



**Creative Scotland**

**National Lottery Distribution Fund**

**Annual Report and Accounts**

**For the year ended 31 March 2017**

HC 519

SG/2017/227





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

Ordered by the House of Commons to be printed 26 October 2017

Laid before the Scottish Parliament by the Scottish Ministers October 2017

HC 519

SG/2017/227

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Any enquiries related to this publication should be sent to Stephen Vallely, Finance Manager, Creative Scotland, The Lighthouse, Mitchell Lane, Glasgow, United Kingdom, G1 3NU.

This publication is available at [www.creativescotland.com](http://www.creativescotland.com)

This publication is also available at <https://www.gov.uk/government/publications>

ISBN 978-1-5286-0089-7

ID CCS1017246036 10/17

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

## Contents

Performance Report .....	3
Overview .....	3
Chief Executive's Report .....	3
Performance Analysis .....	9
Accountability Report.....	11
Corporate Governance Report .....	11
Director's Report.....	11
Statement of Accountable Officer's responsibilities .....	13
Governance Statement.....	14
Remuneration and staff report .....	17
Independent auditor's report to the members of Creative Scotland, the Auditor General for Scotland and the Scottish Parliament.....	22
Statement of Comprehensive Income .....	25
Statement of Financial Position .....	26
Statement of Cash Flows.....	27
Analysis of changes in net funds .....	27
Statement of Changes in Taxpayers' Equity.....	27
Notes to the financial statements.....	28
Accounts Direction .....	40
Appendix 1- List of grants, awards and investments over £100,000 .....	43
Appendix 2- Policy direction .....	45



## **Performance Report**

### **Overview**

#### **Chief Executive's Report**

2016/17 has been another important and positive year for the arts, screen and creative industries in Scotland and our work to support artists, individual creative practitioners and organisations working in these sectors.

Our 10-year plan, *Unlocking Potential, Embracing Ambition*, which was published in April 2014 and to be refreshed in 2017/18, continues to provide the foundation of our work and we now have individual strategies in place for Screen, the Creative Industries and the Arts. The 10-year plan is supported by our Annual Plan for 2016/17, which is available on our website, and sets out our budgets and priority areas of work for the year and how we will measure successful delivery of this work.

As well as contributing to the ambitions set out in our 10-year plan, the role that the arts and creative industries play in contributing the Programme for Government's four pillars: Investment in people and infrastructure; Innovation; Inclusive growth; and International engagement is also significant.

Creativity is at the centre of what drives changes in society, and builds thriving communities. It informs how Scotland is perceived at home and internationally, and how our businesses develop for the next generation. Culture and creativity enable Scotland to deliver its goals of being a progressive, flourishing and inclusive society, with a strong, growing and inclusive economy. Uniquely, creativity both nourishes the individual and improves economic performance. Creativity is also intrinsically valuable bringing beauty, ideas and imagination to our lives. It fosters individual talent, and inspires the innovation essential to growing the economy. It is our calling card to the world, opening doors, building relationships and cultural connections through shared stories and experiences. Creativity is increasingly an important part of what attracts ever larger numbers of visitors to Scotland, and others to live, work or study here.

The National Culture Strategy for Scotland, which is currently in development by the Scottish Government, is an exciting opportunity to demonstrate how culture contributes to a wide range of government priorities including community empowerment, health, education and inclusive growth. We are also working with the Scottish Government and other partners to help develop an enhanced Screen Unit within Creative Scotland, reflecting one of the Government's manifesto commitments.

In terms of funding, Creative Scotland provided £67.2 million of funding from Scottish Government grant-in-aid and the National Lottery in 2016/17. This funding supported 1,130 grants to a wide range of individuals and organisations across the arts, screen and creative industries.

Funding levels for 2016-17 reflect a small reduction to Creative Scotland's non-ringfenced Grant in Aid funding in 2016-17, while restricted funds reduced by £4.9 million due to the ending of time limited projects (£2.4 million) and a re-profiling of the Youth Music Initiative Formula Funding (£2.5 million). In addition, income from the National Lottery came under pressure, resulting in lower proceeds in 2016-17 and reducing income projections going forward.

Looking forward to 2017/18, we are planning a strategy refresh to explain the connection between a strong, publicly funded arts screen and creative industries sector and the social, cultural and economic value that they deliver to all our lives. This refresh will also clearly articulate our development role and strengthen how we deliver it.

During the year, we also opened the application process for the next three year-round of regular funding, 2018. Applications will be assessed in the first half of 2017-18, with an announcement on the new portfolio expected by the end of 2017.

It is with great sadness that we mark the passing of Richard Findlay CBE, Creative Scotland's Chair from 2015-17, who died at home in Edinburgh on 8 July 2017 after a short illness. Richard played a hugely significant role for the arts and media industries in Scotland through his many and wide ranging public and private roles. Creative Scotland has benefitted from his vast pool of knowledge, he has taught us a great deal too, all of which will remain with us as we navigate the next stage of development as an organisation. Richard stays with us in memory as a generous, principled Chair and dear colleague who we will greatly miss. His special combination of friendship, wisdom and determination will stay with us for a very long time.

The Scottish Government has appointed Ben Thomson as Interim Chair, for a period of six months while an open recruitment process takes place for a permanent Chair. I welcome his appointment, and he brings a wealth of cultural experience and business acumen to this post, including from his time as Chair of the National Galleries of Scotland and the Edinburgh Science Festival.

I'd like to thank all our staff, Senior Leadership Team and Board for all their hard work across the year. This team demonstrates knowledge, commitment and positive energy across their work, often in very challenging circumstances because of increasing pressures on the public purse.

## **Introduction**

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

Under the financial directions issued by the Scottish Ministers, Creative Scotland is required to produce separate statements of accounts relating to these activities. An Annual Report for the National Lottery activity as required by the financial directions is incorporated within this Annual Report and Accounts. The accounts have been prepared in a form directed by the Scottish Ministers in accordance with Section 35 of Part II of the National Lottery etc. Act 1993. The Accountable Officer authorised this annual report and accounts for issue on 6 October 2017.

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

## **Unlocking Potential, Embracing Ambition**

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

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

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

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

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

## **Going concern**

At 31 March 2017, the Creative Scotland NLDF had net liabilities of £3.7 million (2016: £4.6 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 28.

## Risk management

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

The main risks identified for Creative Scotland are:

1. Available funding from Scottish Government, National Lottery and other sources reduces resulting in less funding for the arts, screen and creative industries which adversely impacts delivery of the 10 Year Plan.
2. Uncertainty around future political and economic policy at a UK level may result in a de-prioritisation of culture in Scotland.
3. Funding decisions and communications that support experimental or controversial work in order to deliver strategic ambitions result in criticism.

## Performance summary- review of the year

In 2016/17, Creative Scotland committed £67.2 million of funding to the arts, screen and creative industries in Scotland arising from £40.3 million of Scottish Government Grant in Aid funding and £26.9 million of National Lottery funds. The annual levels of grant commitments are shown below for the five-year period.

### Grant Commitments- five-year view

	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Grant-in-aid	45.9	48.1	46.0	46.6	40.3
National Lottery	40.8	41.4	30.5	30.0	26.9
<b>Total</b>	<b>86.7</b>	<b>89.5</b>	<b>76.5</b>	<b>76.6</b>	<b>67.2</b>

Note 5 on page 33 provides a breakdown of grant commitments funded from the National Lottery for 2016-17. The overall reduction in grant commitments from 2015-16 is mostly due to changes in the funding provided by the Scottish Government for restricted programmes.

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

### Regular funding.

Regular Funding seeks to ensure Scotland has a wide range of arts and creative organisations through which artists and creative people can deepen and deliver their work, their engagement with the public, and their professional networks. Regular funding is one of the key means by which the ambitions, priorities and connecting themes highlighted in the 10-year plan will be addressed.

2015/16 was the first year of regular funding for the three-year period from April 2015 to March 2018. There were 118 organisations receiving regular funding in 2015/16, and £27.8 million was allocated from grant-in-aid to the portfolio from the 2015-16 budget. Overall the budget required to sustain this portfolio is £100m over three years, of which £15 million is from lottery funds.

### **Open Project Funding**

Open project funding aims to support the arts, screen and creative industries, with projects that explore, realise and develop creative potential, widen access to their work, and enrich Scotland's reputation as a distinctive creative nation connected to the world. The fund is open to both individuals and organisations for awards up to £150,000 and the fund awarded 525 grants consisting of £375,000 of grant-in-aid and £11 million of National Lottery funding during 2016/17.

### **Targeted Funding**

Targeted funding is used to address specific activities and development needs in a sector, specialism, or geographic area. In 2016/17, total targeted grant funding was £21.5 million of which £12.4 million was funded from grant-in-aid and £9.1 million was from National Lottery..

Key examples of targeted funding during 2016/17 include:

- Screen- A total of £4 million of lottery funding was committed in 2016/17 for film funding. The largest route within the fund is production funding and the following film productions received awards of over £300,000:
  - *Calibre* (Wellington Films)
  - *Vitello* (Sell Out Pictures)
- The Production Growth Fund is jointly funded by the Scottish Government and Creative Scotland's National Lottery Distribution Fund. During 2016/17, Creative Scotland provided £946,000 of funding to the Fund, which provided support to five film and TV productions:
  - *Muncie* (Muncie Productions)
  - *Churchill* (Salon Pictures)
  - *The Etruscan Smile* (Po Valley Productions)
  - *Loch Ness* (ITV)
  - *Calibre* (Wellington Films)
- There was an interim extension to the two-year Scottish Film Talent Network project, which received funding of £200,000 of which £100,000 was from the British Film Institute. The Network has three partners: the Centre for the Moving Image (CMI), Digi Cult and Hopscotch Films and has been awarded the contract by Creative Scotland to deliver the Scottish element of the BFI NET.WORK.
- Capital- the large-scale capital programme continued throughout 2016/17, with 1 application receiving final approval: Hospitalfield (£900,000).
- £321,000 of grant funding was provided for the partners involved in the Scotland+Venice exhibition, Scotland's contribution to the Venice Biennale. The exhibition is curated by exhibition is curated by Alchemy Film and Arts, in partnership with Talbot Rice Gallery and the University of Edinburgh.

These are just some examples of the range of work supported by Creative Scotland in 2016/17 in our role as funder, advocate, influencer and development body on behalf of the arts, screen and creative industries in Scotland.

### **Future developments**

In April 2014, Creative Scotland published its 10 Year Plan: *Unlocking Potential Embracing Ambition: a shared plan for the arts, screen and creative industries 2014-2024*. The Plan highlighted Creative Scotland's five ambitions and the priorities over the next 3 years to help achieve these ambitions. The annual plan for 2017/18 sets out how Creative Scotland will continue to develop strategies for its three key areas of responsibility; the Arts, Screen and Creative Industries.

Key tasks for 2017/18 include:

- The 2018-2021 regular funding application and award process will be one of the largest pieces of work undertaken by Creative Scotland during the year. A total of 184 eligible applications were received requesting a total of £153 million for the three-year period. These applications will be assessed between April and October 2017.
- Undertaking a review of the open project funding process, and launching a new simplified process for grants under £5,000.
- Commission an independent evaluation for the Scotland + Venice programme to ensure Scotland's visual arts continue to be represented at the Venice Biennale, and identify impacts and legacies for the development of international working in the visual arts sector.

Creative Scotland's Film Strategy 2014-17, *Creative Scotland On Screen*, was published in January 2015 and identifies priorities for the film sector over the following three years, working with industry and public partners to generate the conditions necessary to position the film sector at the heart of Scotland's economic and cultural life. Key tasks for 2017/18 include:

- Continuing to support the creation of a viable and sustainable film studio, which is a priority in order for Scotland to accommodate high-profile international projects
- Consider the findings from the review of the animation sector in Scotland, which was published in March 2017.
- Following a report in 2016/17 on Screen Equalities, Diversity and Inclusion, Creative Scotland formed a cross-sectoral working group to consider and implement the recommendations in the review.

In 2017/18, work on the creative industries strategy will continue and this forms the basis of Creative Scotland's work in this area. Joint working will continue with our partners such as Scottish Enterprise, the Scottish Funding Council and Scotland's Creative Industries Partnership (SCIP) to help creative businesses find the best route to support and investment, as well as offering support and information on how to access creative and business skills development and stimulating sector development initiatives.

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

## Performance Analysis

### Performance overview

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

Each year we publish an Annual Plan which sets out how we will achieve our ambitions and priorities for that year and summarises our planned income and expenditure. Our Annual Plans include a detailed performance management framework comprising 24 performance indicators which we report against in the Annual Review of Performance, which is published separately. Performance is measured with regards to statistical information from our grants management system, funding data supplied by regularly funded organisations and other applicants, third party data and from stakeholder surveys.

### Financial performance

The financial statements for 2016/17 have been prepared under an Accounts Direction, on page 40, issued by the Scottish Ministers to meet the accounting and disclosure requirements of applicable accounting standards so far as these requirements are appropriate and comply with the Government Financial Reporting Manual (FRoM).

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

#### Results for the year ending 31 March 2017 versus budget

	<u>Actual</u> <u>£m</u>	<u>Budget</u> <u>£m</u>	<u>Variance</u> <u>£m</u>
<b>Income</b>			
National Lottery Proceeds	(29.1)	(32.5)	(3.4)
Other	(0.5)	(0.3)	0.2
<b>Expenditure</b>			
Grants awards and investments	26.9		
Project Expenditure	0.4		
Less de-committed awards	(1.2)		
<b>Total net grants and project expenses</b>	<b>26.1</b>	<b>30.6</b>	4.5
Staff costs	1.8	1.9	0.1
Other operating expenditure/income	0.8	0.9	0.1
<b>(Surplus)/Deficit on the Fund</b>	<b>(0.9)</b>	<b>0.6</b>	<b>1.5</b>

National Lottery proceeds were £3.4 million below budget in 2017-18 due a decline in National Lottery ticket sales during the year.

Total net grants and project expenditure for the year to 31 March 2017 was £4.6 million below budget, and other expenditure was £0.1 million lower than budget. This was mostly due to capital funding that was budgeted for in the financial year not finalising before the year end, with final funding decisions now taking place in 2017-18.

### **Environmental Sustainability**

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

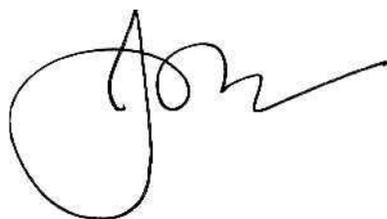
- Working in conjunction with Creative Carbon Scotland in promoting the environment to support funded organisations, enabling them to report on their sustainable behaviour and contribution to CO<sub>2</sub> emission reduction. Environmental sustainability is a criterion in the assessment of applications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

During 2015/16, plans were being drafted to improve carbon measurement and reduction through direct operations. Monitoring of GHG emissions in tonnes of CO<sub>2</sub> for 2 key areas for our operations for 2015/16 and 2016/17 were undertaken, with key results shown in the table below:

	<b>2016-17 GHG (tCO<sub>2</sub>e)</b>	<b>2015-16 GHG (tCO<sub>2</sub>e)</b>	<b>% change</b>
Energy	57.6	85.8	-33%
Business Travel	88.1	87	1%

During 2016-17, the Glasgow office relocated to the Lighthouse building. Electricity is provided as part of the lease agreement and not separately identifiable for Creative Scotland, therefore for 2016-17 the figures only include the Edinburgh office.

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



**Janet Archer**  
**Chief Executive and Accountable Officer**  
**6 October 2017**

## Accountability Report

### Corporate Governance Report

#### Director's Report

##### Board Members

Iain Aitchison  
David Brew  
Karen Forbes  
Erin Forster  
Professor Maggie Kinloch  
Sheila Murray  
Cate Nelson-Shaw  
Barclay Price  
Karthik Subramanya  
Ben Thomson (Interim Chair)  
Ruth Wishart

##### Senior Leadership Team

Janet Archer, Chief Executive  
Iain Munro, Deputy Chief Executive  
Claire Byers, Interim Director, Arts & Engagement (from 06/03/17)  
Natalie Usher, Director, Screen  
Philip Deverell, Director, Strategy  
Clive Gilman, Director, Creative Industries  
Kenneth Fowler, Director, Communications  
Ian Stevenson, Director, Finance  
Karen Lannigan, Director, HR & Office Services

##### Offices:

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

##### External Auditors:

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

##### Internal Auditors:

Henderson Loggie  
34 Melville Street  
Edinburgh  
EH3 7HA

##### Bankers:

Royal Bank of Scotland	National Westminster Bank
36 St Andrew Square	Government Banking Service
Edinburgh	2nd Floor, 280 Bishopgate
EH2 2AD	London
	EC2M 4RB

## Creative Scotland Board

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

Name	Date of appointment	Term	End of current term
Richard Findlay (Chair)	1 January 2015	1 <sup>st</sup>	5 July 2017*
Barclay Price	1 July 2010	2 <sup>nd</sup>	30 June 2018
Ruth Wishart	1 July 2010	2 <sup>nd</sup>	30 June 2018
David Brew	1 August 2015	1 <sup>st</sup>	31 July 2019
Erin Foster	1 August 2015	1 <sup>st</sup>	31 July 2019
Professor Maggie Kinloch	1 August 2015	1 <sup>st</sup>	31 July 2019
Shelia Murray	1 August 2015	1 <sup>st</sup>	31 July 2019
Iain Aitchison	1 August 2016	1 <sup>st</sup>	31 July 2020
Karen Forbes	1 August 2016	1 <sup>st</sup>	31 July 2020
Karthik Subramanya	1 August 2016	1 <sup>st</sup>	31 July 2020
Cate Nelson-Shaw	1 August 2016	1 <sup>st</sup>	31 July 2020

\* Richard Findlay resigned as chair with effect from 5<sup>th</sup> July 2017, due to ill health. Sadly, Richard died on 8 July 2017. An interim chair, Ben Thomson, was appointed by the Scottish Ministers for a period of six months commencing from 26 July 2017 while an open recruitment process to appoint a permanent chair takes place.

The Board has ultimate decision making responsibility, but to facilitate effective management, appropriate levels of delegated authority have been approved by the Board for the Accountable Officer.

The Board is supported by an Audit and Risk Committee, a Financial and General Purposes Committee and a Chairs' Committee. Members of these committees are appointed by the Board from their membership.

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

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

## Political and Charitable Donations

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

## Data loss

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

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

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

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

- observe the Accounts Direction issued by the Scottish Government, 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 Accountable Officer of the Scottish Government's Governance and Communities Directorate has designated the Chief Executive as Accountable Officer of the Fund. 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 2017, 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 she ought to have taken in order to make herself aware of any relevant audit information and to establish that the auditor is aware of that information.

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

## **Governance Statement**

### **Scope of Responsibility**

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

### **Governance framework**

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

The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety. Creative Scotland applies relevant sections of the SPFM to its governance framework arrangements.

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

### **Operation of the Board**

During 2016-17, the Board met on 7 occasions in line with its agreed schedule of meetings. During the year the Board approved the 2017/18 budget, large scale applications, the Arts Strategy and operational policies.

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

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

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

### **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 2017 and up to the date of approval of the annual report and financial statements.

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

- the executive managers who have responsibility for the development and maintenance of the internal control framework;
- the work of the internal auditors, who submit to the organisation's Audit and Risk Committee regular reports which include an independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;
- comments made by the external auditors in their management letters and other reports.

All recommendations from Internal and External audit are responded to by management and both the recommendations and responses for implementation are reviewed by the Audit and Risk Committee before being either approved or amended, for implementation. The findings from the Audit and Risk Committee are reported to the Board by way of submission of minutes of each meeting and an annual report on the committee's work. The independent Internal Auditor's Annual Report found that Creative Scotland has a framework of governance, risk management and control, including operational, financial and ICT controls, which provide reasonable assurance regarding the effective and efficient achievement of the organisation's objectives.

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 2017 and up to the signing of the financial statements, the organisation has continued progressing through transition, in the development and establishment of effective and appropriate systems, processes and controls.

### **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 relevant the control strategy for each. The register has been developed in line with relevant guidance issued by the Scottish Ministers and with clearly defined processes and specific areas of responsibility.

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

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

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

### **Conclusion**

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

## Remuneration and staff report

The Chair, Board and Chief Executive are appointed by the Scottish Ministers. The Chair and Board receive no remuneration, the Chair having declined the offer of a remuneration package linked to the role. Incidental travel and subsistence expenditure are reimbursed to Board members in accordance with an established expenses policy. Board expenses for the year to 31 March 2017 were £822 (2016: £1,453).

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

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

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

Name	2016/17				2015/16			
	Salary/ (Bonus) £'000	Benefit in kind £'000	Pension Benefits £'000	Total	Salary/ (Bonus) £'000	Benefit in kind £'000	Pension Benefits £'000	Total
Janet Archer Chief Executive	115-120 (0)	-	30-35	145-150	115-120 (0)	-	30-35	145-150
Iain Munro Deputy Chief Executive	85-90 (0)	-	30-35	125-130	85-90 (0)	-	25-30	110-115
Kenneth Fowler Director of Communications	70-75 (0)	-	15-20	90-95	70-75 (0)	-	15-20	85-90
Karen Lannigan Director of HR & Office Services	60-65 (0)	-	25-30	85-90	60-65 (0)	-	25-30	80-85
Ian Stevenson Director of Finance	60-65 (0)	-	20-25	80-85	60-65 (0)	-	15-20	80-85
Leonie Bell <sup>1</sup> Director of Arts & Engagement	60-65 (0)	-	15-20	80-85	55-60 (0)	-	15-20	75-80
Phillip Deverell Director of Strategy	60-65 (0)	-	15-20	75-80	55-60 (0)	-	15-20	70-75
Natalie Usher Director of Screen	55-60 (0)	-	15-20	75-80	55-60 (0)	-	10-15	70-75
Clive Gillman <sup>2</sup> Director of Creative Industries	55-60 (0)	-	15-20	70-75	45-50 (0)	-	10-15	55-60
Claire Byers <sup>3</sup> Interim Director of Arts & Engagement (from 6 March 2017)	0-5 (0)	-	0-5	0-5	-	-	-	-

1. Ms Bell is seconded to the Scottish Government Culture Division for the period 06/02/16 to 31/07/18, and salary costs are reimbursed to Creative Scotland

2. Mr Gillman is employed by Creative Scotland and the post is part funded (50%) by the Scottish Funding Council

3. FTE salary is in the range £55,000 to £60,000

### Salary

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

### Benefits in kind

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

### Bonus

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses are recorded according to the year in which they are paid. No bonuses were paid during the period (2015/16- 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 2017 and 31 March 2016\*:

Name	Accrued pension (lump sum) 31 March 2017 £'000	Accrued pension (lump sum) 31 March 2016 £'000	Real increase in pension (lump sum) £'000	CETV 31 March 2017 £'000	CETV 31 March 2016 £'000	Real increase in CETV £'000
Janet Archer	5-10 (15-20)	0-5 (10-15)	0-2.5 (2.5-5)	123	76	30
Iain Munro	20-25 (65-70)	20-25 (60-65)	0-2.5 (2.5-5)	462	348	32
Kenneth Fowler	5-10 (15-20)	0-5 (10-15)	0-2.5 (2.5-5)	104	69	16
Karen Lannigan	5-10 (5-10)	5-10 (5-10)	0-2.5 (0-2.5)	94	85	11
Ian Stevenson	0-5 (10-15)	0-5 (10-15)	0-2.5 (2.5-5)	100	55	16
Leonie Bell	5-10 (15-20)	0-5 (10-15)	0-2.5 (2.5-5)	113	74	16
Philip Deverell	0-5 (5-10)	0-5 (0-5)	0-2.5 (0-2.5)	53	30	15
Natalie Usher	0-5 (5-10)	0-5 (0-5)	0-2.5 (2.5-5)	42	21	14
Clive Gilman	0-5 (0-5)	0-5 (0-5)	0-2.5 (0-2.5)	29	11	14

### Pension scheme

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

### Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of a pension benefit in another scheme or arrangement which the individual has transferred to Creative Scotland's pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost.

CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take into account any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

#### Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

#### Exit packages\*

Exit package cost band	Total number of packages by cost band (2016/17)	Total number of packages by cost band (2015/16)
Less than £10,000	-	-
£10,000 to £24,999	-	-
£25,000 to £49,999	-	-
£50,000 to £100,000	1	-
Over £100,000	-	-
<b>Total number of exit packages</b>	<b><u>1</u></b>	<b>-</b>

#### Median pay multiples\*

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

	2016/17	2015/16
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	£28,715	£29,163
Ratio	4.11	3.96
Range of staff remuneration below highest paid director (bands of £5,000)	£15,000 - £95,000	£15,000 - £90,000
Employees receiving remuneration in excess of the highest-paid director	0	0

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

#### Staff numbers\*

	2016/17	2015/16
<b>Average number of persons employed (FTE)</b>		
Arts & Engagement	30.7	29.3
Creative Industries	7.5	6.1
Screen	12.0	12.5
Strategy	9.5	10.4
Executive Office	7.0	6.4
Communications	13.1	11.9
Finance & Funding Operations	20.8	21.2
HR & Office Services	8.5	7.9
	<b>109.1</b>	<b>105.7</b>

#### Breakdown of employee groups by gender\*

At 31 March 2017, Creative Scotland employed 119 members of staff, and the table below shows the breakdown by employment grade across the two genders.

Grade	Males	Females
A	1	9
B	6	17
C	13	38
D	13	12
F (Director)	4	4
Deputy Chief Executive	1	-
Chief Executive	-	1
<b>Total</b>	<b>38</b>	<b>81</b>

#### Sickness absence

In the year to 31 March 2017, an average of 4.5 working days (2016: 4.0 days) was lost per staff member working in the year.

#### Disabled people

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.

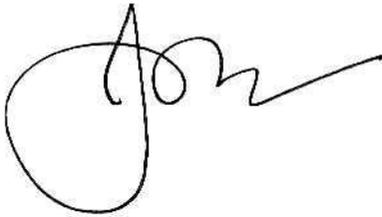
Creative Scotland is committed to ensuring equality of opportunity for those members of staff who are disabled or become disabled for the purposes of the Equality Act 2010 during their employment with Creative Scotland.

**External contractors**

In the year to 31 March 2017, Creative Scotland incurred expenditure of £105,000 on external contractors, which is made up of:

	<b>£'000</b>
External assessors	23
Artistic & Creative Review Framework	81
	<u>104</u>

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



**Janet Archer**  
**Chief Executive and Accountable Officer**  
**6 October 2017**

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

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

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

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

I have audited the financial statements in the annual report and accounts of Creative Scotland National Lottery Distribution Fund for the year ended 31 March 2017 under the the National Lottery etc. Act 1993. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, 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 2016/17 Government Financial Reporting Manual (the 2016/17 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 2017 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 2016/17 FReM; and
- have been prepared in accordance with the requirements of the National Lottery etc. Act 1993 and directions made thereunder by the Scottish Ministers.

#### **Basis of opinion**

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

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

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

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

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by

the Auditor General for Scotland. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) 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.

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

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

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

##### **Opinion on regularity**

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

##### **Responsibilities for regularity**

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

#### **Report on other requirements**

##### **Opinions on other prescribed matters**

I am required by the Auditor General for Scotland to express an opinion on the following matters.

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

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

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

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

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

- adequate accounting records have not been kept; or
- the financial statements and the auditable 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.

Elaine Barrowman,  
Senior Audit Manager  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

6 October 2017

## Statement of Comprehensive Income

*For the year ending 31 March 2017*

	Notes	2016/17	2015/16
		£'000s	£'000s
<b>Income</b>			
National Lottery Fund proceeds	3	29,107	34,375
Other income	4	473	459
		<u>29,580</u>	<u>34,834</u>
<b>Expenditure</b>			
Grants	5	26,865	29,839
Less: de-commitment of prior year grants		(1,242)	(1,119)
Project expenditure		414	234
Staff costs	6	1,880	1,806
Other operating expenditure	7	752	807
		<u>28,669</u>	<u>31,567</u>
<b>Surplus on the Fund</b>		<u>911</u>	<u>3,267</u>

All the results of the Fund relate to continuing activities.

*The notes on pages 28 to 39 form part of these annual report and financial statements.*

## Statement of Financial Position

As at 31 March 2017

	Notes	31 March 2017	31 March 2016
		£'000s	£'000s
<b>Current assets</b>			
Trade and other receivables	8	176	94
Loan receivables	9	-	-
Investments in the NLDF	10	22,318	21,386
Cash and cash equivalents	11	2,404	2,745
<b>Total current assets</b>		<u><b>24,898</b></u>	<u><b>24,225</b></u>
<b>Current liabilities</b>			
Trade and other payables	12	(2,245)	(816)
Grants outstanding	14	(18,828)	(19,876)
<b>Total current liabilities</b>		<u><b>(21,073)</b></u>	<u><b>(20,692)</b></u>
<b>Net current assets/(liabilities)</b>		<u><b>3,825</b></u>	<u><b>3,533</b></u>
<b>Non-current liabilities</b>			
Grants outstanding	13	(7,456)	(8,075)
Provisions	15	(70)	(70)
<b>Total non-current liabilities</b>		<u><b>(7,526)</b></u>	<u><b>(8,145)</b></u>
<b>Net liabilities</b>		<u><b>(3,701)</b></u>	<u><b>(4,612)</b></u>
<b>Reserves</b>		<u><b>(3,701)</b></u>	<u><b>(4,612)</b></u>

The Accountable Officer authorised these financial statements for issue on 6 October 2017.



**Janet Archer**  
Chief Executive of Creative Scotland and Accountable Officer  
6 October 2017

*The notes on pages 28 to 39 form part of these annual report and financial statements.*

## Statement of Cash Flows

	Notes	2016/17	2015/16
		£'000s	£'000s
<b>Cash flows from operating activities</b>			
Surplus on ordinary activities		911	3,267
<i>Movements in working capital</i>			
Decrease/(Increase) in trade receivables		(82)	197
(Decrease)/Increase in trade payables		(238)	1,424
(Decrease)/Increase in provisions		-	-
Decrease/(Increase) in NLDF investments		(932)	(2,867)
<b>Net cash flow from operating activities</b>		<u>(1,252)</u>	<u>(1,246)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<u>(341)</u>	<u>2,021</u>
<b>Net cash and cash equivalents as at 1 April</b>		2,745	724
<b>Net cash and cash equivalents as at 31 March</b>		2,404	2,745

## Analysis of changes in net funds

	Cash at bank and in hand	Net cash and cash equivalents
<b>1 April 2016</b>	2,745	2,745
Cash flows	(341)	(341)
<b>31 March 2017</b>	<u>2,404</u>	<u>2,404</u>

## Statement of Changes in Taxpayers' Equity

	2016/17	2015/16
	£'000s	£'000s
<b>Opening general reserve at 1 April</b>	(4,612)	(7,879)
Transferred from Statement of Comprehensive Income	911	3,267
<b>Closing general reserve at 31 March</b>	<u>(3,701)</u>	<u>(4,612)</u>

The notes on pages 28 to 39 form part of these annual report and financial statements.

## **Notes to the financial statements**

*(Forming part of the financial statements)*

### **1. Accounting Policies**

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

In accordance with the accounts direction issued by Scottish Ministers under Section 35 of Part II of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 2006), these financial statements have been prepared in accordance with the 2016/17 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) and IFRIC Interpretations as adapted or interpreted for the public-sector context.

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

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

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

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

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

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

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

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

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

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

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

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

**f) Project development awards**

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

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

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

**h) National Lottery Distribution Fund**

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

- Completion of the Statement of Assurance of Payments due to the National Lottery Distribution Fund for 2016/17 by the National Lottery Commission.
- Completion of the audit of the National Lottery Distribution Fund accounts for 2016/17 by the National Audit Office.
- The NLDF balance is brought to account at market value reflecting the requirements of IFRS.

**i) Business Development Loans**

Business Development Loans are provided to Scottish based companies who contribute to the development of the screen sector with an opportunity to sustain, develop or grow an aspect of their business for a period of up to two years, without having to repay the loan or interest during this period. At the point at which the loan is made (satisfying the definition of a hard commitments) it is taken to the Statement of Financial Position initially at the full value of the award made. The loans are determined using discounted future cash flows. The asset value is reduced in line with the repayment schedule. It is anticipated that the investments will be recovered in full as the company will not be eligible to apply for further funding if repayments are not made.

**j) 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 (FrEM). 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

#### **k) 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.

#### **l) 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.

#### **m) Segmental Reporting**

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

**n) 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.

**o) 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.

**p) VAT**

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

**q) Corporation tax**

Creative Scotland is liable for corporation tax on its taxable activities. Corporation tax figures for 2016/17 have been based on the advice of our tax advisors and correspondence with Her Majesty's Revenue and Customs.

**2 Critical accounting estimates and judgements**

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

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

**3 National Lottery proceeds**

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000s</b>	<b>£'000s</b>
Share of income from NLDF	29,013	34,235
Investment income	94	140
Movement in revaluation reserve	-	-
<b>Total National Lottery proceeds</b>	<b><u>29,107</u></b>	<b><u>34,375</u></b>

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

**4 Other income**

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000s</b>	<b>£'000s</b>
British Film Institute	100	200
Project Income	159	46
Miscellaneous Income	23	-
Award repayments	191	213
<b>Total other income</b>	<b><u>473</u></b>	<b><u>459</u></b>

The British Film Institute contributed £100,000 in funding towards the Scottish Film Talent Network, a joint project with Creative Scotland.

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

## 5 Grant commitments

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000s</b>	<b>£'000s</b>
<b>Regular Funding</b>		
Regularly Funded Organisations <sup>1</sup>	5,820	5,862
Project Forming Programmes	-	99
<b>Open Project Funding</b>	<b>11,045</b>	<b>10,672</b>
<b>Capital</b>	<b>900</b>	<b>5,379</b>
<b>Targeted- Arts and Engagement</b>		
Scotland + Venice	321	-
Equalities	302	179
Book Week Scotland	200	250
Creative Learning Plan	180	158
Momentum	80	-
SCAN	70	-
Organisation Development Support	47	-
Artworks Scotland	34	78
Traditional Music Awards	32	35
Gavin Wallace Fellowship	25	25
Literature Translation	25	-
Arts Strategies	20	20
Turner Prize	-	96
Artists Rooms	-	55
British Art Show	-	75
Sector Review Producer Hubs	-	280
<b>Targeted- Screen</b>		
Screen Funding	4,010	4,347
Production Growth Fund	946	-
Screen Strategy	412	122
Film Education	204	311
Film Access Network	50	-
<b>Targeted- Creative Industries<sup>2</sup></b>		
Creative Industries	8	184
Digital leadership development	-	25
The Space	-	250
Highlands and Islands Enterprise	-	120
<b>Targeted- Strategy</b>		
Visual Arts & Crafts Awards	105	-
Place	200	679
Awards For All	266	-
International Partnerships and Showcases	298	-
<b>Targeted- Other</b>		
Sector Organisations <sup>3</sup>	1,247	350
Strategic Fund	18	188
<b>Total grant commitments</b>	<b><u>26,865</u></b>	<b><u>29,839</u></b>

<sup>1</sup> Regular Funding is provided over three years, with annual variations based on an application's cashflow requirements.

<sup>2</sup> The Creative Industries programme was mostly funded from a £500,000 allocation from core grant-in-aid in 2016-17.

<sup>3</sup> Sector Organisations were mostly funded from grant-in-aid in 2015-16.

**6 Staff costs**

	2016/17	2015/16
	£'000s	£'000s
<b>Staff costs during the year</b>		
Wages and salaries	1,456	1,432
Social security costs	139	101
Pension costs	284	275
Movement in holiday pay accrual	1	(2)
<b>Total staff costs</b>	<b>1,880</b>	<b>1,806</b>

All employment contracts are with Creative Scotland, and relevant amounts are recharged to the Fund based on a recharge methodology. The recharge for the year was 40% (2015/16: 40%).

**7 Other operating expenditure**

	Direct 2016/17 £'000s	Recharged 2016/17 £'000s	Total 2016/17 £'000s	Total 2015/16 £'000s
HR	-	35	35	41
Estates	-	271	271	297
ICT	-	56	56	47
Operations	1	2	3	78
Office services	-	25	25	27
Audit fees	31	-	31	29
Central services	-	171	171	179
Legal & professional	81	-	81	86
Communications	-	44	44	1
External Relations	-	-	-	12
External Assessors	18	-	18	9
Policy and Research	-	-	-	1
Awards for All overheads	17	-	17	-
<b>Total other operating expenditure</b>	<b>148</b>	<b>604</b>	<b>752</b>	<b>807</b>

**8 Trade receivables and other current assets**

	31 March 2017	31 March 2016
	£'000s	£'000s
Trade receivables	12	2
Sundry	164	92
<b>Total trade receivables and other current assets</b>	<b>176</b>	<b>94</b>

**9 Loan receivables**

	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>£'000s</b>	<b>£'000s</b>
Balance at 1 April	-	75
New loan advances in the year	-	-
Impairment Charge	-	(73)
Repayments	-	(2)
<b>Total loan receivables</b>	<b>-</b>	<b>-</b>

Loan receivables consist of Business Development Loans that were provided by Scottish Screen to a number of organisations for the purposes of providing financial support, and any new loan advances made by Creative Scotland.

**10 Investment balance in the NLDF**

	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>£'000s</b>	<b>£'000s</b>
Balance at 1 April	21,386	18,519
Adjustment to opening balances	-	-
Brought forward balance	<b>21,386</b>	<b>18,519</b>
Lottery proceeds	29,013	34,235
Investment income	94	140
Funds drawn down	(28,175)	(31,508)
<b>Total investment balance in the NLDF</b>	<b>22,318</b>	<b>21,386</b>

The closing market value as at 31 March 2017 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

**11 Cash and cash equivalents**

The following balances at 31 March were held at:

	<b>31 March 2017 £'000s</b>	<b>31 March 2016 £'000s</b>
Commercial banks	2,404	2,745
Cash in hand	-	-
<b>Total cash and cash equivalents</b>	<b><u>2,404</u></b>	<b><u>2,745</u></b>

**12 Trade payables and other current liabilities**

	<b>31 March 2017 £'000s</b>	<b>31 March 2016 £'000s</b>
Trade creditors	11	16
Deferred income	-	14
Accruals	390	140
Due to Creative Scotland	1,777	565
Other	67	81
<b>Total trade payables and other current liabilities</b>	<b><u>2,245</u></b>	<b><u>816</u></b>

**13 Provisions**

	<b>Dilapidations 2017 £'000s</b>	<b>Total 2017 £'000s</b>	<b>Total 2016 £'000s</b>
Balance at 1 April	70	70	70
Arising in the year	-	-	-
Utilised in the year	-	-	-
Reversal	-	-	-
<b>Total provisions</b>	<b><u>70</u></b>	<b><u>70</u></b>	<b><u>70</u></b>

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

**14 Grants outstanding**

	2016/17	2015/16
	<b>£'000s</b>	<b>£'000s</b>
Balance at 1 April	27,951	26,355
De-commitment of prior year awards	(1,191)	(1,006)
Committed in year	26,599	29,939
Paid in year	(27,075)	(27,337)
<b>Total grants outstanding</b>	<b><u>26,284</u></b>	<b><u>27,951</u></b>

	2016/17	2015/16
	<b>£'000s</b>	<b>£'000s</b>
Balance due within one year	18,828	19,876
Balance due between one year and five years	7,456	8,075
Balance due over five years	-	-
<b>Total grants outstanding</b>	<b><u>26,284</u></b>	<b><u>27,951</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.

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

	<b>31 March 2017</b>
	<b>£'000s</b>
Regular Funded Organisations (2015-2018)	5,845
Large Scale Capital Programme- Stage 2	1,418
Screen Production	755
<b>Balance at 31 March</b>	<b><u>8,018</u></b>

Regular Funded Organisations applied for funding during 2014-15, and were awarded a total of £100 million in funding over the period 1 April 2015 to 31 March 2018 which is to be provided from Scottish Government Grant in Aid (£82.5 million) and National Lottery income (£17.5 million). The funding for the financial year ending 31 March 2018 is subject to budget availability and the satisfactory negotiation of a funding agreement with individual organisations for each of these financial years.

The Large-Scale Capital Programme is awarded over two stages, with the first stage comprising of development funds. Successful applicants at the first stage have their stage 2 funding ring-fenced, and final award is subject to a successful application. The total for outstanding stage 2 applications awaiting a final decision as at 31 March 2017 is £1.4 million.

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

## **16 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 2016, the balance held at the NLDF was £21.4 million. This has increased to £22.3 million by 31 March 2017, at which point there were £26.3 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.

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

During the financial year, 98.4% of the Fund's income derived from National Lottery proceeds. The remaining income is derived from bank interest and award repayments of 0.7%, and from other income in relation to the project income, of 0.9%.

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

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

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

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

At the balance sheet date, the market value of Creative Scotland's share of the National Lottery Distribution Fund was £22.3 million. In the year, the average return on these investments was 0.5%.

Cash balances which are drawn down by Creative Scotland from the National Lottery Distribution Fund to pay grant commitments and operating costs are held in a business current account with the Royal Bank of Scotland plc. The cash balance at the year-end was £2.4 million. We consider that we are not exposed to significant interest rate risks on our cash balances.

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

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

## **17 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 2017. During the year, Creative Scotland invoiced the Lottery Distribution Fund for £2.4 million in respect of recharges for the year for staff, overhead and related costs. The Scottish Government's Directorate of Culture, External Affairs and Tourism is regarded as a related party. During the year, Creative Scotland had various material transactions with the Scottish Government Directorate of Culture, External Affairs and Tourism.

## Accounts Direction



### CREATIVE SCOTLAND

#### DIRECTION BY THE SCOTTISH MINISTERS

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

Signed by the authority of the Scottish Ministers

Dated

25 Jan. 2012

## SCHEDULE 1

### **Additional Accounting and Disclosure Requirements**

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

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

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

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

Grants totalling £26.9 million were made during the year in support of a range of projects.

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

<b>Programme</b>	<b>Organisation</b>	<b>Award</b>
Regular Funded Organisations	Feisean Nan Gaidheal	466,666
	Imaginate	365,000
	Scottish National Jazz Orchestra	229,850
	Enterprise Music Scotland	225,000
	Feis Rois Limited	220,000
	National Youth Orchestras of Scotland	216,667
	Catherine Wheels Theatre Company	213,752
	Regional Screen Scotland	200,678
	Greenock Arts Guild	200,000
	National Youth Choir of Scotland	200,000
	Solar Bear Limited	200,000
	Scottish Youth Dance Limited	183,333
	Travelling Gallery	153,333
	Birds of Paradise Theatre Company	150,000
	The National Piping Centre	150,000
	Lung Ha's Theatre Company	146,775
	Stellar Quines	145,000
	Project Ability	143,333
	Youth Theatre Arts Scotland	135,000
	Hands Up for Trad	133,332
	Woodend Arts Limited	133,000
	Rapture Theatre	125,000
	The Touring Network	120,000
	Drake Music Scotland	116,000
	Deveron Arts	110,000
	Glasgow East Arts Company Limited	110,000
	Festival & King's Theatre	105,000
Indepen-dance (Scotland)	100,000	
Luminate	100,000	
Voluntary Arts Scotland	100,000	
Open Fund	Stanza Scotlands' Poetry Festival	130,000
	Vox Motus	130,000
	Lisa Whytock (Showcase Scotland)	125,000
	Sound Festival	125,000
	UZ Arts	112,500
	Aros (Isle of Skye)	100,000
	Cryptic	100,000
	Royal Lyceum Theatre Company	100,000

<b>Programme</b>	<b>Organisation</b>	<b>Award</b>	
Capital	Hospitalfield Trust	900,000	
Targeted Funds	Culture Republic	350,000	
	Cultural Enterprise Office	337,000	
	Federation of Scottish Theatres	210,000	
	Arts & Business	200,000	
	Renfrewshire Leisure	200,000	
	Scottish Book Trust	200,000	
	Alchemy Film and Arts	179,359	
	Creative Carbon Scotland	150,000	
	Education Scotland	150,000	
	British Council Scotland	150,000	
	Glasgow Life	100,000	
Screen	Wellington Films	453,966	
	Holdings Ecosse Limited	347,000	
	Muncie Productions Limited	250,000	
	Salon Pictures	250,000	
	Blazing Griffin Limited	250,000	
	Film City Futures Limited	250,000	
	Red Kite Animation	220,000	
	ITV Loch Ness Limited	200,000	
	Meta Film London Limited/Greenroom Tempo		
	Entertainment Limited	200,000	
	Centre for the Moving Image	200,000	
	SDI Outreach	165,000	
	Cycling Films Limited	150,000	
	Red Kite Animation Limited	150,000	
	Wellington Films Limited	146,034	
	Singer Films	125,000	
	LBP Outlander Limited	110,000	
	Po Valley Productions Limited	100,000	
		Sigma Films	100,000

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

**Appendix 2- Policy direction**



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

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

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

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



CCS1017246036 10/17

ISBN 978-1-5286-0089-7