



**Creative Scotland**

**Annual Report and Accounts**

**For the year ended 31 March 2019**

**SG/2019/238**

## Contents

Performance Report.....	2
Joint Report by the Chair and the Acting Chief Executive .....	2
Performance Analysis .....	14
Accountability Report .....	19
Corporate Governance Report.....	19
Director’s Report.....	19
Statement of Accountable Officer’s responsibilities .....	21
Governance Statement .....	22
Remuneration and staff report.....	25
Independent auditor’s report to the members of Creative Scotland, the Auditor General for Scotland and the Scottish Parliament.....	31
Statement of Comprehensive Net Expenditure.....	34
Other comprehensive expenditure .....	34
Statement of Financial Position.....	35
Statement of Cash Flows .....	36
Statement of Changes in Taxpayers’ Equity.....	37
Notes to the financial statements .....	38
Accounts Direction .....	60

## **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.

## **Structure, Governance and Management**

Creative Scotland was established on the 1st July 2010 through enactment of the Public Services Reform (Scotland) Act 2010. It has the status of a Non-Departmental Public Body (NDPB) and has a Board, appointed by the Scottish Ministers.

Creative Scotland is the public body that supports the arts, screen and creative industries across all parts of Scotland on behalf of everyone who lives, works or visits here. It enables people and organisations to work in and experience the arts and creative sectors in Scotland by helping others to create culture through developing great ideas and bringing them to life.

Creative Scotland's role as a development agency is to be an intelligent funder of the arts, screen and creative industries, to be a national and international advocate on their behalf and to positively influence attitudes, behaviours and policies.

Funding is received from both the Scottish Government and the National Lottery. A separate National Lottery Distribution Fund Annual Report and Accounts is produced for the activities undertaken as a Lottery Distributor under the National Lottery etc. Act 1993.

These accounts have been prepared under an Accounts Direction issued by the Scottish Government on page 60.

## **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](http://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, Creative Scotland had net liabilities of £4.4 million (2018: net assets of £1.8 million). Negative liabilities arise due to cash grant-in-aid from the Scottish Government for 2018-19 being carried forward into 2019-20 to better match cash requirements for grants issued during the last quarter of the year. As Creative Scotland continues to receive funding from the Scottish Government, the Accountable Officer believes it is appropriate to continue to prepare the accounts on a going concern basis as set out in the accounting policies (1.3).

### 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
<b>Total</b>	<b>76.5</b>	<b>76.6</b>	<b>67.2</b>	<b>69.6</b>	<b>79.2</b>

Note 8 on page 45 provides a breakdown of grant commitments funded from grant-in-aid 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. During 2018/19, £34.4 million was allocated from grant-in-aid to the portfolio.

<b>Artform</b>	<b>Number of organisations</b>	<b>Total award (£)</b>
Craft	4	2,235,584
Creative Industries	4	1,666,031
Dance	9	4,720,049
Digital	1	271,000
Literature	8	6,968,260
Multi-Art	21	30,437,010
Music	19	11,425,000
Screen	4	6,068,812
Theatre	28	25,447,761
Visual Arts	23	12,384,000
<b>Total</b>	<b>121</b>	<b>101,623,507</b>

The majority of organisations in the network create, produce or present creative work, demonstrating creative excellence, potential and ambition, with significant reach throughout Scotland and across many areas of practice. It consists of some of Scotland’s most important, innovative and exciting cultural and creative organisations, working across craft, dance, literature, music, screen, theatre and visual arts.

The work of organisations in the network reaches across Scotland and, importantly, supports employment, both for artists and in terms of production, presentation and operational roles. Network organisations also, in turn, collaborate with and support the work of other organisations and creative individuals across Scotland, the UK and internationally.

Creative Scotland monitors closely the output of work from the RFO portfolio, and monitors output across our strategic themes:

- Environment
- Creative Learning and Young People
- Equalities and Diversity.

## **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:

<b>Panel</b>	<b>Applications received</b>	<b>Awards made</b>	<b>Value</b>	<b>Success rate</b>
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:**

<b>Art Form</b>	<b>Applications</b>	<b>Funding requested</b>	<b>Successful</b>	<b>Awarded</b>
Crafts	40	566,321	18	247,049
Creative Industries	3	82,000	1	10,000
Dance	86	1,959,052	54	1,135,346
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
<b>Grand Total</b>	<b>1170</b>	<b>23,308,344</b>	<b>487</b>	<b>10,443,104</b>



## **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 £32.1 million of which £22.4 million was funded from grant-in-aid and £9.7 million was from National Lottery. The £22.4 million of grant-in-aid funded targeted grants includes £14.3 million relating to restricted funding for specific Scottish Government sponsored projects and £7.5 million for Screen Scotland. In addition, there were £808,000 of targeted funding project related expenses.

The main targeted programmes that were supported from grant-in-aid during 2018/19 are listed below:

### **1. Youth Music Initiative (YMI)**

The YMI programme continued to create access to high quality music making opportunities for young people, offering them the chance to achieve their potential through music making, and supporting the development of the youth music sector. Creative Scotland received £8.75 million in funding from the Scottish Government in support of YMI, which was distributed as follows:

<b>YMI Strand</b>	<b>Funding provided £'000</b>	<b>Details</b>
Formula Fund  (2017/18 and 2018/19 academic years)	6,946	Funding to the 32 local authorities and Jordanhill School for delivering the Scottish Government commitment – “every school pupil in Scotland should be offered a year of free music tuition by the time they leave primary school”.
Access to Music Making	1,548	To create access to high quality music making opportunities for young people aged 0–25 years out with school time
Strengthening Youth Music	48	To support individuals, organisations and networks to undertake strategic action or training that will strengthen the youth music sector in Scotland for the benefit of young people
Training and Continuing Professional Development Fund	52	To support individuals, organisations and networks who work out with school settings in undertaking training and continuing professional development that will strengthen youth music in Scotland for the benefit of young people.  The fund is devolved to the Scottish Music Centre.
Overheads and other expenses	232	Contribution to Creative Scotland’s overheads (£200,000) and other project expenses for evaluation, advocacy and learning.

### **2. Cashback for Creativity**

A new three year programme (Phase 4) for the Cashback for Creativity commenced in 2017/18 with a total budget of £2.6 million. This initiative sees funds recovered through the Proceeds of Crime Act, reinvested back into communities to benefit Scotland’s young people. During 2018/19 the budget was £883,000 of which £873,000 was distributed as follows (£10,000 was approved for carry forward to 2019/20):

<b>Cashback strand</b>	<b>Spend in 2018/19 £'000</b>	<b>Details</b>
Open Fund	250	The CashBack for Creativity Open Fund creates opportunities for a range of organisations, working in collaboration with artists across the country, to apply for funding of up to £10,000 to deliver high quality arts activities for up to 12 months.  This fund is administered by YouthLink Scotland.
Targeted Funds	517	The CashBack for Creativity Targeted Fund delivers a programme of engagement, learning, development and progression activities for young people in areas of deprivation across Scotland. The Fund is delivered through a portfolio of projects and programmes, with funding provided over three years.
Overheads and other expenses	106	Contribution to Creative Scotland's overheads (£65,000), management fee to YouthLink for administering the Open Fund and other expenses for evaluation, advocacy and learning

### 3. Platforms for Creative Excellence Programme (PLACE)

This PLACE programme supports strategic development activity across Edinburgh's festivals, taking place over a three-to-five year timeframe. The programme is designed to enable the festivals:

- to diversify their year-round partnerships with the culture sector across the city and Scotland;
- to drive transformation and creative innovation through long-term programming approaches;
- to increase career and skills development capacity for creatives and young people;
- to build new and lasting relationships with less engaged communities.

Investment in the programme has been provided by the Scottish Government and the City of Edinburgh Council with match funding from Edinburgh's festivals. Creative Scotland will manage and administer the Scottish Government's contribution to the fund, in partnership with City of Edinburgh Council, and will oversee the monitoring and evaluation of the activity supported.

Funding was provided to the following Festivals through grant-in-aid funding and funds from the City of Edinburgh Council:

<b>Festival</b>	<b>Funding over three years (£)</b>
Edinburgh International Festival	1,200,000
Edinburgh Art Festival	645,000
Edinburgh Jazz and Blues Festival	635,489
Edinburgh International Book Festival	585,000
Edinburgh International Children's Festival	534,602
Edinburgh International Science Festival	532,000
Edinburgh Festival Fringe Society	500,000
Edinburgh's Hogmanay	400,000
Edinburgh International Film Festival	373,647
Scottish International Storytelling Festival	300,000
Edinburgh Festivals	197,000

#### 4. Expo Fund

Creative Scotland distributes £2 million of Scottish Government funding through grant-in-aid in support of Scotland's international Festivals. The funding promotes the development of Scottish artists and creative expression across the country and will contribute to raising the profile of Scotland's world-class festivals. Funding was provided to the following festivals and programmes in 2018/19:

Organisation/Programme	Funding for 2018/19 (£)	Details
Festivals Edinburgh	200,000	Funding to promote and position Edinburgh as the world's leading festival city.
The Expo Festivals	1,036,000	Funding for Scotland's international festivals.
Made in Scotland	764,142	A partnership between Creative Scotland and the Edinburgh Festival Fringe Society, Federation of Scottish Theatre, and the Scottish Music Centre. It provides a showcase of world-class Scottish theatre, dance and music at the world's biggest arts Festival, the Edinburgh Fringe.

#### 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.

Screen Scotland has set out several objectives to fund, develop and grow the screen industry in Scotland:

- Boosting production by increasing funding and support to grow the number, quality and diversity of film and television productions from Scotland
- Creating specialist business development provision for screen businesses ensuring that advice and support is appropriate and easy to access.
- Developing Scotland's screen talent and promoting Scotland's talent in domestic and international markets
- Improving employment opportunities in the sector through increased and co-ordinated opportunities for work-based learning, training and development
- Improving and expanding the provision of film and moving image education in every context, increasing its reach, depth and inclusivity
- Developing audiences in Scotland by increasing access to a wide range of film and television, and raising the profile of Scottish high-quality film and television among audiences in Scotland, the UK and internationally
- Developing Scotland's reputation as a destination for domestic and international productions and co-productions and developing international markets
- Growing and improving Scotland's screen infrastructure including studio facilities.

In 2018/19, Creative Scotland received £9 million in grant-in-aid for Screen Scotland activities, and this was used to support the following areas:

<b>Screen Strand</b>	<b>Scotland</b>	<b>Grant-in-aid spend in 2018/19 £'000</b>	<b>Details</b>
Broadcast Fund	Content	3,012	The Broadcast Content Fund promotes the sustainable growth of Scotland's broadcast production sector, encouraging the development of new projects, the scaling up of already successful activities and the production of commissioned programmes.
Production Fund	Growth	1,575	The Production Growth Fund aims to help grow Scotland's screen production sector, creating employment opportunities for Scottish crews, encouraging the use of production facilities, providing significant opportunities for the professional development of producers based in Scotland, and delivering a direct and significant economic benefit to Scotland.  The Funding helps in attracting large scale productions into the country, and maximising screen spend in Scotland.
Screen Commission		579	The Screen Commission department provide the locations service, represent Screen Scotland at international markets and industry events and work with production companies to provide crews, talent and facilities in Scotland.
Film Education		786	The film education programme provides funding for improving and expanding the provision of film and moving image education in every context, increasing its reach, depth and inclusivity.
Talent		111	The talent programmes seek to develop Scotland's screen talent and promoting Scotland's talent in domestic and international markets.
Audiences		545	Developing audiences in Scotland by increasing access to a wide range of high-quality film and television and raising the profile of Scottish film and television among audiences in Scotland, the UK and internationally.
Skills		572	The skills programmes provide funding for Improving employment opportunities in the sector through increased and co-ordinated opportunities for work-based learning, training and development.
Infrastructure		344	This spend includes funds for the tender for a private partner to let, refurbish and operate a new studio facility in Scotland. Funding includes £300,000 of funds to a dedicated subsidiary, Screen Scotland Limited, to secure a film studio premise.

## **Operations**

Screen Scotland, the new partnership for funding screen projects in Scotland, was launched on 21 August 2018. In terms of operations this involved the recruitment and appointment of Isabel Davis as Executive Director, Screen and Creative Enterprise, to lead Screen Scotland. Additional staff members were employed to deliver the operational plan for Screen Scotland.

In terms of staffing, Janet Archer resigned as Chief Executive of Creative Scotland on 30 June 2018, with Iain Munro, the Deputy Chief Executive, being appointed Acting Chief Executive. A recruitment process for a new Chief Executive will take place in 2019/20.

In the wider senior leadership team, Leonie Bell served on a secondment to the Scottish Government to help develop the National Cultural Strategy and left her post in September 2019. The Interim Director of Arts and Engagement, Claire Byers also left the organisation and was replaced on an interim basis by Joan Parr, the Head of Creative Learning.

The Director of Communications, Kenneth Fowler, took up a secondment in February 2019 to the Scottish Government as Head of Communications, and has been replaced on an interim basis by Ken Miller, who joins Creative Scotland on secondment from Healthcare Improvement 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.

## **Centre for Contemporary Art Building**

Creative Scotland owns the Centre for Contemporary Art Building in Sauchiehall Street, Glasgow. The building is listed and is leased to the Centre for Contemporary Arts (CCA) for use as an arts centre. The building hosts the CCA and a number of other cultural organisations with which Creative Scotland has a funding relationship.

In June 2018, there was a major fire in the adjacent buildings, the Glasgow School of Art building which then spread to another neighbouring property. Following the fire, a safety cordon was established which prevented access to the CCA building until October. During that time a survey of the building's condition was undertaken which showed there was no damage to the structure of the buildings, although the prolonged absence caused some minor maintenance issues that required fixing before the CCA could re-open.

The Scottish Government provided £100,000 of funding, which was matched with £50,000 from Creative Scotland's core grant to provide CCA with financial support during this period.

## 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
<b>More diverse high quality artistic and creative work is produced and developed across Scotland</b>	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
<b>Increased public engagement through stronger touring networks, digital distribution and exhibition platforms across Scotland</b>	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

<b>Outcomes</b>	<b>Performance measures</b>	<b>Descriptions</b>
<b>Increase in artists and creative people working with communities and addressing local needs</b>	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
<b>Leaders across the sectors are more confident, knowledgeable, connected and developing more sustainable business models.</b>	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
<b>More of Scotland's artists and creative people are engaging with international artists and creative practice</b>	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 60, 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 (FReM).

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

### Creative Scotland - Results for the year ending 31 March 2019 versus Budget

	<u>Actual</u> <u>£'000</u>	<u>Budget</u> <u>£'000</u>	<u>Variance</u> <u>£'000</u>
<b>Income</b>			
Project income	(1,896)	(918)	978
Other income	(2,901)	(2,810)	91
<b>Expenditure</b>			
Grants awards and investments	57,010		
Project Expenditure	808		
Less de-committed awards	(142)		
<b>Total net grants and project expenses</b>	<b>57,676</b>	<b>56,751</b>	<b>(925)</b>
Staff costs	5,890	6,103	213
Other operating expenditure	2,590	2,779	189
<b>Net expenditure</b>	<b>61,359</b>	<b>61,905</b>	<b>546</b>

Project income and grant expenditure was higher in the year due to the finalisation of arrangements for the Platform for Creative Excellence (PLACE) programme which saw Creative Scotland taking on the administration of the City of Edinburgh Council's contributions.

There were also some underspends in staff costs and other operating expenditure arising from staff vacancies, and underspends which were reinvested into the grants programme.

## 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.

<b>Target</b>	<b>Performance Indicator</b>	<b>Outturn for 2018/19</b>
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 CO<sub>2</sub> emissions by 42% by 2020. Our work in this area includes:

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

Monitoring of GHG emissions in tonnes of CO<sub>2</sub> for 2 key areas for our operations for 2018/19 and 2017/18 were undertaken, with key results shown in the table below:

	<b>2018-19 GHG (tCO<sub>2</sub>e)</b>	<b>2017-18 GHG (tCO<sub>2</sub>e)</b>	<b>% change</b>
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](http://creativescotland.com)

## **Social matters**

Creative Scotland is committed to ensuring people of all ages and from different types of communities throughout the country can have deep and meaningful engagement with the arts, screen and creative industries. Access and place are key ambitions in the 10 year plan to help achieve this. The following activities have taken place in 2018/19 to help achieve this:

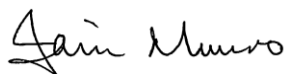
- Development of a new fund, the Create:Inclusion Fund, which seeks to increase the diversity of people in the arts, screen and creative industries. The fund responds to issues raised in previous reports, 'Understanding Diversity in the Arts' and 'Equality Matters', and seeks to provide funding to help 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.

## **Payment of creditors**

The Scottish Public Finance Manual requires that invoices be paid within ten days of receiving a valid invoice. During the year ended 31 March 2019, 78% of invoices were paid within ten days (2018: 76%), with an average payment date of 9.3 days (2018: 12).



**Iain Munro**  
**Acting Chief Executive 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 financial year was as follows:

<b>Name</b>	<b>Date of appointment</b>	<b>Term</b>	<b>End of current term</b>
Robert Wilson (Chair)	10 February 2018	1 <sup>st</sup>	9 February 2022
Barclay Price	1 July 2010	2 <sup>nd</sup>	30 June 2018
David Brew	1 August 2015	2 <sup>nd</sup>	31 July 2023
Erin Forster	1 August 2015	1 <sup>st</sup>	31 July 2019
Sheila Murray	1 August 2015	1 <sup>st</sup>	31 July 2019
Iain Aitchison	1 August 2016	1 <sup>st</sup>	31 July 2020
Karen Forbes	1 August 2016	1 <sup>st</sup>	31 July 2020
Karthik Subramanya	1 August 2016	1 <sup>st</sup>	31 July 2020
Cate Nelson-Shaw	1 August 2016	1 <sup>st</sup>	31 July 2020
Ewan Angus	1 August 2018	1 <sup>st</sup>	31 July 2022
Elizabeth Partyka	1 August 2018	1 <sup>st</sup>	31 July 2022
David Strachan	1 August 2018	1 <sup>st</sup>	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, a Financial and General Purposes Committee and a Nominations Committee. Members of these committees are appointed by the Board from their membership. There is also a Screen Committee made up of three Creative Scotland Board members, sector representatives and public sector partners.

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

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

## Political and Charitable Donations

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

## Data loss

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

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

Under the Public Services Reform (Scotland) Act 2010, the Scottish Government has directed Creative Scotland to prepare for each financial year a statement of accounts 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 Creative Scotland 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.

Creative Scotland'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 <sup>1</sup> Chief Executive	105-110 (0)	27,400	25-30	160-165	115-120 (0)	-	25-30	140-145
Iain Munro <sup>2</sup> Acting Chief Executive	110-115 (0)	-	25-30	140-145	90-95 (0)	-	25-30	115-120
Isabel Davis <sup>3</sup> Executive Director (from 5 September 2018)	50-55 (0)	3,000	10-15	65-70	-	-	-	-
Kenneth Fowler <sup>4</sup> 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 <sup>5</sup> Director, Creative Industries	60-65 (0)	-	15-20	80-85	60-65 (0)	-	15-20	75-80
Scott Donaldson <sup>6</sup> Acting Director, Screen	55-60 (0)	-	15-20	75-80	0-5 (0)	-	-	0-5
Joan Parr <sup>7</sup> Interim Director, Arts & Engagement (from 1 August 2018)	40-45 (0)	-	5-10	45-50	-	-	-	-
Leonie Bell <sup>8</sup> Director, Arts & Engagement	30-35 (0)	-	10-15	40-45	60-65 (0)	-	15-20	80-85
Claire Byers <sup>9</sup> 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.
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.
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 18<sup>th</sup> 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 <sup>1</sup>	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 <sup>1</sup>	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 <sup>1</sup>	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	=	=	=	=
<b>Total number of exit packages</b>	<b>=</b>	<b>=</b>	<b>1</b>	<b>=</b>

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 to £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
	<b>Employees (£'000)</b>	<b>Agency staff (£'000)</b>	<b>Inward Secondees (£'000)</b>	<b>Total (£'000)</b>	<b>Total (£'000)</b>
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
<b>Total</b>	<b>5,818</b>	<b>31</b>	<b>63</b>	<b>5,912</b>	<b>5,250</b>

### 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
<b>Total</b>	<b>117.5</b>	<b>0.7</b>	<b>0.9</b>	<b>119.1</b>	<b>106.0</b>

Costs include two employees who 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	-
<b>Total</b>	<b>43</b>	<b>82</b>

### 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
	<b>92</b>

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

### Trade Union Relations

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

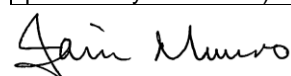
% of time	Number of employees
0%	-
1-50%	6
51-99%	-
100%	-

#### 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 for the year ended 31 March 2019 under the Public Services Reform (Scotland) Act 2010. The financial statements comprise the Statement of Comprehensive Net Expenditure, 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 Public Services Reform (Scotland) Act 2010 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 Public Services Reform (Scotland) Act 2010 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

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

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

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

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

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

### **Responsibilities for regularity**

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

### **Report on other requirements**

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

In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Public Service Reform (Scotland) Act 2010 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 Public Services Reform (Scotland) Act 2010 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 Public Services Reform (Scotland) Act 2010 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 Public Finance and Accountability (Scotland) Act 2000 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**

4<sup>th</sup> Floor, 8 Nelson Mandela Place

Glasgow, G2 1BT

7 October 2019

## Statement of Comprehensive Net Expenditure

For the year ended 31 March 2019

	Notes	2018/19	2017/18
		£'000s	£'000s
<b>Income</b>			
Project income	5	1,896	1,115
Other operating income	6	2,901	3,556
		<u>4,797</u>	<u>4,671</u>
<b>Expenditure</b>			
Staff costs	7	5,865	5,762
Grant commitments	8	57,010	41,915
Less: de-commitment of prior year grants		(142)	(367)
Project expenditure	9	808	218
Other operating expenditure	10	2,423	2,233
Depreciation		167	133
		<u>66,131</u>	<u>49,894</u>
<b>Net operating costs for the year</b>		<u>(61,334)</u>	<u>(45,223)</u>
Other finance (costs)/ income	18	(25)	(30)
		<u>(25)</u>	<u>(30)</u>
<b>Net expenditure</b>		<u>(61,359)</u>	<u>(45,253)</u>

## Other comprehensive expenditure

	2018/19	2017/18
	£'000s	£'000s
Retained deficit for the financial year	(61,359)	(45,253)
Actuarial gain/(loss) on the Strathclyde Pension Fund	(567)	410
Capital grant net income	(30)	(30)
Net gain/(loss) on revaluation of property	82	-
<b>Total comprehensive expenditure</b>	<u>(61,874)</u>	<u>(44,873)</u>

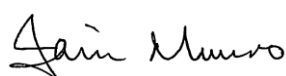
The notes on pages 38-59 form part of these accounts.

## Statement of Financial Position

As at 31 March 2019

	Notes	2018/19	2017/18
		£'000s	£'000s
<b>Non-current assets</b>			
Property, plant and equipment	12	1,729	1,708
Intangible assets	13	52	32
<b>Total non-current assets</b>		<u>1,781</u>	<u>1,740</u>
<b>Current assets</b>			
Trade and other receivables	14	3,170	1,600
Cash and cash equivalents	15	1,768	2,593
<b>Total current assets</b>		<u>4,938</u>	<u>4,193</u>
<b>Total assets</b>		<b>6,719</b>	<b>5,933</b>
<b>Current liabilities</b>			
Trade and other payables	16	(8,573)	(2,374)
Provisions	19	(167)	(167)
<b>Total current liabilities</b>		<u>(8,740)</u>	<u>(2,541)</u>
<b>Non-current assets plus net current assets</b>		<b>(2,021)</b>	<b>3,392</b>
<b>Non-current liabilities</b>			
Provisions	19	(105)	(105)
Other payables	16	(600)	(649)
Pension liabilities	18	(1,635)	(825)
<b>Total non-current liabilities</b>		<u>(2,340)</u>	<u>(1,579)</u>
<b>Assets less liabilities</b>		<u><u>(4,361)</u></u>	<u><u>1,813</u></u>
<b>Reserves</b>			
General fund		(4,610)	1,646
Revaluation reserve		249	167
<b>Total reserves</b>		<u><u>(4,361)</u></u>	<u><u>1,813</u></u>

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



**Iain Munro**  
Acting Chief Executive and Accountable Officer  
4 October 2019

The notes on pages 38-59 form part of these accounts.

## Statement of Cash Flows

*For the year ended 31 March 2019*

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000s</b>	<b>£'000s</b>
<b>Cash flows from operating activities</b>		
Net expenditure	(61,359)	(45,253)
<i>Adjustments for non-cash items</i>		
Adjustments for IAS 19	243	150
Depreciation on property, plant and equipment	139	130
Amortisation of intangible fixed assets	28	3
Capital grants released	(30)	(30)
<i>Movements in working capital</i>		
(Increase)/decrease in trade and other receivables	(1,570)	840
Increase/(decrease) in trade and other payables	6,151	(1,106)
<i>Movements in provisions</i>		
Decrease in provisions	-	-
<b>Net cash outflow from operating activities</b>	<b><u>(56,398)</u></b>	<b><u>(45,266)</u></b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(79)	(25)
Purchase of intangible assets	(48)	(27)
<b>Net cash outflow from investing activities</b>	<b><u>(127)</u></b>	<b><u>(52)</u></b>
<b>Cash flows from financing activities</b>		
Scottish Government grant-in-aid received	55,700	45,275
<b>Net decrease in cash and cash equivalents</b>	<b><u>(825)</u></b>	<b><u>(43)</u></b>
Cash and cash equivalents at the beginning of the period	2,593	2,636
Cash and cash equivalents as the end of the period	1,768	2,593

*The notes on pages 38-59 form part of these accounts.*

## Statement of Changes in Taxpayers' Equity

*For the year ended 31 March 2019*

	<b>General Fund</b>	<b>Revaluation Reserve</b>	<b>Total</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
<b>Balance as at 31 March 2017</b>	<b>1,244</b>	<b>140</b>	<b>1,384</b>
<b>Changes in taxpayers' equity 2017/18</b>			
Actuarial gain	410	-	410
Retained deficit	(45,253)	-	(45,253)
Grant in Aid transfer	45,275	-	45,275
Revaluation of property	-	27	27
Movement in capital grant	(30)	-	(30)
<b>Balance as at 31 March 2018</b>	<b>1,646</b>	<b>167</b>	<b>1,813</b>
<b>Changes in taxpayers' equity 2018/19</b>			
Actuarial loss	(567)	-	(567)
Retained deficit	(61,359)	-	(61,359)
Grant in Aid transfer	55,700	-	55,700
Revaluation of property	-	82	82
Movement in capital grant	(30)	-	(30)
<b>Balance as at 31 March 2019</b>	<b>(4,610)</b>	<b>249</b>	<b>(4,361)</b>

*The notes on pages 38-59 form part of these accounts.*

## Notes to the financial statements

(Forming part of the financial statements)

### 1 Accounting policies

#### 1.1 Basis of accounting and preparation

In accordance with the accounts direction issued by Scottish Ministers under section 13(1) of Schedule 9 of the Public Services Reform (Scotland) Act 2010, these financial statements have been prepared in accordance with the 2018/19 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM 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.

#### 1.2 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, and, where material, financial asset investments and inventories to fair value as determined by reference to their current costs.

#### 1.3 Going Concern

These accounts have been prepared on the going concern basis. The Accountable Officer is of the view that the going concern basis remains appropriate. In common with similar public bodies, the future financing of Creative Scotland's liabilities will be met by future grants-in-aid approved by the Scottish Parliament.

#### 1.4 Property, Plant & Equipment (PPE)

##### Recognition

All Property Plant and Equipment (PPE) assets will be accounted for as non-current assets, subject to the capitalisation limits noted below.

Assets classified as under construction are recognised in the statement of financial position to the extent that money has been paid or a liability has been incurred.

##### Capitalisation

The minimum levels for capitalisation of PPE assets per individual item or group of related items are as follows:

- Land, dwellings and other buildings £10,000

• Leasehold improvements	£10,000
• Plant and machinery	£5,000
• Furniture, fixtures and fittings	£5,000
• ICT systems	£5,000

## Measurement

### Valuation

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

All assets are measured subsequently at fair value as follows:

Land and buildings have been stated at fair value using open market value for existing use, under a 3-year programme of professional valuations and appropriate indices in intervening years.

All other property, plant and equipment assets are valued at fair value using the most appropriate valuation methodology available (for example, appropriate indices). A depreciated historical cost basis is used as a proxy for fair value in respect of such assets which have short useful lives or low values (or both).

### Subsequent expenditure:

Subsequent expenditure is capitalised into an asset's carrying value when it is probable the future economic benefits associated with the item will flow to Creative Scotland and the cost can be measured reliably. Where subsequent expenditure does not meet these criteria, the expenditure is charged to the Statement of Comprehensive Net Expenditure. If part of an asset is replaced, then the part it replaces is de-recognised, regardless of whether or not it has been depreciated separately.

### Revaluations and Impairment:

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in the Statement of Comprehensive Net Expenditure, in which case they are recognised as income. Movements on revaluation are considered for individual assets rather than groups or land/buildings together.

Decreases in asset values and impairments that are the result of a loss of economic value or service potential are taken to the Statement of Comprehensive Income with any balance on the revaluation reserve to which the impairment would have been charged under International Accounting Standard 36, *Impairment of Assets*, being transferred to the general fund. Other impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to the Statement of Comprehensive Net Expenditure.

## Depreciation

Land is considered to have an indefinite life and is not depreciated.

Depreciation is provided at rates calculated to write off the valuation of buildings and other PPE assets on a straight-line basis, by equal annual instalments, over their estimated useful lives which are normally in the following ranges:

- Dwellings and other buildings - 35 years
- Leasehold improvements - life of the lease



- Plant and machinery - 5 years
- Furniture, fixtures and fittings - 5 - 10 years
- ICT systems - 3 years
- Motor vehicles - 4 years

### 1.5 Intangible Assets

Intangible assets are recognised where the costs can be measured reliably and there is a clear future economic benefit attributable from the asset.

Intangible assets are valued initially at cost and subsequently at fair value.

Non-income generating assets are carried at depreciated replacement cost. These valuation methods are considered to be a proxy for fair value.

Future economic benefit has been used as the criteria in assessing whether an intangible asset meets the definition and recognition criteria of International Accounting Standard 38, *Intangible Assets* where assets do not generate income. IAS 38 defines future economic benefit as, 'revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity.'

Intangible assets are amortised to their estimated residual value over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

Amortisation is provided at rates calculated to write off the valuation of intangible assets on a straight-line basis, by equal annual instalments, over their estimated useful lives which are normally in the following ranges:

- Software -4 years
- Website development -3 years

Intangible assets under development are not amortised.

### 1.6 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 loans to creative organisations. 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. Creative Scotland's 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.

## Cash and Cash Equivalents

Cash and cash equivalents include 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. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

## 1.7 Recognition of income

Incoming resources are recognised when the organisation is entitled to the income, is reasonably certain of the receipt and can measure the income with reasonable accuracy. Where the income relates to the performance of a service over a defined period any amount relating to future periods would be included as deferred income at the end of the financial year. Grant-in-aid from the Scottish Ministers is classified as funding and is credited to the general fund when drawn down from the Scottish Government. Any element of the grant-in-aid funding that relates to capital expenditure is recognised in restricted funds. Other incoming resources are included within the category in the Statement of Comprehensive Net Expenditure most appropriate to the nature of the activity.

## 1.8 Resources Expended

Resources expended are included in the financial statements on an accruals basis. The expenditure is included in the category most appropriate to the nature of the expenditure. 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.

## 1.9 Pensions

Creative Scotland participates in two pension schemes providing benefits based on final pensionable pay, the Strathclyde Pension Fund (SPF) and Arts Council Retirement Plan 1994. Both schemes are available to staff of more than one employer, are contracted out of the State Earnings-Related Pension Scheme, and the assets of the schemes are held separately from those of Creative Scotland. The Funds are valued by actuaries, the rates of contributions being determined by the trustees on the advice of the actuaries.

### Strathclyde Pension Scheme

Creative Scotland is an admitted body of the Strathclyde Pension Fund which is a defined benefits pension scheme. The scheme is no longer open to new employees of Creative Scotland.

Pension scheme assets are measured using market values. For quoted securities, the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between the income and expenditure account and, in the statement of other comprehensive income.

### Arts Council Retirement Plan 1994

The Arts Council Retirement Plan 1994 provides defined benefits based on final pensionable pay and covers a number of UK arts organisations. Creative Scotland is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme, as required by IAS 19, *Employee Benefits* (revised). As

a result, the amount charged to the Statement of Comprehensive Net Expenditure represents the employer contributions payable to the scheme in respect of the year.

The pension cost is assessed every five years by an Actuary who determines the rate of contributions required. The most recent actuarial valuation took place in the year to 31 March 2016.

#### **1.10 Leases**

Where substantially all the risks and rewards of ownership of a leased property are borne by the entity, it should be recorded as a non-current asset and a corresponding obligation recorded in respect of the debt due to the lessor, with the interest element of the finance lease payment charged to the Statement of Comprehensive Net Expenditure. Rentals payable in respect of operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

#### **1.11 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.

#### **1.12 Taxation and VAT**

Creative Scotland is not registered for VAT as its activities fall outside the scope of VAT and therefore does not charge VAT on supplies or reclaim VAT on eligible expenditure.

Creative Scotland is liable for corporation tax on its taxable activities. Corporation tax figures for charges and liabilities have been based on the advice of our tax advisors and correspondence with Her Majesty's Revenue and Customs.

#### **1.13 Short Term Employee Benefits**

A liability and an expense are 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.

#### **1.14 Standards issued not yet effective (IFRS 16, Leases)**

The International Accounting Standards Board (IASB) has issued the final version of IFRS 16 which will replace IAS 17 for annual periods beginning on or after 1 January 2019. The Government Financial Reporting Manual has deferred implementation of this standard until 1 April 2020, it therefore does not affect the 2018-19 financial statements. The full impact of the introduction of this standard will require assets and liabilities to be increased by the same amount, as operating leases will be treated in the same way as finance leases. IFRS 16 will be adopted by for the first time in 2020-21 with 2019-20 forming a comparative year.

## 2 Critical accounting estimates and judgements

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

- The present value of pension obligations is dependent on actuarial valuations, which are based on assumptions for the discount rate, the rate of inflation, and the rate of future salary and pension increases. These are set out in Note 18, and the sensitivities to any changes in the assumptions used and the impact on the obligation and monetary value are disclosed on page 56.
- 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 Reconciliation of net expenditure to grant-in-aid

	<b>£'000s</b>
Net expenditure per SoCNE	(61,359)
Capital	(127)
Grant-in-aid for 2018/19	61,135
<b>Net deficit for the year to 31 March 2019</b>	<b><u>(351)</u></b>

The grant-in-aid allocated to Creative Scotland for the year to 31 March 2019 was £61,135,000, of which £55,700,000 was drawn down in cash during the year. The remainder will be made available in 2019/20 financial year.

## 4 External auditor's remuneration

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000s</b>	<b>£'000s</b>
External audit remuneration	45	44
<b>Total external auditor's remuneration</b>	<b><u>45</u></b>	<b><u>44</u></b>

The above audit fee amounts represent amounts paid to Audit Scotland for the provision of external audit during the year.

## 5 Project income

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000s</b>	<b>£'000s</b>
Creative Europe	46	47
Paul Hamlyn Foundation	6	76
CashBack for Creativity	873	867
Royal Edinburgh Military Tattoo	4	123
Other	-	2
City of Edinburgh Council	967	-
	<b><u>1,896</u></b>	<b><u>1,115</u></b>

Project income for the Creative Europe programme is received from the European Commission via the British Film Institute.

The Paul Hamlyn Foundation provided income of £6,000 towards the Teacher Development Fund for 2018-19.

Cashback for Creativity is provided by the Scottish Government and is a programme for activities and opportunities for young people, utilising funds seized from criminals under the proceeds of crime legislation. Phase 4 of the programme commenced on 1 April 2017, and funding is now provided by direct grant from the Scottish Government, whereas in previous phases it was provided through grant-in-aid.

City of Edinburgh Council funding relates to the Platform for Creative Excellence (PLACE) programme.

## 6 Other operating income

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000s</b>	<b>£'000s</b>
Recharges to Creative Scotland NLDF	2,685	2,616
Amortisation of capital grant	30	30
Event space rental income	95	155
Office space rental income	66	114
Miscellaneous	25	641
	<b><u>2,901</u></b>	<b><u>3,556</u></b>

## 7 Staff costs

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000s</b>	<b>£'000s</b>
<b>Staff costs during the year</b>		
Wages and salaries	4,232	3,768
Social security costs	387	375
Pension costs	1,199	1,024
Apprenticeship levy	6	4
Strain on the Fund	-	499
Movement in holiday pay accrual	10	9
Other staff related costs: temporary staff	31	83
	<b><u>5,865</u></b>	<b><u>5,762</u></b>

The amount recharged in respect of the National Lottery Distribution Fund's share of Creative Scotland's payroll costs was £2.1 million (40% of eligible staff costs) (2017-18: £2 million, 40%).

<b>8 Grant commitments</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000s</b>	<b>£'000s</b>
<b>Regular Funded Organisations</b>	<b>34,368</b>	<b>26,551</b>
<b>Open Project Funding</b>	<b>215</b>	<b>718</b>
<b>Scottish Government - Restricted Funds</b>		
Youth Music Initiative	8,594	9,063
Expo Fund	1,800	2,246
Cashback for Communities	767	766
Sistema	780	455
Festivals Edinburgh	200	200
World War I Commemorations	50	50
CCA Funding	150	-
Platform for Creative Excellence (PLACE)	1,968	-
European Championships Berlin Exchange	15	-
National Youth Performing Arts Companies	-	250
<b>Total Scottish Government- Restricted Funds</b>	<b>14,324</b>	<b>13,030</b>
<b>Capital Grants</b>	<b>-</b>	<b>14</b>
<b>Targeted – Arts and Engagement</b>		
Teacher Development Fund	5	35
Arts Strategies	-	80
Royal Edinburgh Military Tattoo	-	123
Trad Arts	-	31
<b>Targeted – Screen Scotland</b>		
Screen Funds		
Audience Development	545	-
Content Development and Production	3,003	-
Distribution and Exhibition Fund	169	-
Film Development and Production	130	-
Film Education	770	-
Film Festival Fund	12	-
Infrastructure	300	-
Inward Investment (Production Growth Fund)	1,575	750
Markets and Festivals Fund	218	-
Skills and Talents	572	-
Strategic Partnerships	90	-
Talent Development	102	-
<b>Targeted – Creative Industries</b>		
Creative Industries	-	10
Sector Organisations	444	463
<b>Targeted - Other</b>		
Strategic Fund	168	110
<b>Total targeted funding</b>	<b>8,103</b>	<b>1,602</b>
<b>Total grant commitments for the year</b>	<b>57,010</b>	<b>41,915</b>

## 9 Project expenditure

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000s</b>	<b>£'000s</b>
<b>Scottish Government - Restricted Funds</b>		
Youth Music Initiative	32	68
Cashback for Communities	41	36
<b>Targeted – Arts and Engagement</b>		
Teacher Development Fund	-	40
Arts Strategies	2	3
Trad Arts	-	4
<b>Targeted - Screen</b>		
Content Development and Production	9	-
Film Education	16	-
Infrastructure	44	-
Inward Investment (Screen Commission)	579	33
Specialist Sector Business Development and Enterprise	23	-
Talent Development	9	-
<b>Targeted – Creative Industries</b>		
Sector Organisations	18	-
<b>Targeted - Other</b>		
Strategic Fund	-	4
Creative Europe	35	30
<b>Total project expenditure</b>	<b>808</b>	<b>218</b>

## 10 Other operating expenditure

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000s</b>	<b>£'000s</b>
HR	148	111
Office Services	84	73
Estates	815	851
Finance	165	132
Legal and contracts	65	3
ICT	176	173
Communications	122	107
Board and committee expenses	7	8
Central services	658	364
Marketing	62	72
Knowledge and Research	114	103
External assessors	7	199
Screen Unit	-	37
<b>Total other operating expenditure</b>	<b>2,423</b>	<b>2,233</b>

## 11 Corporation Tax

Corporation tax is due on the bank interest received in the year based on the standard rate of corporation tax for the year. For the year ending 31 March 2019, corporation tax of £0.57 was payable to HMRC.

## 12 Property, plant and equipment

	Land	Buildings	Buildings Leasehold	Fixtures and Fittings	IT equipment	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Cost</b>						
1 April 2018	524	690	860	73	160	2,307
Revaluation	(24)	45	-	-	-	21
Additions	-	-	50	-	29	79
Disposals	-	-	-	-	(6)	(6)
31 March 2019	<b>500</b>	<b>735</b>	<b>910</b>	<b>73</b>	<b>183</b>	<b>2,401</b>
<b>Depreciation</b>						
1 April 2018	-	39	397	56	107	599
Revaluation	-	(60)	-	-	-	(60)
Charge for the year	-	21	74	7	37	139
Disposals	-	-	-	-	(6)	(6)
31 March 2019	-	-	<b>471</b>	<b>63</b>	<b>138</b>	<b>672</b>
<b>NBV</b>						
31 March 2019	<b>500</b>	<b>735</b>	<b>439</b>	<b>10</b>	<b>45</b>	<b>1,729</b>
	Land	Buildings	Buildings Leasehold	Fixtures and Fittings	IT equipment	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Cost</b>						
1 April 2017	512	675	860	73	85	2,205
Revaluation	12	15	-	-	-	27
Additions	-	-	-	-	75	75
Disposals	-	-	-	-	-	-
31 March 2018	<b>524</b>	<b>690</b>	<b>860</b>	<b>73</b>	<b>160</b>	<b>2,307</b>
<b>Depreciation</b>						
1 April 2017	-	20	329	48	72	469
Revaluation	-	-	-	-	-	-
Charge for the year	-	19	68	8	35	130
Disposals	-	-	-	-	-	-
31 March 2018	-	<b>39</b>	<b>397</b>	<b>56</b>	<b>107</b>	<b>599</b>
<b>NBV</b>						
31 March 2018	<b>524</b>	<b>651</b>	<b>463</b>	<b>17</b>	<b>53</b>	<b>1,708</b>

Land and buildings were revalued at 31 March 2019, by J&E Shepherd, Chartered Surveyors, on the basis of open market value for existing use.



**13 Intangible assets**

	<b>Computer software</b>	<b>Website</b>	<b>Work in progress</b>	<b>Total</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
<b>Cost</b>				
1 April 2018	409	162	27	598
Revaluation	-	-	-	-
Additions	-	48	-	48
Transfers	-	27	(27)	-
Disposals	-	-	-	-
31 March 2019	<u>409</u>	<u>237</u>	<u>-</u>	<u>646</u>
<b>Amortisation</b>				
1 April 2018	404	162	-	566
Revaluation	-	-	-	-
Charge for the year	3	25	-	28
Disposals	-	-	-	-
31 March 2019	<u>407</u>	<u>187</u>	<u>-</u>	<u>594</u>
<b>NBV</b>				
31 March 2019	<u><u>2</u></u>	<u><u>50</u></u>	<u><u>-</u></u>	<u><u>52</u></u>
	<b>Computer software</b>	<b>Website</b>	<b>Work in progress</b>	<b>Total</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
<b>Cost</b>				
1 April 2017	409	162	-	571
Revaluation	-	-	-	-
Additions	-	-	27	27
Disposals	-	-	-	-
31 March 2018	<u>409</u>	<u>162</u>	<u>27</u>	<u>598</u>
<b>Amortisation</b>				
1 April 2017	401	162	-	563
Revaluation	-	-	-	-
Charge for the year	3	-	-	3
Disposals	-	-	-	-
31 March 2018	<u>404</u>	<u>162</u>	<u>-</u>	<u>566</u>
<b>NBV</b>				
31 March 2018	<u><u>5</u></u>	<u><u>-</u></u>	<u><u>27</u></u>	<u><u>32</u></u>

**14 Trade receivables and other current assets**

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£'000s</b>	<b>£'000s</b>
Trade receivables	143	123
Due from Creative Scotland NLDF	924	928
Prepayments and accrued income	1,240	378
Grant advances	862	170
Staff advances	1	1
	<b>3,170</b>	<b>1,600</b>
	<b>3,170</b>	<b>1,600</b>

Trade receivables and other current assets can be analysed as:

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£'000s</b>	<b>£'000s</b>
Balances with other Central Government bodies	177	185
Balances with Local Authorities	972	-
Balance with Creative Scotland NLDF	924	928
<b>Total intra Government balances</b>	<b>2,073</b>	<b>1,113</b>
Balances with bodies external to Government	1,097	487
	<b>3,170</b>	<b>1,600</b>
	<b>3,170</b>	<b>1,600</b>

**15 Cash and cash equivalents**

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£'000s</b>	<b>£'000s</b>
Balance at 1 April	2,593	2,636
Net change in cash and cash equivalent balances	(825)	(43)
<b>Balance at 31 March</b>	<b>1,768</b>	<b>2,593</b>
	<b>1,768</b>	<b>2,593</b>

The following balances at 31 March were held at:

Government Banking Service	1,768	2,593
Commercial banks	-	-
Cash in hand	-	-
<b>Balance at 31 March</b>	<b>1,768</b>	<b>2,593</b>
	<b>1,768</b>	<b>2,593</b>

## 16 Trade payables and other current liabilities

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£'000s</b>	<b>£'000s</b>
Amounts falling due within one year:		
Trade payables	129	24
Grants outstanding	7,963	1,756
Accruals	416	530
Deferred income	65	64
	<u><b>8,573</b></u>	<u><b>2,374</b></u>
Amounts falling due after one year:		
Other payables, accruals and deferred income	600	649
	<u><b>600</b></u>	<u><b>649</b></u>

Trade payables and other current liabilities can be analysed as:

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£'000s</b>	<b>£'000s</b>
Balances with other Central Government bodies	132	227
Balances with Local Authorities	252	126
<b>Total intra Government balances</b>	<u><b>384</b></u>	<u><b>353</b></u>
Balances with bodies external to government	8,789	2,670
	<u><b>9,173</b></u>	<u><b>3,023</b></u>

## 17 Commitments under operating leases

At 31 March 2019, Creative Scotland had future minimum lease payments under non-cancellable operating leases relating to annual rent for premises at Waverley Gate, 2-4 Waterloo Place, Edinburgh; and The Lighthouse, 11 Mitchell Lane, Glasgow.

There are two leases at Waverley Gate: one is for a period of 15 years from the date of entry of 20 October 2010 with no break option; the other is for a period of 13 years from 18 July 2012 with no break option. The lease at The Lighthouse, Glasgow is for a period of 5 years from 1 April 2016.

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£'000s</b>	<b>£'000s</b>
<b>Operating leases commitments</b>		
Not later than 1 year	512	512
Later than 1 year and not later than 5 years	2,133	2,122
Later than 5 years	765	1,288

## **18 Pension schemes**

Creative Scotland participates in two defined benefit schemes: the Strathclyde Pension Fund and the Arts Council Retirement Plan (1994). Past employees of Scottish Screen are covered by the provisions of the Strathclyde Pension Scheme. On 1 July 2010, the Strathclyde Pension scheme was closed to new members and all new employees are admitted to the Arts Council Retirement Plan (1994).

The schemes are funded by payments from Creative Scotland and its employees to the trust administered funds, independent of Creative Scotland's finances. Contributions to the scheme are charged to the Statement of Comprehensive Net Expenditure so as to spread the cost of pensions over employees' working lives with the company.

### **Strathclyde Pension Fund**

These figures are prepared by the Actuaries in accordance with IAS 19. As required under IAS 19, the actuaries have used the projected unit credit method of valuation to measure the pension obligations at 31 March 2019. The last full actuarial valuation of the Strathclyde Pension Fund was carried out on 31 March 2017.

	<b>Assets</b>	<b>Obligations</b>	<b>Net (liability)/ asset</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
Fair value of employee assets	7,986		7,986
Present value of funded liabilities	-	8,811	(8,811)
Present value of unfunded liabilities	-	-	-
<b>Opening Position as at 31 March 2018</b>	<b><u>7,986</u></b>	<b><u>8,811</u></b>	<b><u>(825)</u></b>
Service cost			
- Current service cost	-	256	(256)
- Past service cost	-	75	(75)
- Effect of settlements	-	-	-
<b>Total service costs</b>	<b><u>-</u></b>	<b><u>331</u></b>	<b><u>(331)</u></b>
Net interest			
- Interest income on plan assets	216	-	216
- Interest cost on defined benefit obligation	-	241	(241)
- Impact of asset ceiling on net interest	-	-	-
<b>Total net interest</b>	<b><u>216</u></b>	<b><u>241</u></b>	<b><u>(25)</u></b>
<b>Total defined benefit cost recognised</b>	<b><u>216</u></b>	<b><u>572</u></b>	<b><u>(356)</u></b>
Cashflows			
- Planned participant's contributions	45	45	-
- Employer contributions	113	-	113
- Contributions in respect of unfunded benefits	-	-	-
- Benefits paid	(120)	(120)	-
- Unfunded benefits paid	-	-	-
<b>Expected closing position</b>	<b><u>8,240</u></b>	<b><u>9,308</u></b>	<b><u>(1,068)</u></b>
Remeasurements			
- Change in demographic assumptions	-	-	-
- Change in financial assumptions	-	827	(827)
- Other experience	-	-	-
- Return on assets excluding amounts included in net interest	260	-	260
- Changes in asset ceiling	-	-	-
<b>Total remeasurements recognised</b>	<b><u>260</u></b>	<b><u>827</u></b>	<b><u>(567)</u></b>
Fair value of employer assets	8,500		8500
Present value of funded liabilities	-	10,135	(10,135)
Present value of unfunded liabilities	-	-	-
<b>Closing Position as at 31 March 2019</b>	<b><u>8,500</u></b>	<b><u>10,135</u></b>	<b><u>(1,635)</u></b>

	Assets	Obligations	Net (liability)/ asset
	£'000s	£'000s	£'000s
Fair value of employee assets	7,911		7,911
Present value of funded liabilities	-	8,996	(8,996)
Present value of unfunded liabilities	-	-	-
<b>Opening Position as at 31 March 2017</b>	<b>7,911</b>	<b>8,996</b>	<b>(1,085)</b>
Service cost			
- Current service cost	-	229	(229)
- Past service cost	-	-	-
- Effect of settlements	-	-	-
<b>Total service costs</b>	<b>-</b>	<b>229</b>	<b>(229)</b>
Net interest			
- Interest income on plan assets	205	-	205
- Interest cost on defined benefit obligation	-	235	(235)
- Impact of asset ceiling on net interest	-	-	-
<b>Total net interest</b>	<b>205</b>	<b>235</b>	<b>(30)</b>
<b>Total defined benefit cost recognised</b>	<b>205</b>	<b>464</b>	<b>(259)</b>
Cashflows			
- Planned participant's contributions	42	42	-
- Employer contributions	109	-	109
- Contributions in respect of unfunded benefits	-	-	-
- Benefits paid	(186)	(186)	-
- Unfunded benefits paid	-	-	-
<b>Expected closing position</b>	<b>8,081</b>	<b>9,316</b>	<b>(1,235)</b>
Remeasurements			
- Change in demographic assumptions	-	(59)	59
- Change in financial assumptions	-	(446)	446
- Other experience	-	-	-
- Return on assets excluding amounts included in net interest	(95)	-	(95)
- Changes in asset ceiling	-	-	-
<b>Total remeasurements recognised</b>	<b>(95)</b>	<b>(505)</b>	<b>410</b>
Fair value of employer assets	7,986		7,986
Present value of funded liabilities	-	8,811	(8,811)
Present value of unfunded liabilities	-	-	-
<b>Closing Position as at 31 March 2018</b>	<b>7,986</b>	<b>8,811</b>	<b>(825)</b>

	<b>31 March 2019</b>	<b>31 March 2018</b>
	%	%
<b>Assumptions</b>		
<b>Financial assumptions</b>		
Pension increase rate	2.5	2.4
Salary increase rate	3.7	3.6
Expected return on assets	2.4	2.7
	<b>Males</b>	<b>Females</b>
<b>Mortality</b>		
Current pensioners	21.4	23.7
Future pensioners	23.4	25.8

**Historic Mortality**

Life expectancies for the prior period end are based on the Fund's VitaCurves with allowance for future improvements are shown below:

- Prospective pensioners- CMI 2012 model assuming current rates of improvements have peaked and will converge to a long-term rate of 1.5% p.a. for males and 1.25% p.a. for females.
- Pensioners- CMI 2012 model assuming current rates of improvements have peaked and will converge to a long-term rate of 1.5% p.a. for males and 1.25% p.a. for females.

## Assets

Asset Category	Quoted in active markets	Not Quoted in active markets	Total	%
	£'000s	£'000s	£'000s	
<b>Equity Securities</b>				
Consumer	544.3	1.5	545.8	6%
Manufacturing	441.0	1.3	442.3	5%
Energy and Utilities	113.6	-	113.6	1%
Financial Institutions	366.4	-	366.4	4%
Health and Care	215.2	2.2	217.4	3%
Information technology	280.1	0.1	280.2	3%
Other	-	-	-	0%
<b>Debt Securities</b>				
Corporate Bonds (investment grade)	266.7	-	266.7	3%
<b>Private Equity</b>	-	1,015.7	1,015.7	12%
<b>Real Estate</b>				
UK Property	-	769.6	769.6	9%
<b>Investment funds and unit trusts</b>				
Equities	2,414.2	209.3	2,623.5	31%
Bonds	371.7	612.4	984.1	12%
Commodities	4.3	-	4.3	0%
Infrastructure	-	-	-	0%
Other	-	10.9	10.9	0%
<b>Derivatives</b>				
Foreign Exchange	-	-	-	0%
Other	0.2	-	0.2	0%
<b>Cash and Cash Equivalents</b>	437.6	421.7	859.3	10%
<b>Total</b>	<b>5,455</b>	<b>3,045</b>	<b>8,500</b>	<b>100%</b>



### Projected defined benefit cost for the period to 31 March 2020

	Assets	Obligations	Net (liability)/ asset
	£'000s	£'000s	£'000s
Service cost	-	292	(292)
Interest income on plan assets	205	-	205
Interest cost on defined benefit obligation	-	246	(246)
<b>Total included in the SoCNE</b>	<b>205</b>	<b>538</b>	<b>(333)</b>

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/ (decreased) as a result of a change in the respective assumptions by 0.5% percent. In valuing the liabilities of the pension fund at 31 March 2019, mortality assumptions have been made as indicated below. The table below also shows the effect of changing life expectancy to assume that all members of the fund lived for one year longer.

#### Sensitivity analysis

	Approximate increase to Employer Obligation	Approximate monetary amount (£000)
0.5 % decrease in Real Discount Rate	11%	1,145
0.5% increase in Salary Increase Rate	2%	180
0.5% increase in Pension Increase Rate	9%	943

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 March 2017 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

#### Arts Council Retirement Plan (1994)

The Arts Council Retirement Plan (1994) is a multi-employer defined benefit scheme of which the following bodies are members: Arts Council England; Arts Council of Wales; Creative Scotland, Creative, Culture and Education; the Crafts Council; and Tŷ Cerdd. Although it is a defined benefit scheme, Creative Scotland has received advice from advisors, Hymans Robertson LLP that the share of assets and liabilities applicable to each employer could not be separately identified. The Arts Council Retirement Plan (1994) pension costs are therefore accounted for on a defined contribution basis as permitted by International Accounting Standard 19, Employee Benefits (IAS 19).

Contributions by each employer to the Plan are set out in a schedule of contributions which is agreed between the members of the Plan and the actuaries, which took effect on 1 April 2017. The contributions are set on recommendation from the actuary to meet the expected costs of benefits payable from the plan. Creative Scotland is not generally liable for the other member's liabilities under the scheme, although there

is no split of assets or liabilities under the current scheme rules. If any member were to leave the scheme, then they would need to cover any payments to the Plan relating to the liabilities for their members. The pension liabilities relating to a member's service with the Scottish Arts Council are guaranteed by the Scottish Ministers.

Creative Scotland's participation in the plan at the latest available date (31 March 2019) is shown below.

	<b>Arts Council Retirement Plan (1994)- Total</b>	<b>Creative Scotland members- total (% of Plan)</b>
Total members	2,435	313 (13%)

Expected employer contributions to the scheme in the 2019-20 financial year are £0.9 million.

## 19 Provisions

	<b>2019 Dilapidations £'000s</b>	<b>2019 Total £'000s</b>	<b>2018 Total £'000s</b>
1 April	272	272	272
Arising in the year	-	-	-
Utilised in the year	-	-	-
Reversal	-	-	-
<b>31 March</b>	<b><u>272</u></b>	<b><u>272</u></b>	<b><u>272</u></b>
<b>Of which:</b>			
Due within one year	167	167	167
Due greater than one year	105	105	105
	<b><u>272</u></b>	<b><u>272</u></b>	<b><u>272</u></b>

The Dilapidation provision relates to the costs of reinstatement under the leases for our former Glasgow office and current Edinburgh office, and is based on externally commissioned reports. We have now exited from the former Glasgow office and are negotiating the final dilapidation payments with the landlords.

## 20 Financial instruments

Creative Scotland has exposure to the following risks from the use of financial instruments:

- Liquidity risk
- Credit risk
- Market risk

This note presents information about Creative Scotland's exposure to each of the above risks. Further quantitative disclosures are included throughout these accounts.

The Board has overall responsibility for the establishment and oversight of the organisation's risk management framework. The Audit and Risk committee oversees how management monitors compliance

with Creative Scotland's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by Creative Scotland.

Creative Scotland does not utilise complex derivative financial assets or liabilities.

#### **Fair values**

There is no difference between the carrying value and fair value of Creative Scotland's financial instruments.

#### **Liquidity risk**

Liquidity risk is the risk that Creative Scotland will not be able to meet its financial obligations as they fall due. The organisation's approach to managing liquidity is to ensure that it will have sufficient liquid funds to meet its liabilities as they fall due. Creative Scotland's primary source of liquidity is the grant-in-aid provision from the Scottish Government.

Liquidity is managed by the use of the annual corporate and operational plan process and the monitoring of actual performance against budgets and forecasts.

#### **Credit risk**

Credit risk is the risk of financial loss to Creative Scotland if a customer or counter party fails to meet its contractual obligations.

Trade receivables are not a significant balance for Creative Scotland. Outstanding balances are reviewed regularly and subject to established credit control procedures.

Cash and cash equivalents are held with the National Westminster Bank plc (through the Government Banking Service contract). The credit risk for these deposits is considered to be low as the bank is majority owned by the UK government.

Although Creative Scotland's exposure to credit risk is likely to have increased in the current economic climate, management do not consider this to have had a significant impact.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

All trade receivables were either not past due or were within 30 days at the year end. No impairment of trade and other receivables has been made. Management consider all receivables to be fully recoverable.

#### **Market risk**

Market risk is the risk that market prices such as interest rates, foreign exchange rates and equity prices will affect income or the value of holdings in financial instruments. Creative Scotland's exposure to market risk is low as we do not depend on income from financial instruments.

#### **Foreign exchange risk**

Creative Scotland is exposed to currency risk on transactions and balances that are denominated in currencies other than sterling. Creative Scotland is exposed to currency risks from its activities conducted overseas but does not enter into any hedge arrangements and does not consider currency risk to be material.

## **21 Related party transactions**

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

Related party transactions in respect of Creative Scotland's National Lottery Distribution Fund are detailed in the Fund's financial statements for the year ended 31 March 2019. During the year, Creative Scotland invoiced the National Lottery Distribution Fund for £2.7 million in respect of recharges for the year for staff, overhead and related costs (see Note 6).

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 relating to grant-in-aid (Note 3).

Screen Scotland Limited (SC616389) is a company controlled by Creative Scotland. The directors for the company are the Acting Chief Executive and the Director of Finance and Funding Operations. During the year, Creative Scotland provided the company with a grant of £300,000 for the purposes of developing a film studio at 31 Bath Road, Leith in Edinburgh. The balance owing to the company at 31 March 2019 was £90,000.

## **22 Subsidiary undertakings**

Screen Scotland Limited (SC616389) was incorporated on 17 December 2018. The first financial year will end on 31 March 2020. Group accounts for 31 March 2019 have not been prepared as the results of the company at this date was not material for the purposes of giving a true and fair view at this time.

Creative Scotland has invested £1 in ordinary share capital in the company as at 31 March 2019. Related party disclosures are disclosed in Note 21.

## **23 Contingent Liabilities**

The valuation of defined benefit and unfunded liabilities at 31 March 2019, as disclosed in Note 18 does not include an allowance for a potential 'past service cost' in light of the recent judgement by the Supreme Court of the United Kingdom on Guaranteed Minimum Pension (GMP) equalisation. The ruling requires pension schemes, such as the Strathclyde Pension Fund, to equalise the effect of unequal GMPs accrued between May 1990 and April 1997 by virtue of them having been paid to scheme members at different ages (65 for men, 60 for women). In acknowledging that no definitive method for equalisation has been set and given actuarial advice that the trigger for recognition of the past service cost did not exist in the Strathclyde Pension Fund at 31 March 2019, Creative Scotland is unable to reliably quantify an associated contingent liability.

**Accounts Direction**



**CREATIVE SCOTLAND  
DIRECTION BY THE SCOTTISH MINISTERS**

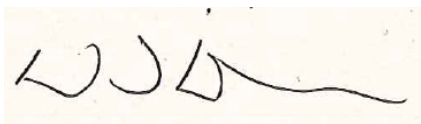
The Scottish Ministers, in pursuance of section 13(1) of Schedule 9 of the Public Services Reform (Scotland) Act 2010 hereby give the following direction.

The statement of accounts for the financial year ended 31 March 2012, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.

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.

This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers



Dated

25 Jan. 2012