



Creative Scotland

National Lottery Distribution Fund

Annual Report and Accounts

For the year ended 31 March 2016

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

Ordered by the House of Commons to be printed 12 December 2016

Laid before the Scottish Parliament by the Scottish Ministers December 2016

HC 848

SG/2016/224



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Performance Report

Overview

Chair's Report

It is a great honour and at times a humbling experience to serve as Chair of Creative Scotland. 2015/16 marks my first full financial year with the organisation and while much remains to be done I am pleased with the organisation's progress to date. Our focus on continuous improvement, commitment and care in support of the arts, screen and creative industries lie at the heart of our thinking alongside our various roles as a funder, advocate, influencer and a development agency.

The Board of Creative Scotland welcomes the Scottish Government's continued recognition of the value of the arts, screen and the wider creative industries. Creativity lies at the heart of every successful nation and is something to be both cherished and properly underpinned.

Our Grant in Aid allocation is some 0.2% of total Scottish Government expenditure but is supplemented by National Lottery money. Despite a small reduction in our Grant in Aid budget announced in December 2015 we were able to contain this and avoid passing on any reductions to the creative organisations and people we fund. My thanks go to our CEO and Senior Leadership Team for their hard work in achieving this but of course we acknowledge that there are tough financial times ahead in terms of the public finances that will test us further.

We will, of course, continue to make the case for public and private sector support at a local, national and international level and seek to demonstrate the important role that culture and our creative industries play in the educational lives of our young people, the community as a whole and, not least, the economy.

Our simplified approach to funding, which we announced and activated in 2014/15, appears to have bedded in well with 118 organisations receiving more than £33 million ongoing support through Regular Funding in 2015/16 and 569 awards of almost £12 million being made to organisations and individuals through Open Project Funding. Both I and all the Board continue to be conscious of the fact that we are only able to fund around 30% of the applications that we receive something that we know often results in real hardship and stress. Our own staff are not shielded from this and have to make difficult choices. It is to their credit that they do so with tact and sensitivity and I thank them for that.

I'm pleased that 2015/16 saw the publication of our Creative Industries Strategy, complementing our strategy for Screen, published in 2014/15, and our strategy for the Arts, published in the early part of 2016/17. These cohesive and ambitious strategies set out both the priorities and challenges for our work to support each sector and for how we will work in partnership with others to deliver our ambitions.

In terms of Screen, we have seen a continuation of the highest ever levels of film and TV production in Scotland in 2015/16. The Scottish Government supported Production Growth Fund which was launched in September 2015 has helped ensure that some large scale and high profile productions have come to Scotland, with all the associated benefits for those working in Scotland's Screen sector. We continue to support Scottish Enterprise and others to deliver permanent, sustainable studio spaces for Scotland and were delighted to welcome the increased investment in the facility at Wardpark in Cumbernauld, currently being used to shoot the major TV series, *Outlander*. Other studio proposals are also being

proposed and there is certainly a need to move swiftly to attract the considerable film activity pressurising for studio facilities here.

During the year John McCormick agreed to Chair a Screen Leadership Team comprising representatives of the sector to look at what is required from a practitioner's viewpoint and we look forward to their findings and recommendations while we work with the Government on their Manifesto commitment as regards the screen sector.

There is, of course, always much still to do and both myself as Chair and my Board colleagues will continue to help, guide, encourage and advise the Senior Leadership Team, and the Staff of Creative Scotland to deliver their work to a high and well informed standard. I would also like to thank them all for their diligence, dedication and hard work, often under severe pressure, over the last twelve months. I'd also like to thank my board members for their support and valuable input during the course of the year.

Our Cabinet Secretary for Culture, Europe and External Affairs, Fiona Hyslop MSP, deserves very special thanks for her constant encouragement, vision and enthusiasm. Her recent re-appointment following the Scottish Parliamentary elections was most welcomed by our Board, Staff and by those working throughout the cultural and creative sector.

I continue to be enthralled and stimulated by what is being achieved here in Scotland and the beacon that that sends out to the rest of the world about our country in the 21st century. We are extremely rich in our talent....let's ensure we continue to preserve, nurture and grow it.



Richard Findlay CBE
Chair of the Creative Scotland Board
7 October 2016

Chief Executive's Report

2015/16 has been another important year for the arts, screen and creative industries in Scotland and our work to support the artists, individual creative practitioners and organisations working in these sectors.

Creative Scotland's work is framed by our 10-year plan, *Unlocking Potential, Embracing Ambition*, which was published in April 2014. I am pleased to report that we have now also honoured our commitment to deliver individual strategies for Screen, the Creative Industries and the Arts through extensive collaboration, consultation and dialogue with sectors and with industry.

These plans are important as they set out clear ambitions and priorities for the arts, screen and creative industries in Scotland and provide a framework for, not only the work of Creative Scotland, but also the work of the people and organisations that we support and those we work in partnership with. We hope they comprise a useful toolkit to inform policy and planning for everyone working with the arts, screen and creative industries across Scotland.

The 10-year plan is supported by our Annual Plan for 2015/16, which is available to read 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.

All of these plans reflect the major achievements delivered by arts and creative professionals on many different scales across Scotland. The quality and impact of creative work produced in today's Scotland is a magnificent driving force for all of us working at Creative Scotland in our role as a funder, development agency, advocate and influencer.

Our Chair's introduction accounts for the breadth and scale of funding we have been able to deliver this year. Overall we have received positive feedback on our refined funding processes, although we continued to be challenged by sustained pressure on funds, and we continue to get more fundable applications than we can fund due to budget constraints.

Because we know how onerous making funding applications can be, we continue to strive to improve our funding processes. We reviewed and simplified further our guidance and application process for Open Project Funding this year, in response to feedback from applicants.

2015/16 saw the development of a new Artistic and Creative Review Framework and the recruitment of 45 peer reviewers, all experts in their respective fields. This work is aimed at stimulating meaningful, objective, and transparent dialogue between Regularly Funded Organisations and Creative Scotland on artistic and creative quality. It's not about measuring quality in a singular way, its focus is on opening up appetite for confident discussion about what quality means in different types of arts and creative contexts.

Since the publication of the screen strategy in 2014 we have implemented a series of measures to grow and support Scotland's screen sector and in 2015/16 we have seen record levels of film and TV production in Scotland be maintained. We introduced almost £5 million of new funds for film and TV production, and skills development. In total, we invested more than £13 million for the year 2015/16 through a combination our £4 million UK National Lottery Film Fund, strategic targeted funding and other funding for exhibition, distribution and audience development, mainly routed through our Regularly Funded Organisations. This constitutes a greater level of investment into Screen than in the past.

We have continue to focus on delivering Time to Shine, Scotland's National Youth Arts Strategy, Through partnerships developed across the creative, social and voluntary sectors, Time to Shine has supported nine hubs to improve youth arts provision and infrastructure in ten regions of Scotland (in Aberdeen and the North East, Argyle and Bute, Ayrshire, Edinburgh and the Lothians, Fife, Glasgow, Highlands, Moray, and West Dunbartonshire). We have also completed the first phase of TTS.Digital designed to inspire digital creativity in young people. The TTS.Digital phase two projects will complete in November 2016 with developments being showcased at the Time to Shine conference in October 2016.

Alongside this we have also continued to develop and deliver our approach to Place Partnerships. Over the course of this year we have progressed Place Partnerships in 12 Local Authority areas. The Creative Place Awards saw Stornaway, Forres and Moniaive and Glencairn win awards.

2015/16 saw the continued roll-out of our major capital programme for projects selected in previous years. Awards were made to Edinburgh Printmakers, Aberdeen Performing Arts, the Artists Collective Gallery, WASPS (Workshop and Artists Studio Provision Scotland) and NVA over the course of the year, strengthening Scotland's creative infrastructure for future generations to enjoy.

I am pleased to say we have also continued to strengthen our organisation through the on-going delivery of our people strategy which continues to see significant investment in staff through focused learning and development. We have refreshed our staffing structure and job descriptions to make sure we use our specialist expertise appropriately and effectively and continue to make key appointments to fulfil our staffing structure.

Scotland's cultural landscape is extraordinary, woven with talent and passion in every corner of this land. I am proud and honoured to be able to both experience and represent the marvellous things that people create, make and produce across every aspect of the arts, screen and creative industries everywhere.



Janet Archer
Chief Executive and Accountable Officer
7 October 2016

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 7 October 2016.

The policy directions issued under section 26 of Part II of the National Lottery etc. Act 1993 by the Scottish Ministers 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 2016, the Creative Scotland NLDF had net liabilities of £4.7 million (2015: £7.9 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 29.

Risk management

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

Performance summary- review of the year

In 2015/16 Creative Scotland committed £76.6 million of funding to the arts, screen and creative industries in Scotland arising from £46.6 million of Scottish Government Grant In Aid funding and £30 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>2011/12</u> <u>£m</u>	<u>2012/13</u> <u>£m</u>	<u>2013/14</u> <u>£m</u>	<u>2014/15</u> <u>£m</u>	<u>2015/16</u> <u>£m</u>
Grant in Aid	44.4	45.9	48.1	46.0	46.6
Lottery	20.2	40.8	41.4	30.5	30.0
Total	64.6	86.7	89.5	76.5	76.6

In 2014-15, Creative Scotland changed the way it distributes funding, with the aim of simplifying the process for individuals and organisations. Funding programmes are now split into three categories: 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 119 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 569 grants consisting of £1 million of grant-in-aid and £10.7 million of National Lottery funding during 2015/16.

Targeted Funding

Targeted funding is used to address specific activities and development needs in a sector, specialism, or geographic area. In 2015/16, total targeted grant funding was £31.2 million of which £17.9 million was funded from grant-in-aid and £13.3 million was from National Lottery.

Key examples of targeted funding during 15/16 include:

- **Film Funding-** A total of £4.3 million of lottery funding was committed in 2015/16 for film funding. The largest route within the fund is production funding and the following film productions received awards of £300,000 and above:
 - Country Music (Fable Productions), £500,000
 - Tommy's Honour (Tommy's Honour Productions), £300,000
 - Blackbird (Westend Films Production), £300,000
 - Daphne (Bureau Film Company), £300,000
- This was also the second year of the Scottish Film Talent Network, which received funding of £450,000 of which £200,000 was from the British Film Institute. The Network has three partners: the Centre for the Moving Image (CMI), DigiCult 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 2015/16, with 5 applications receiving final approval including: Edinburgh Printmakers (£1.6 million), Aberdeen Performing Arts (£1.4 million), Artist's Collective Gallery (£0.9 million), WASPs (£0.9 million), and NVA (£0.4 million).
- The Creative Place Awards recognise communities where people work together to celebrate and promote their town, village or area through the arts and culture. The awards enable them to build on their strengths and to try new things. The 2015 Awards took place in June 2015 in Falkirk Town Hall, with three winners: Stornoway and the Islands of Lewis and Harris (£125,000), Forres (£100,000), and Moniave (£50,000).

These are just some examples of the range of work supported by Creative Scotland in 2015/16 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. An annual plan for 2016/17 was published in April 2016.

Creative Scotland will continue to develop strategies for its three key areas of responsibility; the Arts, Screen and Creative Industries during 2016/17.

In 2016/17 Creative Scotland will further develop its Arts Strategy, and this will lay out the future ambition for the arts in Scotland. Key tasks for 2016/17 include:

- Working with Literature Alliance to develop a series of collaborative knowledge exchange and skill sharing events
- Support the development of Dancing Scotland as a network for those involved in participatory dance practice
- Develop plans for Scotland + Venice 2017 to ensure Scotland's visual arts are represented at the Venice Biennale

- Building on work carried out in 2015/16, a number of sector reviews and plans will be finalised and published:
 - Visual Arts Sector Review
 - Equalities, Diversity and Inclusion Review
 - Creative Learning Review
 - Touring and Theatre provision

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 2016/17 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
- Undertake a review of the animation sector in Scotland as an action arising from the Scottish Parliament's Economy, Energy and Tourism Committee Report
- Publish a report on Screen Equalities, Diversity and Inclusion to better understand issues of under representation across the screen sector in order to address these issues through positive action going forward.

In 2016/17, the Creative Industries strategy was published and this will form the basis of Creative Scotland's work in this area. The strategy makes a number of commitments, including working 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 2015/16 have been prepared under an Accounts Direction, on page 39, issued by the Scottish Ministers to meet the accounting and disclosure requirements of applicable accounting standards so far as these requirements are appropriate and comply with the Government Financial Reporting Manual (FRM).

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

Creative Scotland- Results for the year ending 31 March 2016 versus Budget

	<u>Actual</u> <u>£m</u>	<u>Budget</u> <u>£m</u>	<u>Variance</u> <u>£m</u>
Income			
National Lottery Proceeds	-34.4	-32.0	-2.4
Other	-0.5	-0.4	-0.1
Expenditure			
Grants awards and investments	30		
Project Expenditure	0.2		
Less de-committed awards	-1.1		
Total net grants and project expenses	29.1	35.1	-6.0
Staff costs	1.8	1.9	-0.1
Other operating expenditure/income	0.8	1.0	-0.2
Net expenditure	-3.2	5.6	-8.8

Lottery proceeds were significantly ahead of budget for 2015-16, due to additional proceeds from ticket sales in the year.

Total net grants and project expenditure for the year to 31 March 2016 was £6 million below budget, and overall expenditure was £0.3 million lower than budget. This was mostly due to capital funding that was budgeted for in 2015-16 financial year not finalising before the year end, with final funding decisions now taking place in 2016-17.

Environmental Sustainability

Creative Scotland is committed to reducing the environmental impact of its operations, as well as promoting carbon efficiency and sustainable behaviours across the arts, screen and creative industries. An environment policy sets out Creative Scotland's statutory requirements under the Climate Change (Scotland) Act 2009 and to assist the Scottish Government's target of cutting CO₂ emissions by 42% by 2020. Our work in this area includes:

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

During 2015/16, plans were being drafted to improve carbon measurement and reduction through direct operations. Monitoring of GHG emissions in tonnes of CO₂ for 2 key areas for our operations for 2014/15 and 2015/16 were undertaken, with key results shown in the table below:

	2015-16 GHG (tCO₂e)	2014-15 GHG (tCO₂e)	% change
Energy	85.8	90.9	-6%
Business Travel	87	123.3	-29%

Energy relates to electricity consumption in our Glasgow and Edinburgh offices.

Business travel relates to foreign and domestic air travel, rail, taxi and mileage. We achieved a significant reduction in business travel emissions, mostly due to a large reduction in long haul air travel.

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



Janet Archer
Chief Executive and Accountable Officer
7 October 2016

Accountability Report

Corporate Governance Report

Director's Report

Board Members

Richard Findlay (Chair)
David Brew (from 1/8/15)
Erin Forster (from 1/8/15)
Professor Maggie Kinloch (from 1/8/15)
Sheila Murray (from 1/8/15)
Barclay Price
Ruth Wishart
Iain Aitchison (from 01/08/16)
Karen Forbes (from 01/08/16)
Karthik Subramanya (from 01/08/16)
Cate Nelson-Shaw (from 01/08/16)

Senior Leadership Team

Janet Archer, Chief Executive
Iain Munro, Deputy Chief Executive
Leonie Bell, Director of Arts and Engagement
Natalie Usher, Director of Screen
Kenneth Fowler, Director of Communications
Karen Lannigan, Director of HR & Office Services
Ian Stevenson, Director of Finance
Philip Deverell, Director of Strategy
Clive Gilman, Director of Creative Industries (from 15/06/15)

Offices:

Waverley Gate
2-4 Waterloo Place
Edinburgh
EH1 3EG

The Lighthouse
Mitchell Lane
Glasgow
G1 3NU

External Auditors:

KPMG LLP
191 West George Street
Glasgow
G2 2LJ

Internal Auditors:

Scott Moncrieff
25 Bothwell Street
Glasgow
G2 6NL

Bankers:

Royal Bank of Scotland
36 St Andrew Square
Edinburgh
EH2 2AD

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

Creative Scotland Board

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

	Date of appointment	Term	End of current term
Richard Findlay (Chair)	1 January 2015	1 st	31 December 2018
Steve Grimmond	1 July 2010	2 nd	30 June 2016
Sandra Gunn	1 July 2012	1 st	30 June 2016
May Miller	1 July 2012	1 st	30 June 2016
Fergus Muir	1 July 2012	1 st	30 June 2016
Richard Scott	1 July 2012	1 st	30 June 2016
Barclay Price	1 July 2010	2 nd	30 June 2017
Ruth Wishart	1 July 2010	2 nd	30 June 2017
David Brew	1 August 2015	1 st	31 July 2019
Erin Foster	1 August 2015	1 st	31 July 2019
Professor Maggie Kinloch	1 August 2015	1 st	31 July 2019
Shelia Murray	1 August 2015	1 st	31 July 2019

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. Neither the Chair, nor any of the Board 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.

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 in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Creative Scotland and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

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

- observe the Accounts Direction issued by the Scottish 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 Creative Scotland. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding Creative Scotland's assets, are set out in the Accountable Officer's Memorandum issued by Scottish Ministers.

Creative Scotland's external auditor is appointed by the Auditor General for Scotland, and for the year ended 31 March 2016, KPMG LLP 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.



Janet Archer
Chief Executive and Accountable Officer
7 October 2016

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 Financial Memorandum with the Scottish Government.

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

The Board has corporate responsibility for ensuring that Creative Scotland fulfils the aims and objectives set by the Scottish Ministers. The Board is supported in its activities by three standing committees: the Audit and Risk Committee; the Finance and General Purposes Committee (previously known as the Remuneration and Governance Committee); and the Chairs' Committee. The purpose of the Chairs' Committee is to give the Board the flexibility to deal with matters out with the programmed Board meeting schedule. 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 Financial Memorandum.

Operation of the Board

During 2015-16, the Board met on 6 occasions in line with its agreed schedule of meetings. During the year the Board approved the 2016/17 annual plan and budget, approved large scale capital applications, approved the Glasgow Office move and reviewed and contributed to the Arts and Creative Industries Strategies.

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

The Chairs' Committee met once in the period. The Committee continued to support the Board by allowing flexibility to deal with significant matters arising throughout the year in a timely manner. All findings are reported to the Board at the next scheduled meeting.

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 2016 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 2016 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 a risk register which is reviewed regularly by the Senior Leadership team, at each Audit and Risk Committee and at least annually by 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.

The Business Risk Assessment Register identifies the organisation's risks and relevant the control strategy for each. The Business Risk Assessment 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.

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.



Janet Archer
Chief Executive and Accountable Officer
7 October 2016

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 established expenses policies. Board expenses for the year to 31 March 2016 were £1,453 (2014/15: £2,325).

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.

Under 5.3.21 of the FReM the following sections of this report are subject to audit: remuneration, pension, salary and allowances, benefits in kind, CETV and Pension payment.

Salary entitlements of the Senior Leadership Team

Name	2015/16				2014/15			
	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	110-115 (0)	-	25-30	140-145
Iain Munro Deputy Chief Executive	85-90 (0)	-	25-30	110-115	85-90 (0)	-	80-85	165-170
Kenneth Fowler Director of Communications	70-75 (0)	-	15-20	85-90	70-75 (0)	-	20-25	90-95
Karen Lannigan Director of HR & Office Services	60-65 (0)	-	25-30	80-85	60-65 (0)	-	25-30	85-90
Ian Stevenson Director of Finance	60-65 (0)	-	15-20	80-85	55-60 (0)	-	15-20	70-75
Leonie Bell Director of Arts & Engagement	55-60 (0)	-	15-20	75-80	55-60 (0)	-	25-30	85-90
Phillip Deverell Director of Strategy	55-60 (0)	-	15-20	70-75	55-60 (0)	-	10-15	70-75
Gerard Kelly ¹ Director of Funding Operations (to 19/02/2016)	45-50 (0)	-	10-15	55-60	55-60 (0)	-	10-15	70-75
Natalie Usher Director of Screen	55-60 (0)	-	10-15	70-75	40-45 (0)	0-5	10-15	50-55
Clive Gillman ² Director of Creative Industries (from 15/06/2015)	45-50 (0)	-	10-15	55-60	-	-	-	-

1- Full year FTE salary is in the range £55,000 to £60,000

2- Full year FTE salary was in the range £55,000 to £60,000. Mr Gillman is employed by Creative Scotland and the post is part funded (50%) by the Scottish Funding Council

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. During the year, Creative Scotland paid benefits in kind for re-location expenses for the Director of Screen, who re-located to Edinburgh for their role.

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 (2014/15- 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 2016 and 31 March 2015:

Name	Accrued pension (lump sum) 31 March 2016 £'000	Accrued pension (lump sum) 31 March 2015 £'000	Real increase in pension (lump sum) £'000	CETV 31 March 2016 £'000	CETV 31 March 2015 £'000	Real increase in CETV £'000
Janet Archer	0-5 (10-15)	0-5 (5-10)	0-2.5 (2.5-5)	76	46	25
Iain Munro	21-25 (60-65)	15-20 (55-60)	0-2.5 (2.5-5)	348	315	19
Kenneth Fowler	0-5 (10-15)	0-5 (5-10)	0-2.5 (2.5-5)	69	52	12
Karen Lannigan	5-10 (5-10)	5-10 (5-10)	0-2.5 (0-2.5)	85	80	11
Ian Stevenson	0-5 (10-15)	0-5 (5-10)	0-2.5 (2.5-5)	55	31	9
Leonie Bell	0-5 (10-15)	0-5 (10-15)	0-2.5 (0-2.5)	74	59	12
Philip Deverell	0-5 (0-5)	0-5 (0-5)	0-2.5 (0-2.5)	30	15	12
Gerard Kelly	0-5 (0-5)	0-5 (0-5)	0-2.5 (0-2.5)	28	16	10
Natalie Usher	0-5 (0-5)	0-5 (0-5)	0-2.5 (0-2.5)	21	8	10
Clive Gilman	0-5 (0-5)	N/A	0-2.5 (0-2.5)	11	N/A	9

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 of 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

There were no exit packages in 2015/16 or 2014/15.

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.

	2015/16	2014/15
Banded remuneration of the highest paid director in Creative Scotland	£115,000 to £120,000	£110,000 to £115,000
Median Remuneration of Creative Scotland staff	£29,163	£31,324
Ratio	3.96	3.6
Range of staff remuneration below highest paid director (bands of £5,000)	£17,000 - £90,000	£15,000 - £85,000
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

During the year, Creative Scotland undertook a structure refresh, which led to the creation of new staff directorates. Staff number figures are shown for 2015/16 under the new structure.

	2015/16 Number
Average number of persons employed (FTE)	
Arts & Engagement	29.3
Creative Industries	6.1
Screen	12.5
Strategy	10.4
Executive Office	6.4
Communications	11.9
Finance and Funding Operations	21.2
HR & Office Services	7.9
	105.7

	2014/15 Number
Average number of persons employed (FTE)	
Creative Directorates	51.8
Finance & Operations	22.7
HR and Office Services	9.7
Communications	16.2
Executive Office	6.0
	106.4

Breakdown of employee groups by gender

At 31 March 2016, Creative Scotland employed 114 members of staff, and the table below shows the breakdown by employment grade across the two genders.

Grade	Males	Females
A	1	7
B	6	17
C	12	37
D	13	11
F (Director)	4	4
Deputy Chief Executive	1	-
Chief Executive	-	1
Total	37	77

Sickness absence

In the year to 31 March 2016, an average of 4 working days (2015: 6.0 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.

Consultancy

In the year to 31 March 2016, Creative Scotland incurred expenditure of £90,000 on consultancy, which is made up of:

	£'000
External assessors	15
Artistic and Creative Review Framework	15
Contractors	60
	<hr/> 90

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



Janet Archer
Chief Executive and Accountable Officer
7 October 2016

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

We have audited the financial statements of Creative Scotland for the year ended 31 March 2016 under the National Lottery etc. Act 1993. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. 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 2015/16 Government Financial Reporting Manual (the 2015/16 FReM).

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 125 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of directors, Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

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. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we 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 us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the 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 2016 and of its surplus 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 2015/16 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.

Opinion on regularity

In our 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.

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the National Lottery etc. Act 1993 and directions made thereunder by the Scottish Ministers; and
- the information given in the Performance Report and the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

We have nothing to report in respect of these matters.

Hugh Harvie, (for and on behalf of KPMG LLP)
191 West George Street
Glasgow
G2 2LJ

Statement of Comprehensive Income

For the year ending 31 March 2016

	Notes	2015/16	2014/15
		£'000s	£'000s
Income			
National Lottery Fund proceeds	2	34,375	34,882
Other income	3	459	419
		<u>34,834</u>	<u>35,301</u>
Expenditure			
Grants	4	29,839	30,444
Less: de-commitment of prior year grants		(1,119)	(1,313)
Project expenditure		234	260
Staff costs	5	1,806	1,788
Other operating expenditure	6	807	951
		<u>31,567</u>	<u>32,130</u>
Surplus		<u><u>3,267</u></u>	<u><u>3,171</u></u>

All the results of the Fund relate to continuing activities.

The notes on pages 29 to 38 form part of these annual report and financial statements.

Statement of Financial Position

As at 31 March 2016

	Notes	31 March 2016	31 March 2015
		£'000s	£'000s
Current assets			
Trade and other receivables	7	94	216
Loan receivables	8	-	75
Investments in the NLDF	9	21,386	18,519
Cash and cash equivalents	10	2,745	724
Total current assets		<u>24,225</u>	<u>19,534</u>
Current liabilities			
Trade and other payables	11	(816)	(988)
Grants outstanding	13	(19,876)	(19,410)
Total current liabilities		<u>(20,692)</u>	<u>(20,398)</u>
Net current assets/(liabilities)		<u>3,533</u>	<u>(864)</u>
Non-current liabilities			
Grants outstanding	13	(8,075)	(6,945)
Provisions	12	(70)	(70)
Total non-current liabilities		<u>(8,145)</u>	<u>(7,015)</u>
Net liabilities		<u>(4,612)</u>	<u>(7,879)</u>
Reserves		<u>(4,612)</u>	<u>(7,879)</u>

The Accountable Officer authorised these financial statements for issue on 7 October 2016.



Janet Archer
Chief Executive of Creative Scotland and Accountable Officer
7 October 2016

The notes on pages 29 to 38 form part of these annual report and accounts.

Statement of Cash Flows

	Notes	2015/16	2014/15
		£'000s	£'000s
Cash flows from operating activities			
Surplus on ordinary activities		3,267	3,171
<i>Movements in working capital</i>			
Decrease/(Increase) in trade receivables		197	11
(Decrease)/Increase in trade payables		1,424	(3,124)
(Decrease)/Increase in provisions		-	-
Decrease/(Increase) in NLDF investments		(2,867)	587
Net cash flow from operating activities		<u>(1,246)</u>	<u>(2,526)</u>
Net increase / (decrease) in cash and cash equivalents		<u>2,021</u>	<u>645</u>
Net cash and cash equivalents as at 1 April		724	79
Net cash and cash equivalents as at 31 March		2,745	724

Analysis of changes in net funds

	Cash at bank and in hand	Net cash and cash equivalents
1 April 2015	724	724
Cash flows	2,021	2,021
31 March 2016	<u>2,745</u>	<u>2,745</u>

Statement of Changes in Taxpayers' Equity

	2015/16	2014/15
	£'000s	£'000s
Opening general reserve at 1 April	(7,879)	(11,050)
Transferred from Statement of Comprehensive Income	3,267	3,171
Closing general reserve at 31 March	<u>(4,612)</u>	<u>(7,879)</u>

The notes on pages 29 to 38 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 2015/16 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) and IFRIC Interpretations as adapted or interpreted for the public sector context.

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

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

b) Accounting Convention

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

c) Going Concern

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

d) Accruals Convention

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

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

e) Accounting for funding awards

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

Grants which have been approved but not recognised as future conditions have still to be met are disclosed in Note 14.

f) Project development awards

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

g) Property, Plant & Equipment (PPE)

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

h) National Lottery Distribution Fund

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

- Completion of the Statement of Assurance of Payments due to the National Lottery Distribution Fund for 2015/16 by the National Lottery Commission.
- Completion of the audit of the National Lottery Distribution Fund accounts for 2015/16 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 (FrM). IFRS 7 requires the classification of financial instruments into separate categories for which the accounting treatment is different. Creative Scotland has classified its financial instruments as follows:

Financial Assets

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

Other financial liabilities

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

Recognition and measurement

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

Embedded Derivatives

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

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 2014/15 have been based on the advice of our tax advisors and correspondence with Her Majesty's Revenue and Customs.

r) IFRSs not applied in Financial Statements

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 9 *Financial Instruments*

2 National Lottery proceeds

	2015/16	2014/15
	£'000s	£'000s
Share of income from NLDF	34,235	34,742
Investment income	140	140
Movement in revaluation reserve	-	-
Total National Lottery proceeds	34,375	34,882

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

3 Other income

	2015/16	2014/15
	£'000s	£'000s
British Film Institute	200	200
Project Income	46	45
Award repayments	213	174
Total other income	459	419

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

Other project income was received from the Paul Hamlyn Foundation for Artworks Scotland.

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

4 Grant commitments

	2015/16	2014/15
	£'000s	£'000s
Regular		
Regular Funding	5,862	-
Project Forming Programmes	99	4,989
Open Funds (including transitional funds)		
Open project funding	10,672	2,826
Quality Artistic Production	-	2,888
Touring, Festivals & Events	-	1,432
Public Engagement	-	500
Professional Development	-	216
Public Art	-	579
Artists Bursaries	-	750
Targeted – Continuing 2014/15 programmes		
Film & Broadcasting	4,347	4,525
BFI Education	311	500
Capital	5,379	7,141
Place	679	548
Creative Learning Plan	158	104
Equalities	179	123
Targeted – 2015/16 programmes		
Art Strategies	20	-
Book Week Scotland	250	-
Gavin Wallace Fellowship	25	-
Turner Prize	96	-
Artists' Rooms	55	-
British Art Show	75	-
Sector Review Producer Hubs	280	-
Traditional Music Awards	35	-
Film Strategy	122	-
Creative Industries	184	-
Artworks Scotland	78	-
Digital leadership development	25	-
The Space CIC	250	-
Highlands and Islands Enterprise	120	-
Culture Republic	350	-
Strategic Fund For Excellence	188	-
Targeted – Programmes complete in 2014/15		
National Events 2012/14	-	1,313
Celebrate	-	983
Get Scotland Dancing	-	140
Transition Funds (targeted)	-	636
Targeted Funds	-	255
Awards for All	-	(4)
Total award commitments	<u>29,839</u>	<u>30,444</u>

2015-16 was the first year of the three year Regular Funding Programme which runs from 1 April 2015 to 31 March 2017. This programme replaced the Project Forming Programmes.

Open project funding replaced a number of transitional programmes in operation during 2014-15.

5 Staff costs

	2015/16	2014/15
	£'000s	£'000s
Staff costs during the year		
Wages and salaries	1,432	1,387
Social security costs	101	106
Pension costs	275	273
Holiday pay accrual	(2)	22
Total staff costs	<u>1,806</u>	<u>1,788</u>

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% (2014/15: 40%).

6 Other operating expenditure

	Direct 2015/16 £'000s	Recharged 2015/16 £'000s	Total 2015/16 £'000s	Total 2014/15 £'000s
HR costs	-	41	41	62
Establishment costs	-	297	297	313
ICT costs	-	47	47	54
Operations costs	76	2	78	2
Office services costs	-	27	27	40
Audit fees	29	-	29	39
Central services costs	-	179	179	187
Legal & professional fees	86	-	86	91
Communications costs	1	7	8	-
External Relations	-	12	12	58
External Assessors	9	-	9	58
Policy and Research	1	-	1	40
Total other operating expenditure	<u>201</u>	<u>606</u>	<u>807</u>	<u>951</u>

7 Trade receivables and other current assets

	31 March 2016	31 March 2015
	£'000s	£'000s
Trade receivables	2	109
Sundry	92	107
Total trade receivables and other current assets	<u>94</u>	<u>216</u>

8 Loan receivables

	31 March 2016	31 March 2015
	£'000s	£'000s
Balance at 1 April	75	76
New loan advances in the year	-	-
Impairment Charge	(73)	-
Repayments	(2)	(1)
Balance at 31 March	-	75

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.

9 Investment balance in the NLDF

	31 March 2016	31 March 2015
	£'000s	£'000s
Balance at 1 April	18,519	19,106
Adjustment to opening balances	-	-
Brought forward balance	18,519	19,106
Lottery proceeds	34,235	34,742
Investment income	140	140
Funds drawn down	(31,508)	(35,469)
Carried forward to 31 March	21,386	18,519
Movement in revaluation reserve	-	-
Balance at 31 March	21,386	18,519

The closing market value as at 31 March 2016 reflects the balances available to the Fund from the National Lottery Distribution Fund as advised by the interim statement of balance provided by the Secretary of State for Culture, Media and Sport.

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

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

10 Cash and cash equivalents

The following balances at 31 March were held at:

	31 March 2016 £'000s	31 March 2015 £'000s
Commercial banks	2,745	724
Cash in hand	-	-
Balance at 31 March	<u>2,745</u>	<u>724</u>

11 Trade payables and other current liabilities

	31 March 2016 £'000s	31 March 2015 £'000s
Trade creditors	16	444
Deferred income	14	-
Accruals	140	446
Due to Creative Scotland	565	98
Other	81	-
Balance at 31 March	<u>816</u>	<u>988</u>

12 Provisions

	Dilapidations 2016 £'000s	Total 2016 £'000s	Total 2015 £'000s
Balance at 1 April	70	70	70
Arising in the year	-	-	-
Utilised in the year	-	-	-
Reversal	-	-	-
Balance at 31 March	<u>70</u>	<u>70</u>	<u>70</u>

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

13 Grants outstanding

	2015/16	2014/15
	£'000s	£'000s
Balance at 1 April	26,355	29,293
De-commitment of prior year awards	(1,006)	(1,212)
Committed in year	29,939	29,518
Paid in year	<u>(27,337)</u>	<u>(31,244)</u>
Balance at 31 March	<u>27,951</u>	<u>26,355</u>
	2015/16	2014/15
	£'000s	£'000s
Balance due within one year	19,876	19,410
Balance due between one year and five years	8,075	6,945
Balance due over five years	-	-
Balance at 31 March	<u>27,951</u>	<u>26,355</u>

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

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

	31 March 2016
	£'000s
Regular Funded Organisations (2015-2018)	11,664
Large Scale Capital Programme- Stage 2	<u>2,318</u>
Balance at 31 March	<u>13,982</u>

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 2016 is £2.3 million.

15 Financial instruments

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

At 31 March 2015, the balance held at the NLDF was £18.5 million. This has increased to £21.4 million by 31 March 2016, at which point there were £28.1 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, 99% of the Fund's income derived from National Lottery proceeds. The remaining income is derived from bank interest and award repayments of 0.4%, and from other income in relation to the project income, of 0.6%.

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 £21.4 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 £2.7 million. We consider that we are not exposed to significant interest rate risks on our cash balances.

15 d) Foreign currency risk

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

16 Related party transactions

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

Related party transactions in respect of Creative Scotland are detailed in the Financial Statements for the year ended 31 March 2016. 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 (FRoM) 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 £29.9 million were made during the year in support of a range of projects.

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

Programme	Organisation	Award
Regular Funded Organisations	Feisean Nan Gaidheal	466,667
	Imagineate	365,000
	Enterprise Music Scotland	225,000
	Feis Rois Ltd	220,000
	Stellar Quines	218,000
	National Youth Orchestras of Scotland	216,667
	Catherine Wheels Theatre Company	213,752
	Regional Screen Scotland	212,779
	Greenock Arts Guild	200,000
	National Youth Choir of Scotland (NYCoS)	200,000
	Solar Bear Limited	200,000
	Scottish National Jazz Orchestra	192,475
	Scottish Youth Dance Ltd	183,333
	Travelling Gallery [City of Edinburgh Council]	153,332
	Birds of Paradise Theatre Company	150,000
	The National Piping Centre	150,000
	Project Ability	143,333
	Lung Ha's Theatre Company	142,500
	Youth Theatre Arts Scotland	140,000
	Hands Up for Trad	133,332
	Woodend Arts Limited	133,000
	Rapture Theatre	125,000
	The Touring Network (business name of PAN)	120,000
	Drake Music Scotland	116,000
	Deveron Arts	110,000
	Glasgow East Arts Company Limited	110,000
	Festival & King's Theatre	105,000
Glasgow Women's Library Ltd	101,402	
Indepen-dance (Scotland)	100,000	
Luminate	100,000	
Voluntary Arts Scotland	100,000	
Open Fund	Sound Festival	140,000
	Artlink Edinburgh & the Lothians	130,000
	Active events	125,000
	Talbot Rice Gallery	125,000
	Aros (Isle of Skye)	120,000
	Cultural Enterprise Office	115,000
Targeted Funds	Culture Republic	350,000
	Scottish Book Trust	250,000

Programme	Organisation	Award
	The Space C.I.C.	250,000
	Highlands and Islands Enterprise	200,000
	Stirling Council	200,000
	Education Scotland	150,000
	Highlands and Islands Enterprise	120,000
	Unlimited	100,000
	An Lanntair Ltd	125,000
	Findhorn Bay Arts Festival	100,000
	Highland and Islands Enterprise	100,000
Capital	Edinburgh Printmakers Ltd	1,632,075
	Aberdeen Performing Arts	1,400,000
	The Artists Collective Gallery Ltd	905,160
	WASPS (Workshop and Artists Studio Provision Scotland)	900,000
	NVA	400,000
	The Fruitmarket Gallery	100,000
Screen	Fable Pictures	500,000
	Centre for the Moving Image	450,000
	Tommy's Honour Productions Ltd	400,000
	WestEnd Films Production Limited	300,000
	The Bureau Film Company	300,000
	Scottish Library and Information Council (SLIC)	190,000
	Scottish Documentary Institute	165,000
	Young Films Ltd (Bannan Production)	161,250
	Sigma Films	135,000
	Aconite Productions	125,000

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

Appendix 2- Policy direction



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

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

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

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

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