5	76.6	67.2	69.6	79.2

Note 5 on page 39 provides a breakdown of grant commitments funded from the NLDF for 2018-19.

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.

2018/19 was the first year of regular funding for the three-year period from April 2018 to March 2021 for a total of £101.6 million to 121 organisations across 10 artforms. All funding for the new portfolio was provided through grant-in-aid and is reported in the Creative Scotland annual report and accounts for 2018/19.

Those organisations which were regularly funded during the previous three year period from April 2015 to March 2018, but were not successful in their applications for further funding, were allocated a total of £1.5 million of transition funding for 2018-19 from National Lottery funds.

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 based in Scotland for awards up to £150,000 and the fund awards grants in two panel formats as follows:

Panel	Applications received	Awards made	Value	Success rate
Up to £15,000	887	322	2,422,461	36%
Over £15,000	283	165	8,020,642	58%

The types of projects funded by the Fund include:

- Projects which are about helping an artist to develop their skills
- Projects that create something new and high quality, in any art form
- Projects which are aiming to present high quality work to audiences, or projects which try to develop and reach new audiences for the arts
- Projects which encourage more people to take part in artistic and creative activity.

In total, £10.4 million of funding was awarded to 487 successful applications during 2018-19. Of this, £215,000 was funded from grant-in-aid and £10.2 million was funded from National Lottery. A breakdown by artform is shown below:

Successful applications over the 11 artforms:

Art Form	Applications	Funding requested	Successful	Awarded
Crafts	40	566,321	18	247,049
Creative Industries	3	82,000	1	10,000
Dance	86	1,959,052	54	1,135,346

Art Form	Applications	Funding requested	Successful	Awarded
Design	14	352,141	5	197,160
Digital	41	1,094,599	11	306,213
Film	12	222,486	1	6,500
Literature/Publishing	134	2,572,328	56	923,146
Multi Art Forms	85	3,045,699	42	1,360,477
Music	278	4,462,637	117	2,219,025
Theatre	242	5,267,249	100	2,452,044
Visual Arts	235	3,683,832	82	1,586,144
Grand Total	1170	23,308,344	487	10,443,104

Targeted Funding

Targeted funding is used to address specific activities and development needs in a sector, specialism, or geographic area. In 2018/19, total targeted grant funding was £25.1 million of which £14.6 million was funded from grant-in-aid and £10.5 million was from National Lottery.

Key examples of targeted funding during 2018/19 include:

1. Capital

The large-scale capital programme was set up to support organisations to improve, refurbish and/or develop cultural facilities which offered enhanced access to, or the presentation and enjoyment of, the arts and film.

The programme ended during 2018/19, with 1 application contracted during the year: the redevelopment of the Fruitmarket Gallery in Edinburgh. (£1.3 million).

Over the course of the programme, £28.5 million has been invested in large scale capital projects throughout Scotland.

2. International development and markets

These funds help promote Scottish art and artists in international markets. The largest projects funded during 2018/19

- The Scotland+Venice partnership is formed of Creative Scotland, National Galleries of Scotland and British Council Scotland. It provides artists based in Scotland with a valuable platform to showcase their work on the international stage at one of the world's most prestigious visual arts festivals, the Venice Biennale. For 2019, Scotland will be represented in Venice by Charlotte Prodger's exhibition. Funding of £350,000 was provided by Creative Scotland to the exhibition which runs from May to September 2019.
- Funding of £150,000 was provided to for the Showcase Scotland exhibition at the Celtic Connections festival. 180 international music industry professionals from 23 countries attended this annual event to see performances by Scottish bands and musicians. The exhibition helps the promotion of traditional and folk music to international markets.
- The Cross Border Touring fund which is a joint fund with the other UK arts councils to support large-scale performing arts touring (£137,000)

3. Creative Learning and Young People

2018 was the designated Year of Young People, and Creative Scotland continued to deliver a wide range of high quality programmes to young people across every local authority in Scotland. The Creative Learning programmes that are delivered share many common

outcomes: connecting professional practitioners; developing practice; ensuring quality provision for all; encouraging progression opportunities and equalities.

During 2018/19, Creative Scotland delivered the following projects under Creative Learning and Young People:

- A partnership fund with Education Scotland for implementation of the Creative Learning Plan and supporting Creative Learning Networks in Local Authorities (£150,000)
- Funding to support implementation of the Creative Learning Review (£58,000)
- Ongoing delivery of the Youth Arts Strategy including the National Youth Arts Advisory Group, Nurturing Talent Fund, and contribution to Year of Young People (£104,000)

4. Gaelic, Scots and Traditional Arts

Scotland's linguistic heritage and cultural traditions provide an enormous contribution to the contemporary cultural life of our nation. Scotland is unique in the UK in that it has three indigenous languages: English, Scots and Gaelic. To reflect this diversity, targeted funds for both Gaelic Development and Traditional Arts are in place which complement the wide range of support to Gaelic, Scots and Traditional Arts within the open funds and regular funding.

During 2018/19, Creative Scotland delivered the following projects under Gaelic, Scots and Traditional Arts:

- A Gaelic development fund (£89,000) which provides funding to gaelic programmes throughout Scotland.
- Funding for the Scots Scriever (£25,000), a two-year residency with the National Libraries of Scotland. The role is designed to produce original creative work in Scots, its variants and dialects, across any art-form, as well as raising awareness, appreciation and use of Scots across the country and amongst all parts of the population
- The Traditional Arts Small Grants Fund (£35,000) which is managed by Fèisean nan Gàidheal and open to organisations and individuals. The fund is designed to provide support for traditional artists and organisations to create, perform, tour and showcase work.

5. Screen Scotland

Screen Scotland is the dedicated partnership for screen in Scotland, delivering enhanced support for all aspects of Scotland's screen sector. Partners include Creative Scotland, Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland, and the Scottish Funding Council, with funding provided from the Scottish Government through grant-in-aid and the National Lottery.

In 2018/19, Screen Scotland activities funded from National Lottery totalled £6.3 million, and this was used to support the following areas:

Screen Strand	Scotland	National Lottery spend in 2018/19 £'000	Details
Film Development & Production		3,686	This fund supports the development and production funding for feature length films and documentaries made by filmmakers based in Scotland.
Production Growth Fund		730	The Production Growth Fund inward investment will support producers based within

Screen Strand	Scotland	National Lottery spend in 2018/19 £'000	Details
			and outside Scotland to make live-action and animated features, and live-action and animated high-end television drama series where they secure major production and, or post-production expenditure within Scotland, employing cast and crew based in Scotland, and, or using Scotland-based production facilities companies.
Talent Development		630	2018/19 was the 4 th year of the Scottish Film Talent Network project, which received funding of £483,000 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. The Bellrock Screenwriting Workshops funds 6 screenwriters for the opportunity to work with a team of established industry mentors to develop original screenplays over the course of three 5-day residential workshops (£140,000).
Audience Development		500	Funding of £500,000 was provided to Regional Screen Scotland to address the gaps in screen provision in Scotland by ensuring that communities can share great screen experiences.

1. Creative Industries

The Creative Industries targeted budget is allocated to development work undertaken in support of the Creative Industries Strategy, which was published in May 2016. This strategy aims to support the development of sustainable creative businesses through a range of infrastructure, research and events projects.

55 projects received funding of £411,000 from the Creative Industries targeted funds, including:

- Crowdfunding Creativity, which is a pilot mentoring and match-funding scheme for those looking to embark on a crowdfunding campaign.
- Go See Share, a small fund for individuals, organisations and creative businesses to undertake trips allowing them to explore new ways to expand their business activity and make them more financially sustainable.

2. Awards for All

The National Lottery Awards for All Scotland is a joint awards programme from the National Lottery Community Fund, Creative Scotland and sportscotland. Grants for small organisations with turnover less than £250,000 are awarded to help people take part in arts, sport, social, environmental, health related, educational and other community activities.

In 2018/19, Creative Scotland contributed £453,000 to the fund.

These are just some examples of the range of work supported by Creative Scotland in 2019/20 in our role as funder, advocate, influencer and development body on behalf of the arts, screen and creative industries in Scotland.

Future developments

Strategy and Funding Review

In 2018, Creative Scotland announced that there would be a review of its long-term, overall approach to funding. The review started during 2018/19 with the commissioning of research on historical funding trends, and an analysis of different models of funding and cultural investment used by similar creative and cultural agencies across the world. In 2019/20 the review will progress, starting with the holding a series of conversation events around Scotland to explore new ways to fund arts and creative activity. These events will provide an opportunity for professional and voluntary creative practitioners, managers of creative organisations and businesses, and members of local communities to inform the development of Creative Scotland's overall approach to funding.

Following on from these public conversations, there will be a development and testing of potential new funding models during the Summer and Autumn of 2019.

Organisational Development Review

During 2018/19, Creative Scotland has been working hard in progressing an organisational review, looking at culture, working practices, values, structure and operations. Following an open tender process, Open Change was appointed to assist Creative Scotland embedding change management in its operations, and the programme will continue during 2019/20.

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.

Outcomes and performance measures for the five ambitions for the arts, screen and creative industries over the next ten years as reported in our Annual Review of Performance.

Outcomes	Performance measures	Descriptions
More diverse high quality artistic and creative work is produced and developed across Scotland	1.1 Maintain the breadth of organisations supported through Creative Scotland Regular Funding	The count of organisations in receipt of Creative Scotland Regular Funding and value of funding by type of organisation, core activity, primary art form and geographic location
	1.2 Extend the breadth of artistic and creative work by individuals and organisations supported through Creative Scotland Targeted and Open Project Funding	The range and type of work by organisations and individual practitioners in receipt of Creative Scotland Targeted and Open Project Funding and value of funding by core activity, primary art form and geographic location
	1.3 Increase in number of events supported through Creative Scotland funding	The count of performances, exhibitions, screenings and publications delivered through Creative Scotland funding
Increased public engagement through stronger touring networks, digital distribution and exhibition platforms across Scotland	2.1 Contribute to maintaining high level of adult cultural engagement across the breadth of Scotland through our funded work.	The % of adults engaging in arts and culture across Scotland by type of cultural activity and frequency of participation
	2.2 Contribute to increasing children's cultural engagement across the breadth of Scotland through our funded work	The % of children engaging in arts and culture across Scotland by type of cultural activity
	2.3 Increase in the number of digital opportunities through Creative Scotland funding	The count and value of Creative Scotland funded activities with a focus on digital exhibition, distribution
	2.4 Increase in the amount of arts touring and distribution across Scotland	The count and value of Creative Scotland funded activities with a focus on distribution, touring and festivals

Outcomes	Performance measures	Descriptions
Increase in artists and creative people working with communities and addressing local needs	3.1 Broader spread of Creative Scotland funding by geographic location	The count and value of Creative Scotland funding awards including supporting new or enhanced cultural infrastructure
	3.2 Increased range of partnership income leveraged through Creative Scotland funding, across Scotland	Value and range of partnership funding secured through Creative Scotland funding across Scotland broken out by Local Authority areas
	3.3 Improved public perceptions of national and local creativity	% difference between agreement that 'Scotland is a creative nation' and % agreement that 'my local area is a creative place'
	3.4 Improved public perception of the value of local cultural offer	% agreeing that people in my local area would lose something of value if the area lost its arts and cultural activities
Leaders across the sectors are more confident, knowledgeable, connected and developing more sustainable business models.	4.1 Maintain the breadth of organisations taking a leadership role in their sector and/or locality	The count of organisations in receipt of Creative Scotland Regular Funding that provide a leadership role in their sector or locality
	4.2 Increase in the number of professional development opportunities through Creative Scotland funding	The count and value of leadership training opportunities, professional development, work placements, apprenticeships or internships supported by Creative Scotland funding
	4.3 Improve youth employment opportunities in Creative Scotland funded organisations	The count of young people employed by Creative Scotland funded organisations through youth employment initiatives and type of employment
	4.4 Broaden range of income streams across the sector	The count, value and type of income streams of Regularly Funded Organisations, including earned income and voluntary giving
More of Scotland's artists and creative people are engaging with international artists and creative practice	5.1 Improve the quality and impact of international engagement opportunities through Creative Scotland funding	The count and value of Creative Scotland funding awards with a focus on international exchange and creative development
	5.2 Increase in the amount of international touring across Scotland through Creative Scotland funding	The count, value and geographic spread of individuals and organisations in receipt of Creative Scotland funding to showcase international work in Scotland
	5.3 Increase in the % of positive international perceptions of Scotland's culture	% of positive perceptions of Scotland's nation brand across six areas of national competence, characteristics and assets (exports, investment, tourism, governance, people and culture).

The data for these performance measures are gathered from regular funded organisations and statistical surveys and will be reported in our Annual Review for 2018/19.

Financial performance

The financial statements for 2018/19 have been prepared under an Accounts Direction, on page 45, 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 (FRoM).

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

Results for the year ending 31 March 2019 versus budget

	<u>Actual</u> £'000	<u>Budget</u> £'000	<u>Variance</u> £'000
Income			
National Lottery Proceeds	(28,626)	(27,100)	1,526
Other	(534)	(300)	234
Expenditure			
Grants awards and investments	22,205		
Project Expenditure	448		
Less de-committed awards	(80)		
Total net grants and project expenses	22,573	24,487	1,914
Staff costs	2,059	2,168	109
Other operating expenditure/income	838	842	4
(Surplus)/Deficit on the Fund	(3,690)	97	3,787

National Lottery proceeds were £1.5 million above budget in 2018-19 as the expected decline was not as steep as initially expected. In addition, there was an increase in returns on screen investments.

Total net grants and project expenditure for the year to 31 March 2019 was £1.9 million below budget, and other expenditure was £0.1 million lower than budget. This was mostly due to targeted funds that were budgeted for in the financial year not finalising before the year end, with final funding decisions now taking place in 2019-20.

Administrative performance

Creative Scotland is committed to ensuring the administrative effectiveness of our funding operation to ensure an effective and efficient service to those we are here to support and to effectively manage the public funds for which we are responsible. As part of our Performance Management Framework we currently measure our progress against two processing and payment deadlines set out in our Open Project Funding programme.

Target	Performance Indicator	Outturn for 2018/19
6.3 Minimum of 90% of funding applications processed within published timeframe	% of applications processed within agreed timeframe	98%
6.4 Minimum of 90% of initial payments to successful funding applicants made within published timeframe	% of initial award payments made within 10 working days of exchange of contracts	95%

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 CO₂ 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 CO₂ 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 CO₂ for 2 key areas for our operations for 2018/19 and 2017/18 were undertaken, with key results shown in the table below:

	2018-19 GHG (tCO₂e)	2017-18 GHG (tCO₂e)	% change
Energy	31.8	41.8	(24%)
Business Travel	140.9	116	21%

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

More information on our environment policy can be found at creativescotland.com

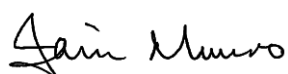
Social matters

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 2018/19 to help achieve this:

- Development of a new fund, the Create:Inclusion Fund, which seeks to increase the diversity of people in the arts, screen and creative industries. The fund responds to issues raised in previous reports, 'Understanding Diversity in the Arts' and 'Equality Matters', and seeks to provide funding to help applicants progress, develop their creative and professional practice, their capacity or to support them to take professional and creative risks. The fund accepted applications from 164 individuals and organisations with the first round of awards being made in the 2019/20 financial year.
- 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 report is produced 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
4 October 2019

Accountability Report

Corporate Governance Report

Director's Report

List of board members and senior leadership team:

Board Members

Iain Aitchison
Ewan Angus (from 1 August 2018)
David Brew
Duncan Cockburn (from 16 September 2019)
Karen Forbes
Erin Forster (to 31 July 2019)
Stephanie Fraser (from 16 September 2019)
Philip Long (from 16 September 2019)
Sarah Munro (from 16 September 2019)
Sheila Murray (to 31 July 2019)
Cate Nelson-Shaw
Elizabeth Partyka (from 1 August 2018)
David Strachan (from 1 August 2018)
Karthik Subramanya
Robert Wilson (Chair)
Barclay Price (to 30 June 2018)

Senior Leadership Team

Iain Munro, Acting Chief Executive (from 1 July 2018)
Isabel Davis, Executive Director, Screen (from 5 August 2018)
Ian Stevenson, Director, Finance and Funding Operations
Karen Lannigan, Director, HR & Office Services
Clive Gilman, Director, Creative Industries
Scott Donaldson, Acting Director, Screen
Joan Parr, Acting Director, Arts & Engagement (from 1 August 2018)
Gary Cameron, Acting Director, Strategy (from 22 July 2019)
Ken Miller, Interim Director, Communications (from 7 February 2019)

Janet Archer, Chief Executive (to 30 June 2018)
Leonie Bell, Director, Arts & Engagement (to 27 September 2018)
Claire Byers, Interim Director, Arts & Engagement (to 24 August 2018)
Kenneth Fowler, Director, Communications (to 31 January 2019)
Philip Deverell, Director, Strategy (to 26 July 2019)
Agnieszka Moody, Interim Director, Screen (to 12 July 2019)

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:

Name	Date of appointment	Term	End of current term
Robert Wilson (Chair)	10 February 2018	1 st	9 February 2022
Barclay Price	1 July 2010	2 nd	30 June 2018
David Brew	1 August 2015	2 nd	31 July 2023
Erin Forster	1 August 2015	1 st	31 July 2019
Sheila Murray	1 August 2015	1 st	31 July 2019
Iain Aitchison	1 August 2016	1 st	31 July 2020
Karen Forbes	1 August 2016	1 st	31 July 2020
Karthik Subramanya	1 August 2016	1 st	31 July 2020
Cate Nelson-Shaw	1 August 2016	1 st	31 July 2020
Ewan Angus	1 August 2018	1 st	31 July 2022
Elizabeth Partyka	1 August 2018	1 st	31 July 2022
David Strachan	1 August 2018	1 st	31 July 2022

A recruitment process to appoint additional board members with screen experience commenced in April 2019, and four new board members were appointed from 16 September 2019: Duncan Cockburn, Philip Long, Sarah Munro and Stephanie Fraser. In addition, David Brew's first term ended on 31 July 2019 and he was re-appointed for a second term to 31 July 2023.

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.

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 Acting 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 2019, 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 2018/19 the Board met on 6 occasions all of which were chaired by Robert Wilson. Minutes of these meetings are published on Creative Scotland's website. The main areas addressed by the Board included: a review of governance; contribution to the Scottish Government's Culture Strategy; review of the Regular Funding process; Film and TV Studio approvals; approving the approach and monitoring of the Organisational Development process; risk management, approval of 2019/20 budgets and plan; oversight of Screen Scotland implementation; and sessions on Scotland + Venice, the Creative Industries, Local Government and the National Youth Arts Advisory Group.

The Audit and Risk Committee met on four occasions during the year. Three of the meetings were chaired by David Brew with one being chaired by Erin Forster. The Committee reviewed: audit reports; GDPR implementation; the handling of complaints; the governance review; the National Fraud Initiative process; delegated authority arrangements and budget control guidelines. In addition, the Committee oversaw the external audit process including scrutiny of the draft Annual Reports and Accounts and reviewed the risk register at every meeting.

In 2018/19 the Finance and General Purposes Committee met 4 times and was chaired by Barclay Price once then, following the completion of his term as Board member, Sheila Murray chaired on 3 occasions. The Committee's activities included: approval of the annual staff pay proposals; review of funding, HR and financial reports; governance; oversight of 2019/20 budget planning and scrutiny of subsequent detailed budgets; and operational updates on estates, ICT and funding.

The Screen Committee is made up of Creative Scotland Board members, industry experts, and representatives from Highlands and Island Enterprise, Scottish Enterprise, Skills Development Scotland and The Scottish Funding Council. The Scottish Government are also in attendance. The Committee met 9 times during the year and was chaired twice by Barclay Price then, following the completion of his term as Board member, David Strachan chaired on 7 occasions. The Committee reviewed; the implementation of Screen Scotland and the creation of the business plan; Film and TV studio developments; broadcast partnerships; website creation; and communications planning.

The Nominations Committee met once during the year and was chaired by Robert Wilson. The Committee discussed Board skills requirements, succession planning and co-opting members to committees.

Accountable officer

The Accountable officer from 1 April 2018 to 11 June 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 and Acting Chief Executive with effect from 1 July 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 2019 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 2019 and up to the signing of the financial statements, the organisation has:

- completed a review of the regular funding process
- commenced a wider review of funding models and overall strategy
- appointed external consultants to assist in a programme of organisational development.

The organisation will continue to develop its funding and strategy reviews during 2019/20 to improve corporate governance procedures.

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 2019 were £2,592.11 (2018: £3,424).

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.

Remuneration of the Senior Leadership Team*

Name	2018//19				2017/18			
	Salary/ (Bonus) £'000	Benefit in kind £	Pension Benefits £'000	Total	Salary/ (Bonus) £'000	Benefit in kind £'000	Pension Benefits £'000	Total
Janet Archer ¹ Chief Executive	105-110 (0)	27,400	25-30	160-165	115-120 (0)	-	25-30	140-145
Iain Munro ² Acting Chief Executive	110-115 (0)	-	25-30	140-145	90-95 (0)	-	25-30	115-120
Isabel Davis ³ Executive Director (from 5 September 2018)	50-55 (0)	3,000	10-15	65-70	-	-	-	-
Kenneth Fowler ⁴ Director, Communications	75-80 (0)	-	15-20	90-95	70-75 (0)	-	15-20	85-90
Karen Lannigan Director, HR & Office Services	75-80 (0)	-	45-50	120-125	65-70 (0)	-	25-30	85-90
Ian Stevenson Director, Finance & Funding Operations	75-80 (0)	-	35-40	115-120	60-65 (0)	-	15-20	80-85
Philip Deverell Director of Strategy	65-70 (0)	-	15-20	85-90	60-65 (0)	-	15-20	75-80
Clive Gillman ⁵ Director, Creative Industries	60-65 (0)	-	15-20	80-85	60-65 (0)	-	15-20	75-80
Scott Donaldson ⁶ Acting Director, Screen	55-60 (0)	-	15-20	75-80	0-5 (0)	-	-	0-5
Joan Parr ⁷ Interim Director, Arts & Engagement (from 1 August 2018)	40-45 (0)	-	5-10	45-50	-	-	-	-
Leonie Bell ⁸ Director, Arts & Engagement	30-35 (0)	-	10-15	40-45	60-65 (0)	-	15-20	80-85
Claire Byers ⁹ Interim Director, Arts & Engagement	20-25 (0)	-	5-10	25-30	55-60 (0)	-	10-15	70-75

Figures shown are for the Senior Leadership Team in place during 2018-19 who were Creative Scotland employees.

1. Ms Archer resigned as Chief Executive with effect from 30 June 2018. FTE salary for 2018/19 was in the range £115,000 to £120,000. Remuneration for 2018/19 includes six months' salary paid in lieu of notice.
2. Mr Munro was Deputy Chief Executive until his appointment as Acting Chief Executive on 1 July 2018. FTE salary for the Acting Chief Executive role is in the range £110,000 to £115,000.
3. Ms Davis was appointed on 5 September 2018. FTE salary is in the range £85,000 to £90,000.
4. Mr Fowler was seconded to the Scottish Government during the year with effect from 3 February 2019
5. Mr Gillman is employed by Creative Scotland and the post was part funded (50%) by the Scottish Funding Council for the period to 31 July 2018.
6. Mr Donaldson is also Head of Film Education, and was appointed Acting Director, Screen from 12 March 2018. Remuneration shown is for salary paid for both roles from the period of his appointment to the Senior Leadership Team. No pension contributions are paid in relation to the senior role.
7. Ms Parr was appointed to the Senior Leadership Team on 1 August 2018. FTE salary is in the range £55,000 to £60,000. No pension contributions are paid in relation to this role.
8. Ms Bell was seconded to the Scottish Government Culture Division during the year to her resignation date of 27 September 2018, and salary costs were reimbursed to Creative Scotland. FTE salary for 2018/19 was in the range £60,000 to £65,000.
9. Ms Byers resigned on 24 August 2018. FTE salary for 2018/19 was in the range £55,000 to £60,000

Seconded senior staff

Ms Agnieszka Moody was seconded to Creative Scotland from the British Film Institute (BFI) as Interim Director of Screen with effect from 18th June 2018. The FTE salary for this post under the secondment agreement was in the range £70,000 to £75,000 and Creative Scotland paid £48,496 to BFI for the period of the secondment to 31 March 2019. Ms Moody remained an employee of the BFI during the period of the secondment.

Mr Ken Miller was seconded to Creative Scotland from Health Improvement Scotland as Interim Director of Communications with effect from 7 February 2019. The FTE salary for this post under the secondment agreement is £65,000 to £70,000 and Creative Scotland paid £14,977 to Health Improvement Scotland for the period of the secondment to 31 March 2019. Mr Miller remains an employee of Health Improvement Scotland.

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 to the nearest £100 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 (2017/18- 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 2019 and 31 March 2018*:

Name	Accrued pension (lump sum) 31 March 2019 £'000	Accrued pension (lump sum) 31 March 2018 £'000	Real increase in pension (lump sum) £'000	CETV 31 March 2019 £'000	CETV 31 March 2018 £'000	Real increase in CETV £'000
Janet Archer ¹	5-10 (20-25)	5-10 (20-25)	0-2.5 (2.5-5)	166	140	22
Iain Munro	25-30 (80-85)	20-25 (70-75)	0-2.5 (2.5-5)	496	428	22
Isabel Davis	0-5 (0-5)	-	0-2.5 (0-2.5)	11	-	9
Kenneth Fowler	5-10 (20-25)	5-10 (15-20)	0-2.5 (2.5-5)	134	105	15
Karen Lannigan	10-15 (10-15)	10-15 (10-15)	0-2.5 (0-2.5)	176	142	34
Ian Stevenson	5-10 (25-30)	5-10 (15-20)	0-2.5 (5-7.5)	162	111	30
Leonie Bell ¹	5-10 (20-25)	5-10 (20-25)	0-2.5 (0-2.5)	114	107	8
Philip Deverell	0-5 (10-15)	0-5 (10-15)	0-2.5 (2.5-5)	88	63	17
Clive Gillman	0-5 (5-10)	0-5 (5-10)	0-2.5 (2.5-5)	64	42	16
Claire Byers ¹	0-5 (0-5)	0-5 (0-5)	0-2.5 (0-2.5)	21	15	5
Scott Donaldson	15-20 (20-25)	15-20 (20-25)	0-2.5 (0-2.5)	336	301	35
Joan Parr	10-15 (30-35)	5-10 (25-30)	0-2.5 (0-2.5)	223	197	9

1. CETV shown at the date employment with Creative Scotland ended

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. Members of the Senior Leadership Team on secondment to Creative Scotland remain members of the pension schemes of the seconding organisations.

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	Compulsory redundancies		Other settlements	
	Total number of packages by cost band (2018/19)	Total number of packages by cost band (2017/18)	Total number of packages by cost band (2018/19)	Total number of packages by cost band (2017/18)
Less than £10,000	-	-	-	-
£10,000 to £24,999	-	-	-	-
£25,000 to £49,999	-	-	-	-
£50,000 to £100,000	-	-	1	-
Over £100,000	-	-	-	-
Total number of exit packages	-	-	1	-

Exit packages include pay in lieu of notice, and other benefits in kind (taxable and non-taxable).

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.

	2018/19	2017/18
Banded remuneration of the highest paid director in Creative Scotland (the Acting Chief Executive for 2018-19 and Chief Executive for 2017-18)	£110,000 to £115,000	£115,000 to £120,000
Median Remuneration of Creative Scotland staff	£34,472	£33,468
Ratio	3.32	3.52
Range of staff remuneration below highest paid director (bands of £5,000)	£15,000 to £90,000	£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 costs and numbers*

	2018/19	2018/19	2018/19	2018/19	2017/18
	Employees (£'000)	Agency staff (£'000)	Inward Secondees (£'000)	Total (£'000)	Total (£'000)
Staff Costs	4,232	-	-	4,232	3,768
NI	387	-	-	387	375
Pension costs	1,199	-	-	1,199	1,024
Agency fees	-	31	-	31	83
Invoiced	-	-	63	63	0
Total	5,818	31	63	5,912	5,250
Average FTE by directorate					
Executive Office	6.7	-	-	6.7	8.0
Finance and Funding	20.4	-	-	20.4	20.4
Communications	14.0	-	0.2	14.2	12.4
HR & Office Services	9.7	0.5	-	10.2	9.1
Arts & Engagement	33.4	0.2	-	33.6	30.5
Screen Scotland	14.8	-	0.7	15.5	10.8
Creative Industries	7.0	-	-	7.0	5.8
Strategy	11.5	-	-	11.5	9.0
Total	117.5	0.7	0.9	119.1	106.0

Two employees were seconded to the Scottish Government, with additional grant-in-aid allocated to offset staff costs during the period of their secondment.

Breakdown of employee groups by gender*

At 31 March 2019, Creative Scotland employed 125 members of staff, and the table below shows the breakdown by employment grade across the two sexes.

Grade	Males	Females
A	1	7
B	5	15
C	18	45
D	13	12
F (Director)	5	2
Executive Director	-	1
Acting Chief Executive	1	-
Total	43	82

Sickness absence

In the year to 31 March 2019, an average of 5.7 working days (2018: 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 2019, Creative Scotland incurred expenditure of £92,000 on external contractors, which is made up of:

	£'000
External assessors	7
Contractors	85
	92

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.

Facility time statistics as required by the Trade Union (Facility Time Publication Requirements) Regulations 2017 are shown below

Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
6	6

Percentage of time spent on facility time

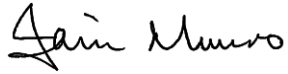
% of time	Number of employees
0%	
1-50%	6
51-99%	
100%	

Percentage of pay bill spent on facility time

Total cost of facility time (£)	6,700
Total pay bill (£)	5,818,000
% of pay bill spent on facility time	0.12%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as:(total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	100%
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Iain Munro
Acting Chief Executive and Accountable Officer
4 October 2019

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

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 2019 under the National Lottery etc. Act 1993. The financial statements comprise the Statement of Comprehensive Net Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayer's 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 2018/19 Government Financial Reporting Manual (the 2018/19 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 2019 and of its net expenditure 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 2018/19 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)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. 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 was appointed by the Auditor General on 26 January 2018. The period of total uninterrupted appointment is 4 years. 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. Non-audit services prohibited by the Ethical Standard were not provided to the body. 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.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

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 obtain 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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. 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

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the National Lottery etc. Act 1993 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties

Liz Maconachie

Senior Audit Manager, Audit Scotland

4th Floor, 8 Nelson Mandela Place

Glasgow, G2 1BT

7 October 2019

Statement of Comprehensive Net Income

For the year ended 31 March 2019

	Notes	2018/19	2017/18
		£'000s	£'000s
Income			
National Lottery Fund proceeds	3	28,626	29,188
Other income	4	534	593
		<u>29,160</u>	<u>29,781</u>
Expenditure			
Grants	5	22,205	27,723
Less: de-commitment of prior year grants		(80)	(2,149)
Project expenditure		448	562
Staff costs	6	2,059	2,031
Other operating expenditure	7	838	879
		<u>25,470</u>	<u>29,046</u>
Surplus on the Fund		<u>3,690</u>	<u>735</u>

All the results of the Fund relate to continuing activities.

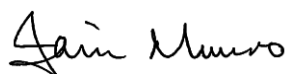
The notes on pages 35 to 44 form part of these annual report and financial statements.

Statement of Financial Position

As at 31 March 2019

	Notes	31 March 2019	31 March 2018
		£'000s	£'000s
Current assets			
Trade and other receivables	8	213	263
Investments in the NLDF	9	16,974	17,062
Cash and cash equivalents	10	3,685	165
Total current assets		<u>20,872</u>	<u>17,490</u>
Current liabilities			
Trade and other payables	11	(1,533)	(1,413)
Grants outstanding	13	(15,355)	(16,336)
Total current liabilities		<u>(16,888)</u>	<u>(17,749)</u>
Net current assets/(liabilities)		<u>3,984</u>	<u>(259)</u>
Non-current liabilities			
Grants outstanding	13	(3,190)	(2,637)
Provisions	12	(70)	(70)
Total non-current liabilities		<u>(3,260)</u>	<u>(2,707)</u>
Net liabilities		<u>724</u>	<u>(2,966)</u>
Reserves		<u>724</u>	<u>(2,966)</u>

The Accountable Officer authorised these financial statements for issue on 4 October 2019.



Iain Munro
Acting Chief Executive of Creative Scotland and Accountable Officer
4 October 2019

The notes on pages 35 to 44 form part of these annual report and financial statements.

Statement of Cash Flows

For the year ended 31 March 2019

	2018/19	2017/18
	£'000s	£'000s
Cash flows from operating activities		
Surplus on ordinary activities	3,690	735
<i>Movements in working capital</i>		
Decrease/(Increase) in trade receivables	50	(87)
(Decrease)/Increase in trade payables	(308)	(8,143)
(Decrease)/Increase in provisions	-	-
Decrease/(Increase) in NLDF investments	88	5,256
Net cash flow from operating activities	<u>(170)</u>	<u>(2,974)</u>
Net increase / (decrease) in cash and cash equivalents	<u>3,520</u>	<u>(2,239)</u>
Net cash and cash equivalents as at 1 April	165	2,404
Net cash and cash equivalents as at 31 March	3,685	165

Analysis of changes in net funds

	Cash at bank and in hand	Net cash and cash equivalents
1 April 2018	165	165
Cash flows	3,520	3,520
31 March 2019	<u>3,685</u>	<u>3,685</u>

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2019

	2018/19	2017/18
	£'000s	£'000s
Opening general reserve at 1 April	(2,966)	(3,701)
Transferred from SOcNI	3,690	735
Closing general reserve at 31 March	<u>724</u>	<u>(2,966)</u>

The notes on pages 35 to 44 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 2018/19 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 14.

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 2018/19 by the National Lottery Commission.
- Completion of the audit of the National Lottery Distribution Fund accounts for 2018/19 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) 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

	2018/19	2017/18
	£'000s	£'000s
Share of income from NLDF	28,480	29,104
Investment income	146	84
Movement in revaluation reserve	-	-
Total National Lottery proceeds	28,626	29,188

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

4 Other income

	2018/19	2017/18
	£'000s	£'000s
British Film Institute	200	200
Project Income	0	135
Miscellaneous Income	3	2
Award repayments	331	256
Total other income	534	593

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

	2018/19 £'000s	2017/18 £'000s
Regularly Funded Organisations		
Regularly Funded Organisations	-	5,830
Transition Funding	1,480	-
Open Project Funding	10,228	9,787
Capital	1,300	1,500
Targeted- Arts and Engagement		
Artist Run Space	15	-
Artists Rooms	55	55
Art Strategies	50	177
Audience and Reach (Book Week Scotland)	220	200
Creative Learning Plan	150	150
Creative Learning Strategic Development	43	50
Gaelic Development and Traditional Arts	92	79
Gavin Wallace Fellowship	25	25
International Market Development	573	-
Literature Translation	30	30
SCAN	-	50
Scots Scriever	25	25
Sector Development	73	-
Time to Shine	90	206
Targeted- Screen Scotland		
Audience Development	500	-
Film Access Network	-	200
Film Education	-	405
Film Festival Fund	761	-
Production Growth Fund	730	500
Screen Funding	3,686	5,173
Screen Strategy	630	690
Targeted- Creative Industries		
Creative Industries	411	315
Targeted- Strategy		
Awards for All	453	416
EDI	118	-
International Partnerships and Showcases	260	284
Place	59	4
Visual Arts & Crafts Awards	109	90
Targeted- Other		
Legacy Grant Programmes	14	-
Sector Organisations	-	1,247
Strategic Fund	25	235
Total grant commitments	<u>22,205</u>	<u>27,723</u>

6 Staff costs

	2018/19	2017/18
	£'000s	£'000s
Staff costs during the year		
Wages and salaries	1,511	1,519
Social security costs	153	149
Pension costs	388	357
Movement in holiday pay accrual	7	6
Total staff costs	2,059	2,031

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% (2017/18: 40%).

7 Other operating expenditure

	Direct 2018/19 £'000s	Recharged 2018/19 £'000s	Total 2018/19 £'000s	Total 2017/18 £'000s
HR	-	46	46	44
Estates	-	259	259	245
ICT	-	57	57	61
Operations	-	3	3	3
Office services	-	33	33	29
Audit fees	23	-	23	23
Central services	-	177	177	190
Legal & professional	113	-	113	162
Communications	-	58	58	72
External Assessors	24	-	24	16
Awards for All overheads	45	-	45	34
Total other operating expenditure	205	633	838	879

8 Trade receivables and other current assets

	31 March 2019	31 March 2018
	£'000s	£'000s
Trade receivables	98	31
Sundry	115	232
Total trade receivables and other current assets	213	263

9 Investment balance in the NLDF

	31 March 2019	31 March 2018
	£'000s	£'000s
Balance at 1 April	17,062	22,318
Adjustment to opening balances	-	-
Brought forward balance	<u>17,062</u>	<u>22,318</u>
Lottery proceeds	28,480	29,104
Investment income	146	84
Funds drawn down	(28,714)	(34,444)
Total investment balance in the NLDF	<u>16,974</u>	<u>17,062</u>

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:

	31 March 2019	31 March 2018
	£'000s	£'000s
Government Banking Service	3,637	116
Commercial banks	48	49
Cash in hand	-	-
Total cash and cash equivalents	<u>3,685</u>	<u>165</u>

11 Trade payables and other current liabilities

	31 March 2019	31 March 2018
	£'000s	£'000s
Trade creditors	50	9
Accruals	258	309
Due to Creative Scotland	924	928
Other	301	167
Total trade payables and other current liabilities	<u>1,533</u>	<u>1,413</u>

12 Provisions

	Dilapidations 2019 £'000s	Total 2019 £'000s	Total 2018 £'000s
Balance at 1 April	70	70	70
Arising in the year	-	-	-
Utilised in the year	-	-	-
Reversal	-	-	-
Total provisions	<u>70</u>	<u>70</u>	<u>70</u>

The Dilapidation provision relates to the charge due to the Fund relating to reinstatement under the leases for our Edinburgh office held by Creative Scotland, 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

	2018/19	2017/18
	£'000s	£'000s
Balance at 1 April	18,973	26,284
De-commitment of prior year awards	(98)	(2,155)
Committed in year	21,752	28,182
Paid in year	(22,082)	(33,338)
Total grants outstanding	<u>18,545</u>	<u>18,973</u>

	2018/19	2017/18
	£'000s	£'000s
Balance due within one year	15,355	16,336
Balance due between one year and five years	3,190	2,637
Balance due over five years	-	-
Total grants outstanding	<u>18,545</u>	<u>18,973</u>

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

	31 March 2019
	£'000s
Touring Fund	1,280
Total	<u>1,280</u>

The Touring Fund was launched in 2018-19, with the first round of applications approved for contracts starting on 1 April 2019.

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 2018, the balance held at the NLDF was £22.3 million. This has decreased to £17.1 million by 31 March 2019, 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, 98.3% of the Fund's income derived from National Lottery proceeds. The remaining income is derived from bank interest and award repayments of 1.1%, and from other income in relation to the project income, of 0.9%.

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 £16.9 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 and a commercial account held with the Royal Bank of Scotland. The cash balances at the year-end were a total of £3.7 million. 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 2019. During the year, Creative Scotland invoiced the Lottery Distribution Fund for £2.7 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 £22.2 million were made during the year in support of a range of projects.

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

Programme	Organisation	Award
Transition Fund	Mischief SCIO	205,000
	Culture Republic	175,000
	Fire Exit Ltd	175,000
	Cultural Enterprise Office	168,500
	Rapture Theatre	125,000
	plan B	108,673
Open Fund	Sound Festival	150,000
	Artlink Edinburgh and the Lothians	140,000
	Grampian Hospitals Art Trust	130,000
	Talbot Rice Gallery	130,000
	Take Me Somewhere Limited	100,000
	The Pier Arts Centre	100,000
Targeted	Scottish Book Trust	200,000
	British Council Scotland	150,000
	Education Scotland	150,000
	Showcase Scotland Expo	150,000
	Cove Park Ltd	150,000
	Cove Park Ltd	100,000
Capital	Fruitmarket Gallery	1,300,000
Screen Scotland	Caravan Cinema Ltd	500,000
	Regional Screen Scotland	500,000
	Sigma Films	500,000
	Centre for the Moving Image	483,000
	Blazing Griffin Limited	400,000
	Spot of Tea Productions Limited	400,000
	Hurricane Films	350,000
	Kindle Entertainment Productions Ltd	330,000
	SDI Outreach	205,000
	Crab Apple Films Ltd	200,000
	Makar Productions	150,000
	Africa In Motion	140,000
	Hospitalfield	140,000
	Take One Action Film Festivals	136,000
	Crab Apple Films Ltd	100,000

A full list of all awards made can be found on our website at 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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