



**Creative Scotland**

**National Lottery Distribution Fund**

**Annual Report and Accounts**

**For the year ended 31 March 2021**

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

Laid before the Scottish Parliament by the Scottish Ministers December 2021

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## **Performance Report**

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

The year from April 2020 to March 2021 has been like no other for Creative Scotland, for the people and organisations that we support and for society in Scotland as a whole. The onset of the COVID-19 pandemic has had an unprecedented impact on everyone in all parts of society - economically, culturally, and in terms of health and wellbeing. Practically overnight, the pandemic led to necessary restrictions in the interests of public health, resulting in the suspension of live cultural programmes and significant negative impact on people and organisations working in Scotland's art and creative sectors. The dramatic contraction of our cultural environment saw a consequential collapse in audiences and participation.

Artists faced the cancellation of work and were forced to seek alternative employment or sources of income. Creative organisations were unable to generate ticketed and other earned income, employ freelancers and, because of the precarious nature of finances in the sector, faced an immediate fight against insolvency.

Throughout this period, people and organisations in the sector swiftly adapted their work to remote or digital environments to connect with and reach audiences who were seeking solace and stimulation through art and creative activities at home in the face of lockdowns and necessary restrictions on daily life..

The sector in Scotland also responded to the public health emergency in other ways, such as becoming centres for emergency food provision to those in need, opening their doors to become testing or vaccination centres, and reaching out in new ways to their local communities with both creative and well-being initiatives. The creative community, once again, demonstrated its central role at the heart of our society.

The absolute priority for Creative Scotland since March 2020 has been to deliver emergency support to help address the impacts of the COVID-19 pandemic on people and organisations working in the creative sector. During 2020/21, we have made 11,835 emergency funding awards totalling £68 million in value. This is alongside 1,582 funding awards made through our existing funding programmes totalling £93 million in value. A detailed breakdown of our funding is shown on page 8.

Thanks to substantial additional funding from the Scottish Government, this is far in excess of the normal level of support that we deliver each year (typically around 1,300 funding awards) and the staff of Creative Scotland have worked tirelessly and with enormous dedication to deliver this emergency funding efficiently and effectively, and at considerable pace, in the most challenging of circumstances.

Throughout the pandemic, we provided regular monthly updates to the Culture, Tourism, Europe and External Affairs Committee at the Scottish Parliament, setting out in detail the extent of our support for the creative sector during the pandemic, and also published these widely so that everyone could keep up to date.

Alongside our emergency response to COVID-19 has been the continued provision of Regular Funding to 121 of Scotland's key creative and cultural organisations; the availability of Open Funding for Individuals and Organisations; and broad support for different aspects of creative and cultural provision through Targeted Funding, including amongst a host of other funds, support for Youth Arts and the Youth Music Initiative. A stable budget settlement of £56.9 million in grant-in-aid from the Scottish Government in February 2021 enabled us to confirm the further year of Regular Funding, alongside the

continuation of the support we provide through Open and Targeted Funding (helped with £29.5 million from the National Lottery).

Our Annual Plan for 2021-22 sets out our priorities and budgets against a refreshed strategic framework. In it, we say: “In 2021/22, our focus will be on supporting both recovery and future renewal across the creative sector. This includes continuing to adapt our programmes of support, demonstrating understanding and offering flexibility as many incrementally rebuild their programmes, operations, and audiences. This sustained support and understanding will sit alongside our continued drive to grow participation in arts and creativity and to help build a more diverse, equitable, and sustainable sector for the future.”

Our priority areas of work for the year include:

- A commitment to transition to a new long-term and sustainable funding model for organisations (to be announced by April 2022 and implemented from April 2023) replacing the existing Regular Funding programme (more on this below).
- Continued support for individuals and organisations through a refreshed and improved Open Fund (first phase launched in August 2021), as well as through Targeted Funding.
- The development and launch of a new approach to advocating on behalf of creativity and culture in Scotland, and increasing participation in art and creative activity, in partnership with people and organisations from the sector (Our Creative Voice, launched on 8 September 2021).
- The development of a new Climate Emergency and Sustainability Plan, work on which is underway, reflecting the scale of the challenge we all face and the role that both Creative Scotland, the sectors we work with, and art and creativity more broadly, can play in helping to address that challenge.
- A commitment to Fair Work, promoting fair pay, conditions, and employment opportunities across the creative and culture sectors, with our Fair Work Review launched on 08 September.
- Work to develop our next Gaelic Language Plan for 2022-27, incorporating a comprehensive review of how we support and promote Gaelic language and culture through our advocacy, our operations, and our funding.
- Building on our existing support for international collaboration and artistic exchange, including promoting Scotland’s cultural strength at home and internationally through initiatives such as Our Creative Voice and as a Partner in Scotland is Now/Brand Scotland campaigns.
- Continuing to grow our commitment to Equalities, Diversity, and Inclusion by supporting a diverse range of creative people, communities, and activity, promoting an equality of opportunity to create, participate and engage.
- Continued roll out of our improved experience for applicants through digital channels, including an on-line application process to improve access to our support.

The pandemic is ongoing, the challenges still great, and considerable uncertainty continues, and yet the value of culture and creativity to our lives has never been more important. Key to successful delivery of all the above is the security of long-term and sustainable funding support from the Scottish Government and, as such, we were pleased to see in the recently published Programme for Government, a commitment to ‘Strengthening our world class culture offer’ and, also the commitment to multi-year budget planning. Following on from a prolonged period of year-on-year budgeting, this commitment to longer-term funding, building on the extensive emergency support provided by the Scottish Government during the pandemic, will bring some very welcome stability to aid sector recovery and move towards a period of renewal with more confidence.

## **Introduction**

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

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

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

## **Strategic priorities**

In 2013/14, Creative Scotland published its 10 Year Plan which 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 that provide detail on delivery of this long-term plan can be found at [creativescotland.com](http://creativescotland.com).

The five ambitions for the arts, screen and creative industries over the ten year period 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 2021, the Creative Scotland NLDF had net assets of £20.7 million (2020: net assets of £7.6 million). The Board and Senior Leadership Team have robust financial plans for the ongoing operation of the fund which support the going concern basis of preparation as stated in section 1c of the accounting policies on page 42.

## Risk management

The Risk Register is reviewed regularly at senior 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 five main risks identified for Creative Scotland are:

Risk identified	Mitigation of risk
<p><b><u>Funding</u></b> Available funding from grant-in-aid, the National Lottery and other sources reduces. This results in less funding for the arts, screen and creative industries which adversely impacts delivery of the 10 Year Plan.</p>	<p>Funding is discussed in regular meetings with the Scottish Government and the Chair has met with the Cabinet Secretary.</p> <p>Governance arrangements are in place for budget management and financial reporting to ensure the board and management have access to up to date modelling and scenario planning.</p> <p>Promotional campaigning on the importance of funding culture in Scotland</p>
<p><b><u>COVID-19- Government restrictions</u></b> Government restrictions due to COVID-19 have resulted in cancellation of almost all activity across the cultural sector which could lead to:</p> <ol style="list-style-type: none"> <li>1. reduced capability for production due to new workplace practices</li> <li>2. ongoing closure/limited audience capacity</li> <li>3. travel restrictions</li> </ol> <p>All these factors could have an impact on Creative Scotland's strategic priorities.</p>	<p>Creative Scotland has been involved in sector engagement and impact assessment activity to determine the key issues arising for the sector.</p> <p>Funding programmes have been developed to address the issues raised and to mitigate the impact of COVID-19 on the arts, screen and creative industries.</p>
<p><b><u>COVID-19- sector sustainability</u></b> The pandemic could have a critical impact on cultural business failure which may reduce the ability for Creative Scotland to deliver its objectives.</p> <p>Creative Scotland may provide funding to organisations that subsequently fail.</p>	<p>Creative Scotland has been involved in sector engagement and impact assessment activity to determine the key issues arising for the sector.</p> <p>Close monitoring of cultural businesses through lead office relationships and sector relationships. This includes working with other public bodies on COVID-19 emergency funding programmes.</p> <p>Funding programmes have been developed to address the issues raised and to mitigate the impact of COVID-19 on the arts, screen and creative industries. This has included the delivery of additional funding for specific sector programmes.</p>
<p><b><u>Operational Infrastructure</u></b> Operational infrastructure, (offices, IT systems, video and telephone</p>	<p>Developing agile processes that are effective in remote-working scenarios.</p>

Risk identified	Mitigation of risk
communications) is inadequate resulting in less effective delivery and best value not being achieved.	Ensuring IT systems continue to operate effectively during the period of homeworking
<p><b><u>Cyber security</u></b></p> <p>The current environment could lead to a number of cyber security issues for Creative Scotland with high risk:</p> <ol style="list-style-type: none"> <li>1. A successful cyber-attack cannot be prevented</li> <li>2. Cyber-attack damage is not minimised</li> <li>3. The organisation cannot recover adequately from a cyber attack</li> </ol>	<p>Compliance with SG-required Cyber Essentials Plus standard</p> <p>System controls enhanced to prevent a cyber-attack creating widespread damage</p> <p>Back-up processes enhanced and recently tested</p> <p>Business Continuity Plan provides guidelines on operational response.</p>



## Consolidated report

Creative Scotland prepares separate annual accounts for its grant-in-aid and National Lottery distribution activities as required by the accounts directions issued by the Scottish Ministers. A full set of consolidated accounts is not prepared due to the differing accounting policies that are required to be followed under the two separate accounts directions. However, to give a better understanding of the activities across both funding areas, the following table shows the consolidated financial position of Creative Scotland (CS) and Creative Scotland National Lottery Distribution Fund (CS NLDF) for the year ending 31 March 2021. The position is based on the group financial statements of both CS and the financial statements of CS NLDF and eliminating the intra-group transaction which arises from recharges of the operational costs.

### Consolidated Statements of Net Income and Expenditure

	2020/21				2019/20			
	CS				CS			
	CS <sup>1</sup> £'000	NLDF <sup>2</sup> £'000	Intra <sup>3</sup> £'000	Total £'000	CS <sup>1</sup> £'000	NLDF <sup>2</sup> £'000	Intra <sup>3</sup> £'000	Total £'000
<b>Income</b>								
National Lottery Proceeds	-	(32,304)	-	(32,304)	-	(31,767)	-	(31,767)
Project income from third parties	(1,259)	(1,200)	-	(2,459)	(2,113)	(261)	-	(2,374)
Other income	(2,197)	(351)	1,881	(667)	(3,306)	(254)	2,948	(612)
Sales revenue	(508)	-	-	(508)	-	-	-	-
<b>Total income</b>	<b>(3,964)</b>	<b>(33,855)</b>	<b>1,881</b>	<b>(35,938)</b>	<b>(5,419)</b>	<b>(32,282)</b>	<b>2,948</b>	<b>(34,753)</b>
<b>Expenditure</b>								
Net grants issued <sup>4</sup>	138,081	18,679	-	156,760	55,309	21,912	-	77,221
Project expenses	293	182	-	475	711	356	-	1,067
Salaries	6,888	1,216	(1,206)	6,898	6,811	2,308	(2,305)	6,814
Depreciation	187	-	-	187	219	-	-	219
Other operating costs	4,233	735	(675)	4,293	2,717	814	(643)	2,888
Pension adjustments	21	-	-	21	42	-	-	42
<b>Total expenditure</b>	<b>149,703</b>	<b>20,812</b>	<b>(1,881)</b>	<b>168,634</b>	<b>65,809</b>	<b>25,390</b>	<b>(2,948)</b>	<b>88,251</b>
<b>Net expenditure/(surplus)</b>	<b>145,739</b>	<b>(13,043)</b>	<b>-</b>	<b>132,696</b>	<b>60,390</b>	<b>(6,892)</b>	<b>-</b>	<b>53,498</b>

### Consolidated changes in Taxpayer's Equity

	CS £'000	CS NLDF £'000	Intra £'000	Total £'000
<b>Opening Reserves 1<sup>st</sup> April 2019</b>	<b>4,610</b>	<b>(724)</b>	<b>-</b>	<b>3,886</b>
<b>Changes in taxpayers' equity 2019/20</b>				
Net expenditure/surplus transferred	60,390	(6,892)	-	53,498
Grant-in-aid received from the Scottish Government <sup>5</sup>	(65,330)	-	-	(65,330)
Actuarial gain on the Strathclyde Pension Fund	(973)	-	-	(973)
Movement in Capital Grant	30	-	-	30
<b>Reserves as at 31 March 2020</b>	<b>(1,273)</b>	<b>(7,616)</b>	<b>-</b>	<b>(8,889)</b>
<b>Changes in taxpayers' equity 2020/21</b>				
Net expenditure/surplus transferred	145,739	(13,043)	-	132,696
Grant-in-aid received from the Scottish Government <sup>5</sup>	(145,371)	-	-	(145,371)
Actuarial gain on the Strathclyde Pension Fund	(271)	-	-	(271)
Movement in Capital Grant	29	-	-	29
<b>Closing Reserves as at 31 March 2021</b>	<b>(1,147)</b>	<b>(20,659)</b>	<b>-</b>	<b>(21,806)</b>

1. CS- figures from the Creative Scotland Group Statement of Comprehensive Net Expenditure, consolidating the financial results of Creative Scotland and Shorestage Limited
2. CS NLDF- figures from the Creative Scotland National Lottery Distribution Fund Statement of Comprehensive Net Income
3. Intra- recharges for operating costs and salaries charged from CS to CS NLDF (information on the recharge is shown at Note 2).
4. Net grants issued consolidates the figures for grants issued and de-commitments from prior year awards
5. Under the Government Financial Reporting Manual, grant-in-aid is accounted for as financing rather than income, and as such appears in the Statement of Group Taxpayer's equity

Overall, the consolidated general fund has a balance of £21.8 million, of which £20.7 million relating to the CS NLDF is available for the Board to allocate to future expenditure. The reserves of Creative Scotland are not available for distribution under HM Treasury's budgeting rules for public bodies. Pension assets and liabilities are held within Creative Scotland accounts are not attributable to the CS NLDF. This is because the Scottish Government provides budget cover for any pension liabilities that require provisions and for costs incurred under IAS 19, *Retirement Benefits*.

### Review of funding

Creative Scotland's funding programmes are categorised into three routes:

1. Regular Funding- funding for the regularly funded organisations (RFOs)
2. Open Funding- the Open Project Funds and the Touring Fund
3. Targeted Funding- a large variety of funds that exist to support specific activities and include funds that are provided by the Scottish Government for restricted purposes, Screen Scotland funds and capital programmes.

In addition, for 2020/21, a large number of COVID emergency funds were in place to support the arts, screen and creative industries during the pandemic.

Funding includes following items:

1. Distribution of grants under the three funding routes, and the COVID emergency funds
2. Project expenses- other expenses incurred as part of funding programmes, including expenses paid directly to suppliers for goods and services.

Funding is distributed across Creative Scotland and the CS National Lottery Distribution Fund as follows:

	2020/21			2019/20		
	CS £'000	CS NLDF £'000	TOTAL £'000	CS £'000	CS NLDF £'000	TOTAL £'000
<b>Grants</b>						
Regular Funding	33,205	-	33,205	34,050	-	34,050
Open Project Funding	4,021	8,616	12,637	631	8,170	8,801
Touring Fund	-	603	603	-	3,026	3,026
Targeted Funding	36,066	11,392	47,458	20,890	11,420	32,310
COVID Emergency Funding	66,224	1,731	67,955	-	-	-
<b>Total grants distributed</b>	<b>139,516</b>	<b>22,342</b>	<b>161,858</b>	<b>55,571</b>	<b>22,616</b>	<b>78,187</b>
Project expenses	293	182	475	711	356	1,067
<b>Total funding</b>	<b>139,809</b>	<b>22,524</b>	<b>162,333</b>	<b>56,282</b>	<b>22,972</b>	<b>79,254</b>

The following sections give details of the funding provided during the financial year under the main routes. A full breakdown of the individual funds under each route for CS NLDF funded grants is shown in Note 5 (page 46) and for CS funded grants is shown in Note 8 (page 54) of the CS Group Annual Report and Accounts.

## **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.

In March 2020, the open project fund was suspended for new applications due to the impact of the COVID-19 health emergency, and the need to review and repurpose funding to suit the changed environment and ways of working. Applications that had already been submitted but not awarded were subject to further review for COVID-19 implications before a final funding decision was determined.

A budget of £8.5 million was provided from National Lottery funds, with an additional £4 million provided by the Scottish Government from the COVID-19 emergency funds.

The open project 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>Category</b>	<b>Applications received</b>	<b>Awards made</b>	<b>Value (£'000)</b>	<b>Success rate</b>
Individuals	877	435	5,976	50%
Organisations	417	224	6,662	54%

In total, £12.6 million of funding was awarded to 659 successful applications during 2020/21. Of this, £4 million was funded from grant-in-aid and £8.6 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 received</b>	<b>Funding requested (£'000)</b>	<b>Successful</b>	<b>Awarded (£'000)</b>
Crafts	77	992	43	583
Creative Industries	6	159	2	26
Dance	71	1,476	43	856
Design	18	402	6	203
Digital	56	1,000	25	378
Film	1	14	1	14
Literature/Publishing	149	2,105	69	1,094
Multi	73	2,098	35	1,234
Music	350	5,716	188	3,313
Theatre	226	4,386	123	2,499
Visual Arts	267	4,906	124	2,438
<b>Grand Total</b>	<b>1294</b>	<b>23,254</b>	<b>659</b>	<b>12,638</b>

## **Touring Fund**

The Touring Fund was launched in 2018/19 following recommendations made in a previously commissioned an independent review of touring for theatre and dance. The fund was developed in partnership with the Federation of Scottish Theatre, and working groups made up of representatives of Scottish dance and theatre companies.

The main purposes of the fund are:

- Funding high quality work to tour in a way that could improve the relationships between venues and producers of touring work
- Funding work that will increase audiences across Scotland
- Funding work that increases the diversity of artists, producers and companies touring theatre and dance across Scotland
- Creating conditions where artists are recognised for their work and can retain a proportion of the income their work creates to sustain their ongoing practice
- Creating conditions to support venues to be more sustainable and give them the ability to invest more in developing audiences
- Supporting the programming of work in venues or locations that would not otherwise present it

Originally a £2 million Touring Fund was planned for 2020/21, and due to the lockdown and closure of all performance venues during the year, a smaller round was launched of £600,000 for performances to take place from the Spring of 2021.

### **Targeted Funding**

Targeted funding is used to address specific activities and development needs in a sector, specialism, or geographic area. In 2020/21, total targeted grant funding was £47.2 million of which £36.1 million was funded from grant-in-aid and £11.4 million was from National Lottery.

As with the other funding streams, the impact of COVID-19 and the lockdown did mean that a lot of programmes were delayed or postponed until 2021/22 financial year. As such, targeted funding was a lot lower than originally budgeted and less than prior years.

Key examples of targeted funding during 2020/21 include:

#### **1. Artist Led Practice Fund**

This was the second year of targeted funding provided to artist run organisations, to allow them to maintain their exhibitions and events programmes

Funds totalling £369,000 were provided to 5 artist run organisations:

- Embassy Gallery
- Generator Projects
- Market Gallery
- Rhubaba Gallery and Studios
- Transmission Gallery

#### **2. International development and markets**

These funds help promote Scottish art and artists in international markets. The largest projects funded during 2020/21

- Showcase Scotland Expo- projects to provide live export opportunities for Scottish based artists working in the genres of folk, traditional, Scots, Gaelic, world and acoustic music
- Festivals Edinburgh- delivery of the 2020 Momentum International Delegate Programme through 7 digital events connecting producers, presenters and policy makers to their Scottish counterparts through the medium of Edinburgh's August festivals.
- Publishing Scotland- projects to support the export of books from Scotland, and a translation fund for funding the translation of Scottish works into foreign languages.

### 3. Gaelic, Scots and Traditional Arts

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

During 2020/21, Creative Scotland delivered the following projects under Gaelic, Scots and Traditional Arts:

- A Gaelic development fund (£45,000) which provides funding to Gaelic programmes throughout Scotland.
- The Traditional Arts Small Grants Fund (£40,000) which is managed by Fèisean nan Gàidheal and open to organisations and individuals. The fund is designed to provide support for traditional artists and organisations to create, perform, tour and showcase work.

### 4. Screen Scotland

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

In 2020/21, Screen Scotland activities funded from National Lottery totalled £8.9 million, and this was used to support the following areas:

Screen Strand	Scotland	National Lottery spend in 2020/21 £'000	Details
Film Development & Production		3,000	This fund supports the development and production funding for feature length films and documentaries made by filmmakers based in Scotland.
Single Project Development (Broadcast and Film)		1,148	The Single Project Development funding routes were set up in response to COVID-19 and the lockdown restrictions and provided ring-fenced funding for Scotland's independent film and television production companies.  The aim of these funds is to provide a fresh focus for development activity and help producers and production companies focus their energies and plans for future production.  A total of 25 broadcast projects were supported, totalling £655,000 in funding; and 24 film projects were supported totalling £492,000 in funding.
Broadcast Content Fund		1,743	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.

<b>Screen Strand</b>	<b>Scotland</b>	<b>National Lottery spend in 2020/21 £'000</b>	<b>Details</b>
Audience Development		735	The audience development fund provides funding for distribution and exhibition, and for film festivals.  Film Festival Fund provided £311,000 to bring diverse film programmes to audiences across Scotland. A total of 13 festivals were supported, with many running on a digital basis due to lockdown restrictions.
Skills		389	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.
Talent Development		1,313	Funding of £534,000 was provided for the Short Circuits project. This is an ambitious new film talent initiative for Scotland delivered by Film City Futures in partnership with Glasgow Film Theatre and the BFI Network who provide £200,000 in funding for the project. Up to 9 short films will be produced and 5 feature length scripts will be developed through the programme each year.  Other talent programmes were funded in the year, including Screen Academy Scotland (£283,000) and the Scottish Documentary Institute (£205,000).
Film Education		532	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.

## 5. Creative Industries

The Creative Industries targeted budget is allocated to development work undertaken in support of the Creative Industries Strategy, which was published in May 2016. This strategy aims to support the development of sustainable creative businesses through a range of infrastructure, research and events projects. 7 projects received funding of £191,670 from the Creative Industries targeted funds.

During 2020/21, the projects prioritised by the Creative Industries funds were on COVID-19 responses, including:

- Digital Pivot Support- funding to support and explore the use of and development of skills in digital and creative technologies
- Crowdfunder- a project offering expert coaching and Creative Scotland match funding, to support Scotland's creatives to run crowdfunding campaigns

These are just some examples of the range of work supported by Creative Scotland in 2020/21 in our role as funder, advocate, influencer and development body on behalf of the arts, screen and creative industries in Scotland.

## **COVID-19 Response Funds.**

### **Bridging Bursary Funds**

Two funds were launched on 27 March 2020 at the beginning of the UK wide lockdown: the Creative Scotland Bridging Bursary Fund for freelance creative professionals, and the Screen Scotland Bridging Bursary Fund for freelance or self-employed screen practitioners. Both funds were targeted at those who had lost earnings due to the cancelation of work as a result of COVID-19.

The fund was delivered from funding made available for the two funds from the following sources:

- Scottish Government grant-in-aid
- Creative Scotland National Lottery Distribution Funds
- A grant of £1 million from the Freelands Foundation.

The Fund ran over two phases in 2020: 30<sup>th</sup> March to 2<sup>nd</sup> April, and 20<sup>th</sup> April to 25<sup>th</sup> April. Applicants could request funding of between £500 and £2,500 to support their immediate needs. Additional financial support could be requested for those with access needs.

A total of 2,294 awards were distributed for a total value of £4.3 million. Of this, £2.6 million was distributed from Creative Scotland and £1.7 million from the Creative Scotland National Lottery Distribution Fund. The distribution of the fund across artform is shown below:

<b>Artform</b>	<b>Awards</b>	<b>Total Funding (£'000)</b>
Crafts	107	198
Creative Learning	66	113
Dance	73	125
Design	45	79
Digital	13	19
Literature	48	85
Multi-Art Form	161	286
Music	458	871
Place and Communities	1	3
Screen	647	1,352
Theatre	255	431
Visual Arts	420	745
<b>Total</b>	<b>2,294</b>	<b>4,307</b>

## Performance Overview

### Introduction

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.

The usual practice would be for Creative Scotland to publish an annual plan for the year, which would set out the ambitions and priorities for that year and provide a summary of planned income and expenditure. Due to the outbreak of the COVID-19 pandemic in the month before the financial year started, no annual plan was published for the 2020-21 financial year as priority was placed on emergency responses to the pandemic. This involved close liaison with the Scottish Government to ensure Creative Scotland was aligned with the national response, and ensuring the organisation was able to respond to a fast moving environment. This included delivering a significant increase in funding from both a financial and volume of application perspective.

Due to the lockdown measures that were in place at different degrees for the full financial year and into 2021-22, it was clear that it would not be possible to collect data for many of the performance measures as many cultural venues were closed and many of the regularly funded organisations had reduced operations or had placed staffed in furlough. However, relevant data has been collected to report on financial performance, administrative performance and operations (creditor days). An Annual Review for 2020/21 will be published providing an overview of the activities during the year.

### Financial performance

The financial statements for 2020/21 have been prepared under an Accounts Direction, on page 52 issued by the Scottish Ministers to meet the accounting and disclosure requirements of applicable accounting standards so far as these requirements are appropriate and comply with the Government Financial Reporting Manual (FRoM).

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

#### **Results for the year ending 31 March 2021 versus budget**

	<b><u>Actual</u></b> <b><u>£'000</u></b>	<b><u>Budget</u></b> <b><u>£'000</u></b>	<b><u>Variance</u></b> <b><u>£'000</u></b>
<b>Income</b>			
National Lottery Proceeds	(32,304)	(28,000)	(4,304)
Other	(1,551)	(1,550)	(1)
<b>Expenditure</b>			
Grants awards and investments	22,342		
Project Expenditure	182		
Less de-committed awards	-3,663		
<b>Total net grants and project expenses</b>	<b>18,861</b>	<b>21,824</b>	(2,963)
Staff costs	1,216	1,401	(185)
Other operating expenditure/income	735	1,196	(461)
<b>(Surplus)/Deficit on the Fund</b>	<b>(13,043)</b>	<b>(5,129)</b>	<b>(7,914)</b>



The Fund reported a surplus of £13 million, a £7.9 million variance on the intended budgeted surplus of £5.1 million. The main reasons for the variances are:

- Additional National Lottery proceeds of £4.3 million over budget as the impact of the nationwide lockdown in 2020 did impact National Lottery sales and many players switched to online methods of play meaning full year sales remained in line with 2019-20 financial year (£31.7 million).
- Underspend of £3 million in grants. This was mostly due to the deferral of some grant programmes until 2021-22 as the organisation focused on emergency COVID-19 response programmes.

## Reserves

The Fund had total reserves of £20.7 million as at 31 March 2021 (2020: £7.6 million). The reserves are available to the Creative Scotland Board to allocate to future funding activity and provide certainty by allowing funding for long term projects that require cashflow over a number of years. For the year ending 31 March 2021, the Creative Scotland Board approved a budget which allows the Fund to draw down up to £6 million in reserves.

## Administrative performance

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

Target	Performance Indicator	Outturn for 2020/21	Outturn for 2019/20
Minimum of 90% of funding applications processed within published timeframe	% of applications processed within agreed timeframe	93%	99%
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	88%	98%

There was a significant increase in funding applications received in the year due to the COVID-19 pandemic, which in turn impacted on processing times. The organisation continued to ensure at least 90% of funding applications were processed within the published timeframe, although the payment processing KPI was missed by 2%.

## 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. The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019, which amends the Climate Change (Scotland) Act 2009, sets targets to reduce Scotland's emissions of all greenhouse gases to net-zero by 2045 at the latest, with interim targets for reductions of at least 56% by 2020, 75% by 2030, 90% by 2040.

Our work in this area includes:

- Working in conjunction with Creative Carbon Scotland in promoting the environment to support funded organisations, enabling them to report on their sustainable behaviour and contribution to CO2 emission reduction. Environmental sustainability is a criterion in the assessment of applications from organisations for regular funding and carbon reporting will be mandatory for these organisations during the period of funding.
- Ensuring environmental sustainability is a key criterion in the assessment of tenders during the procurement processes.
- Establishing an environmental working group to co-ordinate and lead on environmental sustainability issues.

Monitoring of GHG emissions in tonnes of CO<sub>2</sub> for 2 key areas for our operations for 2020/21 and 2019/20 were undertaken, with key results shown in the table below:

	<b>2020-21 GHG (tCO<sub>2</sub>e)</b>	<b>2019-20 GHG (tCO<sub>2</sub>e)</b>	<b>% change</b>
Energy	16.3	25.9	(37%)
Business Travel	-	98.8	(100%)

During 2020-21, there was no significant business travel undertaken, as the UK operated under travel restrictions for much of this time, and Creative Scotland policies restricted travel to essential purposes only. Energy use was also limited, as the Creative Scotland offices were closed to staff throughout the year.

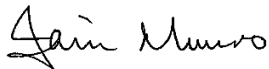
### **Social matters**

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 took place in 2020-21 to help achieve this:

- Establishment of an EDI Advisory Group to inform, support and develop delivery against Creative Scotland's current and future Equalities Outcomes;
- 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, ensuring that staff can raise concerns without fear of suffering retribution and that there is a transparent and confidential process for dealing with concerns.



**Iain Munro**  
**Chief Executive of Creative Scotland and Accountable Officer**  
**25 November 2021**

## **Accountability Report**

### **Corporate Governance Report**

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

List of board members and senior leadership team:

##### **Board Members**

Malath Abbas (from 1 April 2021)  
Ewan Angus  
Yahya Barry (from 1 April 2021)  
David Brew  
Duncan Cockburn  
Duncan Hendry (from 1 April 2021)  
Stephanie Fraser  
Philip Long  
Carol Main (from 1 April 2021)  
Sarah Munro  
Elizabeth Partyka  
David Strachan  
Robert Wilson (Chair)

Iain Aitchison (to 30 June 2020)  
Karen Forbes (to 30 June 2020)  
Cate Nelson-Shaw (to 30 June 2020)  
Karthik Subramanya (to 30 June 2020)

##### **Senior Leadership Team**

Iain Munro, Chief Executive  
Isabel Davis, Executive Director, Screen  
Ian Stevenson, Director, Finance and Funding Operations  
Karen Lannigan, Director, HR & Office Services  
Kenneth Fowler, Director, Communications (from July 2020)  
Clive Gillman, Director, Creative Industries  
Joan Parr, Acting Director, Arts & Engagement  
David Smith, Director, Screen  
Alastair Evans, Acting Director, Strategy (from July 2021)

Ken Miller, Interim Director, Communications (to June 2020)  
Gary Cameron, Acting Director, Strategy (to July 2021)

## 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 and attendance at meetings was as follows:

<b>Name</b>	<b>Date of appointment</b>	<b>Term</b>	<b>End of current term</b>	<b>Attendance</b>
Robert Wilson (Chair)	10 February 2018	1 <sup>st</sup>	9 February 2022	12 out of 12
David Brew	1 August 2015	2 <sup>nd</sup>	31 July 2023	12 out of 12
Iain Aitchison	1 August 2016	1 <sup>st</sup>	30 June 2020	4 out of 4
Karen Forbes	1 August 2016	1 <sup>st</sup>	30 June 2020	4 out of 4
Karthik Subramanya	1 August 2016	1 <sup>st</sup>	30 June 2020	2 out of 4
Cate Nelson-Shaw	1 August 2016	1 <sup>st</sup>	30 June 2020	2 out of 4
Ewan Angus	1 August 2018	1 <sup>st</sup>	31 July 2022	12 out of 12
Elizabeth Partyka	1 August 2018	1 <sup>st</sup>	31 July 2022	12 out of 12
David Strachan	1 August 2018	1 <sup>st</sup>	31 July 2022	12 out of 12
Duncan Cockburn	16 September 2019	1 <sup>st</sup>	15 September 2023	10 out of 12
Philip Long	16 September 2019	1 <sup>st</sup>	15 September 2023	9 out of 11
Stephanie Fraser	16 September 2019	1 <sup>st</sup>	15 September 2023	12 out of 12
Sarah Munro	16 September 2019	1 <sup>st</sup>	15 September 2023	10 out of 12

Four board members' terms ended on 30 June 2020 (Iain Aitchison, Karen Forbes, Karthik Subramanya and Cate Nelson-Shaw). A recruitment process took place in the year and an additional four board members were appointed: Malath Abbas, Yahya Barry, Duncan Hendry and Carol Main. Their terms began on 1 April 2021.

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 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).

A [register of interests for Board members](#) is maintained and is available on the Creative Scotland website.

Board members are remunerated for their role and details are set out in the Remuneration and Staff Report.

## Subcommittees of the Board

The Board is supported by four subcommittees which have members appointed by the Board from their membership:

- Audit and Risk Committee
- Financial and General Purposes Committee
- Screen Committee
- Nominations Committee.

### **Audit and Risk Committee**

The Audit and Risk Committee is chaired by David Brew and its remit includes risk management, financial controls, financial reporting, compliance with statute and Scottish Ministers directions, and corporate governance. The Committee is also responsible for overseeing the work of internal audit and receiving reports from the appointed external auditors.

The following members of the Board served on the Audit and Risk Committee during 2020/21:

<b>Membership</b>	<b>Meetings attended</b>
David Brew (Chair)	4 out of 4
Duncan Cockburn	4 out of 4
Philip Long	4 out of 4

During the year, the Committee reviewed:

- The 2019/20 Annual Reports and Accounts of the Creative Scotland Group and its subsidiary, Shorestage Limited and the Creative Scotland National Lottery Distribution Fund;
- Outputs of the internal and external auditors, including annual plans and reports;
- Additional reviews requested by the Committee on the financial controls operating during homeworking arrangements and for the administration of the emergency funding programmes;
- Revisions to the Framework Agreement between the Scottish Government and Creative Scotland;
- The data protection annual report for 2019/20 and regular updates on implementing outstanding issues to ensure that data protection impact assessments (DPIAs) are completed for key digital transformation projects;
- Delegated authority and budget control guidelines;
- The risk register and wider risk management arrangements, which were discussed at every meeting.

### **Financial and General Purposes Committee**

The Finance and General Purposes Committee is chaired by Elizabeth Partyka and its remit includes corporate planning, HR, office services (including health and safety), budget management and management accounts, estates, performance management and ICT. The Committee is responsible for approving the detailed budgets of Creative Scotland and monitoring financial performance.

The following members of the Board served on the Finance and General Purposes Committee during 2020/21:

<b>Membership</b>	<b>Meetings attended</b>
Elizabeth Partyka (Chair)	4/4
Iain Aitchison	1/1
Ewan Angus	4/4
Stephanie Fraser	4/4

During the year, the Committee reviewed:

- The 2020/21 budget, including allocations of grant-in-aid from the Scottish Government and National Lottery income projections;
- Management accounts showing outturn against budget for 2020/21;
- The recharge methodology for operating costs to the CS NLDF;
- The annual plan and performance targets;
- The progress of the digital transformation strategy;
- HR and Office Services directorate plans including health and safety and HR matters.

### **Nominations Committee**

The Nominations Committee contributes as required to the appointment process for new Board members and to ensure induction, training and performance reviews are undertaken. The Committee is chaired by Robert Wilson with attendance from other board members as agreed. There were no meetings of the Committee during 2020/21

### **Screen Committee**

During the year, the Screen Committee was constituted as a sub-committee of the Board to oversee the delivery of Screen Scotland's aims and objectives and is chaired by David Strachan. The role of the Screen Committee includes providing advice on Screen Scotland's strategy, agree and monitor operational plans and budgets, oversee the effectiveness of partnership working and maintaining and monitoring Screen Scotland's Risk Register.

The following members of the Board served on the Screen Committee during 2020/21:

<b>Membership</b>	<b>Meetings attended</b>
David Strachan (Chair)	2 out of 2
Elizabeth Partyka (Chair)	2 out of 2
Ewan Angus	2 out of 2

The members of the Screen Committee are also representatives on the Screen Scotland Partnership Committee which includes representatives from the core partners in Screen Scotland: Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland, and the Scottish Funding Council.

### **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**

The Data Protection Officer (DPO) provides an annual report to the Audit and Risk Committee, and the report for 2020/21 confirms that there were no incidents of data loss that required to be reported to the Information Commissioner.

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

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

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

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

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

The Fund's external auditor is appointed by the Auditor General for Scotland, and for the year ended 31 March 2021, 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 three standing committees which meet at least four times per year: the Audit and Risk Committee; the Finance and General Purposes Committee and the Screen Committee. There is also a Nominations Committee which meets when required.

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 2020/21 the Board met on 12 occasions all of which were chaired by Robert Wilson. Minutes of these meetings are published on Creative Scotland's website. The number of board meetings were increased to allow the Board to respond to urgent matters arising from the pandemic.

The main areas addressed by the Board during the year included:

- The response to the COVID-19 pandemic, including the impact on Creative Scotland and its operations and the impact on the arts, screen and creative industries;
- Funding responses to the COVID-19 pandemic, including the launch of specific Creative Scotland funding programmes, and emergency funding received from the Scottish Government;
- Approval of funding awards over £500,000- there were 11 awards across Creative Scotland and the CS NLDF that fell into this category covering capital, screen and partners for the distribution of hardship funds;
- approval of the 2020-21 budget;
- approval of the 2019-20 accounts for both Creative Scotland Group and the Creative Scotland National Lottery Distribution Fund;
- Review of the risk register;

- Review of the digital transformation projects including the launch of new funding programmes and funding systems;
- Long term strategy for future Creative Scotland funding programmes.

The Board received regular updates from the Audit & Risk, Finance & General Purposes and Screen committees, which were standing items at each full board meeting. Details of the committees and their work in the year are noted on pages 21-22. The Nominations Committee did not meet during the year.

### **Accountable officer**

The Accountable officer for the year was Iain Munro, who is the Chief Executive of Creative Scotland.

The Accountable officer received letters of assurances from members of the Senior Leadership Team to assist him in completing the governance statement. Those assurances raised no issues in any of the directorates with regards to internal control matters.

### **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 2021 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.

Internal audit is outsourced to an independent third-party organisation appointed by Creative Scotland. Henderson Loggie LLP acted as Internal Auditor in 2020-21. External audit is provided by Audit Scotland.

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. However, the Internal Auditor recommended action to better integrate equality into day-to-day working activities of the organisation to ensure compliance with Equality Act. The main deficiency identified was that an equal pay audit had not been completed in the 2019 Equalities Mainstreaming report, which is a requirement for scheduled public bodies in the Equality Act. This outstanding item has now been actioned.

The organisation has in place detailed policies on delegated authority and the roles and responsibilities of the Board, its subcommittees and the Senior Leadership Team. Appropriate policies are in place for key areas of corporate governance including whistleblowing, fraud and corruption, gifts and hospitality and declaration of interests.

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 2021 and up to the signing of the financial statements, the organisation has continued its long term strategic reviews, and plans for digitising the application process for key funding routes. The organisation will continue to develop its funding and strategy reviews during 2021/22 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.

Independent reviews are undertaken by Creative Scotland's Internal Auditor.. 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.

## **Response to COVID-19**

The COVID-19 pandemic and the lockdown measures in the UK have had a significant impact on Creative Scotland's operations. The organisation's response in terms of funding programmes is set out on page 14. In addition to the support announced for individuals and organisations, a number of responses were initiated to ensure proper corporate governance during this period, including:

- utilisation of technology to ensure key financial and operation processes could be facilitated remotely;
- scheduling more regular Board and Senior Leadership Team calls out with the regular meeting schedules to tackle key issues as they arose and utilising technology to allow effective scrutiny to take place in the homeworking environment;
- development of key funding responses, working internally and with partners to ensure digital transformation, legal and finance advice, and data protection issues were embedded;
- financial and governance controls to ensure a large increase in funding could be delivered while maintaining an effective set of financial controls;
- strategies to prevent and detect fraud in a riskier environment;
- HR strategies to ensure the health and wellbeing of staff was prioritised.

An internal audit was also commissioned to review the operation of key financial controls in place during the period of homeworking. This included a review of the emergency funding programmes in response to the pandemic undertaken in the year. The review found that effective financial controls have remained in place and are continuing to manage the financial risks Creative Scotland is exposed to.

The increase in funding activity remains a risk for the organisation, and in the current climate this includes ensuring emergency funding is used for the intended purposes. During the year, legal action was commenced in relation to one applicant where it was suspected that funds were not being used for the intended purpose of the emergency funding received.

## **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

### Board

The Chair and other board members are appointed by the Scottish Ministers.

Remuneration for the Chair is set at a level of £275 per day, however Mr Wilson has opted not to take remuneration for his term of appointment.

Scottish Ministers decided to allow other board members to be remunerated with effect from 1 October 2019. The daily rate for board remuneration is set by Scottish Ministers and has been set for 2020/21 at a rate of £218 per day up to a maximum of £2,616 per year. Future pay increases are subject to the Scottish Government Public Sector Pay Policy.

Benefit in kind expenses are provided to board members in relation to taxable expenses for attending board meetings. Creative Scotland pays these expenses gross of any taxable deductions. This is to comply with new HMRC rules on reimbursing expenses for non-employees and to ensure board members are not disadvantaged when undertaking their role.

Board members are not entitled to a pension.

Name	2020/21				2019/20			
	Board Fee £'000	Benefit in kind £100s	Pension Benefit s £'000	Total	Board Fee £'000	Benefit in kind £100s	Pension Benefits £'000	Total
Robert Wilson (Chair) 1	-	-	-	-	-	-	-	-
David Brew	0.5	-	-	0.5	0.5	-	-	0.5
Iain Aitchison <sup>2</sup>	0.5	-	-	0.5	0.5	-	-	0.5
Karen Forbes <sup>2</sup>	0.5	-	-	0.5	0.5	-	-	0.5
Karthik Subramanya <sup>2</sup>	0.5	-	-	0.5	0.5	-	-	0.5
Cate Nelson-Shaw <sup>2</sup>	0.5	-	-	0.5	0.5	<1	-	0.5
Ewan Angus	0.5	-	-	0.5	0.5	<1	-	0.5
Elizabeth Partyka	0.5	-	-	0.5	0.5	2	-	0.5
David Strachan	0.5	-	-	0.5	0.5	2	-	0.5
Duncan Cockburn	0.5	-	-	0.5	0.5	3	-	0.5
Philip Long	0.5	-	-	0.5	0.5	-	-	0.5
Stephanie Fraser	0.5	-	-	0.5	0.5	<1	-	0.5
Sarah Munro	0.5	-	-	0.5	0.5	-	-	0.5

1. Robert Wilson has not taken remuneration during his period of appointment.
2. Iain Aitchison, Karen Forbes, Karthik Subramanya and Cate Nelson-Shaw's term of appointment ended on 30 June 2020.

## Senior Leadership Team

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	2020/21				2019/20			
	Salary/ (Bonus) £'000	Benefi t in kind £100s	Pension Benefits £'000	Total	Salary/ (Bonus) £'000	Benefit in kind £100s	Pension Benefits £'000	Total
Iain Munro Chief Executive	115-120 (0)	-	100-105	220-225	115-120 (0)	-	90-95	210-215
Isabel Davis Executive Director, Screen	95-100 (0)	-	25-30	120-125	90-95 (0)	-	20-25	110-115
Kenneth Fowler <sup>1</sup> Director, Communications	75-80 (0)	-	20-25	100-105	75-80 (0)	-	15-20	95-100
Karen Lannigan Director, HR & Office Services	80-85 (0)	-	30-35	115-120	80-85 (0)	-	35-40	115-120
Ian Stevenson Director, Finance & Funding Operations	80-85 (0)	-	25-30	105-110	80-85 (0)	-	25-30	110-115
Clive Gillman Director, Creative Industries	70-75 (0)	-	20-25	90-95	65-70 (0)	-	15-20	85-90
Joan Parr Interim Director, Arts & Engagement	60-65 (0)	-	20-25	80-85	60-65 (0)	-	10-15	75-80
Gary Cameron Interim Director, Strategy	60-65 (0)	-	10-15	75-80	40-45 (0)	-	5-10	50-55
David Smith Director, Screen	75-80 (0)	-	15-20	90-95	30-35 (0)	-	5-10	35-40

Figures shown are for the Senior Leadership Team in place during 2020-21 who were Creative Scotland employees.

1. Mr Fowler was seconded to the Scottish Government until 30 June 2020.

**Seconded senior staff**

Mr Ken Miller was seconded to Creative Scotland from Health Improvement Scotland as Interim Director of Communications until 30 June 2020. The FTE salary for this post under the secondment agreement is £65,000 to £70,000. Creative Scotland paid £27,067 (salary, on-costs and VAT) to Health Improvement Scotland during 2020/21 under the agreement.

Mr John Campbell was seconded to Creative Scotland from the Scottish Government as Director of Digital Transformation with effect from 9 September 2019. The FTE salary for this post under the secondment agreement is £75,000 to £75,000 and Creative Scotland paid £126,065 (salary, on-costs and VAT) to the Scottish Government during 2020/21. Mr Campbell remains an employee of the Scottish Government.

**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 (2019/20- 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 2021 and 31 March 2020\*:**

Name	Accrued pension (lump sum) 31 March 2021 £'000	Accrued pension (lump sum) 31 March 2020 £'000	Real increase in pension (lump sum) (lump sum) £'000	CETV 31 March 2021 £'000	CETV 31 March 2020 £'000	Real increase in CETV in CETV £'000
Iain Munro	35-40 (105-110)	30-35 (90-95)	2.5-5 (12.5-15)	683	612	84
Isabel Davis	0-5 (5-10)	0-5 (5-10)	0-2.5 (2.5-5)	55	33	19
Kenneth Fowler	5-10 (25-30)	5-10 (20-25)	0-2.5 (2.5-5)	181	163	20
Karen Lannigan	15-20 (5-10)	15-20 (5-10)	0-2.5 (0-2.5)	252	221	31
Ian Stevenson	10-15 (30-35)	10-15 (30-35)	0-2.5 (2.5-5)	218	200	21
Clive Gillman	5-10 (15-20)	0-5 (10-15)	0-2.5 (2.5-5)	110	87	21
Joan Parr	10-15 (35-40)	10-15 (30-35)	0-2.5 (2.5-5)	268	252	20
Gary Cameron	0-5 (5-10)	0-5 (5-10)	0-2.5 (0-2.5)	42	33	9
David Smith	0-5 (0-5)	0-5 (0-5)	0-2.5 (2.5-5)	25	8	15

**Pension scheme**

Pension benefits are provided through the Arts Council Retirement Plan (1994) and 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	Total number of packages by cost band	Total number of packages by cost band	Total number of packages by cost band
	(2020/21)	(2019/20)	(2020/21)	(2019/20)
Less than £10,000	-	-	-	-
£10,000 to £24,999	-	-	-	1
£25,000 to £49,999	-	-	-	-
£50,000 to £100,000	-	-	-	-
Over £100,000	-	-	-	-
<b>Total number of exit packages</b>	-	-	-	<b>1</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.

	2020/21	2019/20
Banded remuneration of the highest paid director in Creative Scotland	£115,000 to £120,000	£115,000 to £120,000
Median Remuneration of Creative Scotland staff	£36,572	£29,998
Ratio	3.21	3.92
Range of staff remuneration below highest paid director (bands of £5,000)	£20,000 to £100,000	£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\*

	2020/21	2020/21	2020/21	2020/21	2019/20
	Employees	Agency staff	Inward	Total	Total
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Staff Costs	4,903	-	-	4,903	4,504
NI	493	-	-	493	448
Pension costs	1,144	-	-	1,144	1,157
Agency fees	-	310	-	310	231
Invoiced	-	-	153	153	176
<b>Total</b>	<b>6,540</b>	<b>310</b>	<b>153</b>	<b>7,003</b>	<b>6,516</b>
<b>Average FTE by directorate</b>					
Executive Office	6.0	1.0	-	7.0	6.9
Finance and Funding	18.4	0.3	-	18.7	18.1
Communications	15.1	-	0.3	15.4	15.2
HR & Office Services	10.1	-	-	10.1	10.6
Arts & Engagement	34.6	-	-	34.6	34.1
Screen Scotland	18.2	-	-	18.2	16.8
Creative Industries	6.9	-	-	6.9	7.2
Strategy	11.9	-	-	11.9	11.9
Digital Transformation	6.0	3.0	1	10.0	8.6
<b>Total</b>	<b>127.2</b>	<b>4.3</b>	<b>1.3</b>	<b>132.8</b>	<b>129.4</b>

### Breakdown of employee groups by sex\*

The table below shows the breakdown of the Creative Scotland Senior Leadership Team and Board by sex as at 31 March 2021.

	Males	Females
Senior Leadership Team	6	3
Creative Scotland Board	6	3
All other employees	38	85

### Sickness absence

In the year to 31 March 2021, an average of 2.6 working days (2020: 5.4 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.

### **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
3	3

### **Percentage of time spent on facility time**

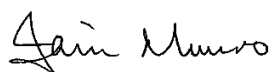
% of time	Number of employees
0%	-
1-50%	3
51-99%	-
100%	-

### **Percentage of pay bill spent on facility time**

Total cost of facility time (£)	2,513
Total pay bill (£)	6,540,000
% of pay bill spent on facility time	0.04%

### **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**  
Chief Executive of Creative Scotland and Accountable Officer  
25 November 2021

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

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

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

I have audited the financial statements in the annual report and accounts of Creative Scotland National Lottery Distribution Fund for the year ended 31 March 2021 under the National Lottery etc. Act 1993. The financial statements comprise Statement of Comprehensive Net Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2020/21 Government Financial Reporting Manual (the 2020/21 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Lottery etc. Act 1993 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2021 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 2020/21 FReM; and
- have been prepared in accordance with the requirements of the National Lottery etc. Act 1993 and directions made thereunder by the Scottish Ministers.

#### **Basis for 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 26th 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue

#### **Risks of material misstatement**

I report in a separate Annual Audit Report, available from the Audit Scotland website, the most significant assessed risks of material misstatement that I identified and my judgements thereon.

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

As explained more fully in the Statement of Accountable Officer's 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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

## **Reporting 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. In addition to my responsibilities to detect material misstatements in the financial statements in respect of irregularities, 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.

### **Reporting on other requirements**

#### **Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report**

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

#### **Statutory other information**

The Accountable Officer is responsible for the statutory other information in the annual report and accounts. The statutory other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

#### **Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement**

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

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

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

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

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

I have nothing to report in respect of these matters.

**Conclusions on wider scope responsibilities**

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

**Use of my report**

This report is made solely to the parties to whom it is addressed in accordance with the 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, CPFA  
Senior Audit Manager**

Audit Scotland  
8 Nelson Mandela Place  
Glasgow G2 1BT

**25 November 2021**

## Statement of Comprehensive Net Income

*For the year ended 31 March 2021*

	Notes	2020/21	2019/20
		£'000s	£'000s
<b>Income</b>			
National Lottery Fund proceeds	3	32,304	31,767
Other income	4	1,551	515
		<u>33,855</u>	<u>32,282</u>
<b>Expenditure</b>			
Grants	5	22,342	22,616
Less: de-commitment of prior year grants		(3,663)	(704)
Project expenditure		182	356
Staff costs	6	1,216	2,308
Other operating expenditure	7	735	814
		<u>20,812</u>	<u>25,390</u>
<b>Surplus on the Fund</b>		<u><u>13,043</u></u>	<u><u>6,892</u></u>

All the results of the Fund relate to continuing activities.

*The notes on pages 42 to 51 form part of these annual report and financial statements.*

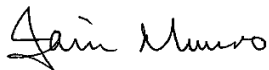


## Statement of Financial Position

As at 31 March 2021

	Notes	31 March 2021	31 March 2020
		£'000s	£'000s
<b>Current assets</b>			
Trade and other receivables	8	110	106
Investments in the NLDF	9	37,619	21,346
Cash and cash equivalents	10	3,797	6,428
<b>Total current assets</b>		<b>41,526</b>	<b>27,880</b>
<b>Current liabilities</b>			
Trade and other payables	11	(1,477)	(841)
Grants outstanding	13	(17,320)	(17,355)
<b>Total current liabilities</b>		<b>(18,797)</b>	<b>(18,196)</b>
<b>Net current assets/(liabilities)</b>		<b>22,729</b>	<b>9,684</b>
<b>Non-current liabilities</b>			
Grants outstanding	13	(2,000)	(1,998)
Provisions	12	(70)	(70)
<b>Total non-current liabilities</b>		<b>(2,070)</b>	<b>(2,068)</b>
<b>Net assets</b>		<b>20,659</b>	<b>7,616</b>
<b>Reserves</b>		<b>20,659</b>	<b>7,616</b>

The Accountable Officer authorised these financial statements for issue on 25 November 2021.



**Iain Munro**  
Chief Executive of Creative Scotland and Accountable Officer  
25 November 2021

*The notes on pages 42 to 51 form part of these annual report and financial statements.*

## Statement of Cash Flows

For the year ended 31 March 2021

	2020/21	2019/20
	£'000s	£'000s
<b>Cash flows from operating activities</b>		
Surplus on ordinary activities	13,043	6,892
<i>Movements in working capital</i>		
Decrease/(Increase) in trade receivables	(4)	107
(Decrease)/Increase in trade payables	603	116
(Decrease)/Increase in provisions	-	-
Decrease/(Increase) in NLDF investments	(16,273)	(4,372)
<b>Net cash flow from operating activities</b>	<b>(15,674)</b>	<b>(4,149)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(2,631)</b>	<b>2,743</b>
<b>Net cash and cash equivalents as at 1 April</b>	6,428	3,685
<b>Net cash and cash equivalents as at 31 March</b>	3,797	6,428

### Analysis of changes in net funds

	<b>Net cash and cash equivalents</b>
<b>1 April 2020</b>	6,428
Cash flows	(2,631)
<b>31 March 2021</b>	<b>3,797</b>

## Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2021

	2020/21	2019/20
	£'000s	£'000s
<b>Opening general reserve at 1 April</b>	7,616	724
Transferred from SOCNI	13,043	6,892
<b>Closing general reserve at 31 March</b>	<b>20,659</b>	<b>7,616</b>

The notes on pages 42 to 51 form part of these annual report and financial statements.

## **Notes to the financial statements**

*(Forming part of the financial statements)*

### **1. Accounting Policies**

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

In accordance with the accounts direction issued by Scottish Ministers under Section 35 of Part II of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 2006), these financial statements have been prepared in accordance with the 2020/21 Government Financial Reporting Manual (FRM) issued by HM Treasury. The accounting policies contained in the FRM apply International Financial Reporting Standards (IFRS) and IFRIC Interpretations as adapted or interpreted for the public-sector context.

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

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

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

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

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

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

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

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

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

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

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

Grants which have been approved but not recognised as future conditions have still to be met are disclosed in Note 13.

**f) Project development awards**

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

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

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

**h) National Lottery Distribution Fund**

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

- Completion of the Statement of Assurance of Payments due to the National Lottery Distribution Fund for 2020/21 by the National Lottery Commission.
- Completion of the audit of the National Lottery Distribution Fund accounts for 2020/21 by the National Audit Office.
- The NLDF balance is brought to account at market value reflecting the requirements of IFRS.

**i) Financial instruments**

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

**Financial Assets**

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

**Other financial liabilities**

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

## **Recognition and measurement**

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

### **Embedded Derivatives**

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

#### **j) Pensions**

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

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

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

#### **k) Provisions**

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

#### **l) Cash and Cash Equivalents**

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

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

Short term employee benefits for Creative Scotland staff are recharged to the Lottery Distribution Fund for staff employed on lottery related activities. A liability and an expense is recognised for holiday days, holiday pay, non-consolidated performance related pay and other short-term benefits when the employees render service that increases their entitlement to these benefits. As a result, an accrual has been made for holidays earned but not taken.

**o) VAT**

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

**2 Critical accounting estimates and judgements**

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

- Creative Scotland has recognised provisions for dilapidations on rented premises. These provisions are based on expert valuations and are subject to agreement with landlords.
- Creative Scotland recharges 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. The recharge for the year was 25% for salaries and 40% for other operating costs (2019/20: 40% for all applicable operating costs). The reduced recharge for the 2020/21 financial year reflects the additional funding for COVID-19 emergency response programmes, the majority of which were funded from grant-in-aid. A number of NLDF grant programmes were also delayed due to the impact of the lockdown and due to staff working on the emergency funds. As a result, the Finance and General Purposes Committee approved a reduced recharge for salaries for 2020/21.

**3 National Lottery proceeds**

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000s</b>	<b>£'000s</b>
Share of income from NLDF	32,285	31,614
Investment income	19	153
Movement in revaluation reserve	-	-
<b>Total National Lottery proceeds</b>	<b>32,304</b>	<b>31,767</b>

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

**4 Other income**

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000s</b>	<b>£'000s</b>
British Film Institute	200	200
Project Income	1,000	61
Miscellaneous Income	2	2
Award repayments	349	252
<b>Total other income</b>	<b>1,551</b>	<b>515</b>

Project income received in 2020/21 relates to £1 million in funding from the Freelands Foundation towards the Bridging Bursary Programme.

The British Film Institute contributed £200,000 in funding towards Short Circuit, a joint project with Creative Scotland.

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

**5 Grant commitments**

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000s</b>	<b>£'000s</b>
<b>Open Funds</b>		
Open Project Fund	8,616	8,170
Touring Fund	603	3,026
<b>COVID-19 Response Funds</b>		
Bridging Bursary Funds	1,731	-
<b>Targeted- Arts and Engagement</b>		
Artist Led Practice Fund	369	350
Book Week Scotland	200	200
Gaelic, Scots and Traditional Arts	130	115
Gavin Wallace Fellowship	-	25
International Development and Markets	485	585
Scots Scriever	15	-
Sector Development	228	226
Time to Shine	105	80
Workforce and leadership development programme	35	-
Creative Learning Plan	-	150
Creative Learning Strategic Development	-	103
<b>Targeted- Screen Scotland</b>		
Film Development & Production	3,000	2,886
Film Education	532	643
Film Festival Fund	312	643
Talent Development	1,313	339
Single Project Development	1,148	-
Screen Strategy	50	523
Skills	389	868
Audience Development	373	-
Broadcast Content Fund	1,743	-
Cinema Projection Fund	-	1,101
<b>Targeted- Creative Industries</b>		
Creative Industries	192	353
Cultural Business Development	-	27
Sector Development	75	156
<b>Targeted- Strategy</b>		
Awards for All	38	500
EDI	91	845
Place, Partnerships and Communities	156	258
Visual Arts & Crafts Awards	95	99
<b>Targeted- Other</b>		
Business Support – Data & Analytics	291	345
RFO Carbon Management	27	-
<b>Total grant commitments</b>	<b>22,342</b>	<b>22,616</b>

## 6 Staff costs

	2020/21	2019/20
	£'000s	£'000s
<b>Staff costs during the year</b>		
Wages and salaries	942	1,728
Social security costs	86	178
Pension costs	178	399
Movement in holiday pay accrual	10	3
<b>Total staff costs</b>	<b>1,216</b>	<b>2,308</b>

All employment contracts are with Creative Scotland, and relevant amounts are recharged to the Fund based on a recharge methodology. The recharge for the year was 25% (2019/20: 40%).

## 7 Other operating expenditure

	Direct	Recharge	Total	Total
	2020/21	2020/21	2020/21	2019/20
	£'000s	£'000	£'000s	£'000s
HR	-	38	38	65
Estates	-	236	236	250
ICT	-	286	286	64
Operations	1	9	10	2
Office services	-	16	16	34
Audit fees	25	-	25	24
Central services	-	71	71	172
Legal & professional	30	-	30	33
Communications	-	19	19	57
Policy and Research	(22)	-	(22)	44
External Assessors	23	-	23	13
Awards for All overheads	3	-	3	56
<b>Total other operating expenditure</b>	<b>60</b>	<b>675</b>	<b>735</b>	<b>814</b>

## 8 Trade receivables and other current assets

	31 March 2021 £'000s	31 March 2020 £'000s
Trade receivables	8	53
Sundry	102	53
<b>Total trade receivables and other current assets</b>	<b>110</b>	<b>106</b>



**9 Investment balance in the NLDF**

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£'000s</b>	<b>£'000s</b>
Balance at 1 April	21,346	16,974
Adjustment to opening balances	-	-
<b>Brought forward balance</b>	<b>21,346</b>	<b>16,974</b>
Lottery proceeds	32,285	31,614
Investment income	19	153
Funds drawn down	(16,031)	(27,395)
<b>Total investment balance in the NLDF</b>	<b>37,619</b>	<b>21,346</b>

The closing market value as at 31 March 2021 reflects the balances available to the Fund from the National Lottery Distribution Fund as advised by the interim statement of balance provided by the Secretary of State for Culture, Media and Sport.

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

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

**10 Cash and cash equivalents**

:

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£'000s</b>	<b>£'000s</b>
Balance at 1 April	6,248	3,685
Net change in cash and cash equivalent balances	(2,451)	2,563
<b>Balance at 31 March</b>	<b>3,797</b>	<b>6,248</b>
The following balances at 31 March were held at		
Government Banking Service	3,786	6,371
Commercial banks	11	57
Cash in hand	-	-
<b>Total cash and cash equivalents</b>	<b>3,797</b>	<b>6,248</b>

## 11 Trade payables and other current liabilities

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£'000s</b>	<b>£'000s</b>
Trade payables	11	14
Accruals	87	313
Due to Creative Scotland	1,122	206
Other	257	308
<b>Total trade payables and other current liabilities</b>	<b><u>1,477</u></b>	<b><u>841</u></b>

## 12 Provisions

	<b>Dilapidations 2021</b>	<b>Total 2021</b>	<b>Total 2020</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
Balance at 1 April	70	70	70
Arising in the year	-	-	-
Utilised in the year	-	-	-
<b>Total provisions</b>	<b><u>70</u></b>	<b><u>70</u></b>	<b><u>70</u></b>

The Dilapidation provision relates to the charge due to the Fund relating to reinstatement under the leases for our Edinburgh office held by Creative Scotland, and is based on an externally commissioned report. The provision will be utilised towards the end of the lease terms subject to negotiation with the landlords.

## 13 Grants outstanding

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000s</b>	<b>£'000s</b>
Balance at 1 April	19,353	18,545
De-commitment of prior year awards	(1,378)	(583)
Committed in year	22,304	22,116
Paid in year	(20,959)	(20,725)
<b>Total grants outstanding</b>	<b><u>19,320</u></b>	<b><u>19,353</u></b>

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000s</b>	<b>£'000s</b>
Balance due within one year	17,320	17,355
Balance due between one year and five years	2,000	1,998
Balance due over five years	-	-
<b>Total grants outstanding</b>	<b><u>19,320</u></b>	<b><u>19,353</u></b>

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

## **14 Financial instruments**

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

At 31 March 2020, the balance held at the NLDF was £21.3 million. This has increased to £37.6 million by 31 March 2021, at which point there were £19.3 million of grant commitments yet to be paid out. In budgeting for current expenditure Creative Scotland balances the anticipated outflow of cash payments against grant commitments along with forward forecasts of Lottery income.

### **14 a) Liquidity risk**

During the financial year, 95% of the Fund's income derived from National Lottery proceeds. The remaining income is derived from bank interest and award repayments of 1%, and from other income in relation to the project income, of 4%.

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

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

### **14 c) Interest rate risk**

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

At the balance sheet date, the market value of Creative Scotland's share of the National Lottery Distribution Fund was £37.6 million. In the year, the average return on these investments was 0.1%.

Cash balances which are drawn down by Creative Scotland from the National Lottery Distribution Fund to pay grant commitments and operating costs are held in the Government Banking Service through the NatWest Bank and a commercial account held with the Royal Bank of Scotland. The cash balances at the year-end were a total of £3.8 million. We consider that we are not exposed to significant interest rate risks on our cash balances.

### **14 d) Foreign currency risk**

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

## 15 Related party transactions

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

Related party transactions in respect of Creative Scotland are detailed in the Financial Statements for the year ended 31 March 2021. During the year, Creative Scotland invoiced the Lottery Distribution Fund for £1.9 million in respect of recharges for the year for staff, overhead and related costs. The Scottish Government's Culture, Tourism and Major Events Directorate is regarded as a related party. During the year, Creative Scotland had various material transactions with the Scottish Government Culture, Tourism and Major Events Directorate.

The following related party transactions were incurred during 2020/21 in relation to board members of Creative Scotland.

<b>Board member</b>	<b>Related party</b>	<b>Awards made 2020/21</b>
Elizabeth Partyka	STV plc (Shareholding)	£13,470 Skills
Ewan Angus	BAFTA Scotland (Chair)	£56,650 Talent (2 awards)
Duncan Cockburn	Sound (Director)	£100,000 Open Fund for Organisations

## Accounts Direction



### CREATIVE SCOTLAND

#### DIRECTION BY THE SCOTTISH MINISTERS

1. **The Scottish Ministers, in pursuance of Section 35 of Part II of the National Lottery etc. Act 1993, hereby give the following direction.**
2. **The statement of accounts which, it is the duty of Creative Scotland to prepare in respect of its National Lottery distribution activities for the financial year ended 31 March 2012, and subsequent financial years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared.**
3. **The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.**
4. **Clarification of the additional disclosure requirements are set out in Schedule 1 attached.**

Signed by the authority of the Scottish Ministers

Dated

25 Jan. 2012

## SCHEDULE 1

### Additional Accounting and Disclosure Requirements

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

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

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

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

Grants totalling £22.3 million were made during the year in support of a range of projects.

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

<b>Programme</b>	<b>Organisation</b>	<b>Award</b>
Open Funds	Artlink Edinburgh and the Lothians	100,000
	Live Music Now Scotland	100,000
	Sound Festival	100,000
Touring Fund	Tony Mills	106,978
Targeted – Arts and Engagement	Scottish Book Trust	200,000
	Showcase Scotland Expo	150,000
	Active Events / Lisa Whytock	150,000
Targeted – Screen Scotland	Selkie Productions Ltd	650,000
	Film City Glasgow	534,000
	TG Entertainment Ltd	500,000
	Buccaneer Media Limited	500,000
	Barry Crerar Ltd (Wise Blood)	500,000
	Synchronicity Films	500,000
	World Productions Limited	364,000
	Edinburgh Napier University (Screen Academy Scotland)	283,505
	Bectu Vision	232,693
	Scottish Documentary Institute	205,000
	Channel X Hopscotch Ltd	100,000
Tha Black Camel Picture Company Ltd	100,000	
Targeted – Business Support	The Audience Agency	291,215

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



**Appendix 2- Policy direction**



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

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

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

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

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