

FRAMEWORK DOCUMENT BETWEEN THE SCOTTISH GOVERNMENT AND CREATIVE SCOTLAND

Introduction

1. This framework document has been drawn up by the Scottish Government (SG) in consultation with Creative Scotland (the NDPB). It sets out the broad framework within which Creative Scotland will operate and defines key roles and responsibilities which underpin the relationship between Creative Scotland and the SG. While this document does not confer any legal powers or responsibilities, it forms a key part of the accountability and governance framework and should be reviewed and updated as necessary, and at least every 2-3 years. Any proposals to amend the framework document either by the SG or Creative Scotland will be taken forward in consultation and in the light of SG priorities and policy aims. Any question regarding the interpretation of the document shall be determined by the SG after consultation with Creative Scotland. Legislative provisions shall take precedence over any part of the document.

2. References to Creative Scotland include any subsidiaries and joint ventures owned or controlled by Creative Scotland. Creative Scotland shall not establish subsidiaries or enter into joint ventures without the express approval of the SG.

3. Copies of the document shall be placed in the Scottish Parliament Reference Centre. It shall also be published on the SG and Creative Scotland websites.

Purpose

4. Creative Scotland is to contribute to the achievement of the SG's primary purpose of increasing sustainable economic growth by aligning its aims and objectives with the SG's published Economic Strategy and National Performance Framework.

5. Creative Scotland's statutory duties are set out in Part 4 of, and schedule 9 to the [Public Services Reform \(Scotland\) Act 2010](#).

6. Creative Scotland's purpose, strategic aims and objectives, as agreed by the Scottish Ministers, are those set out in [Creative Scotland's 10 Year Plan](#), as updated annually and as approved by Scottish Ministers. These aims shall support the statutory responsibilities of Creative Scotland and Ministerial objectives and shall be such as to enable compliance with this Framework Document.

Relationship between Scottish Government and Creative Scotland

7. Effective strategic engagement between the SG and Creative Scotland is essential in order that they work together as effectively as possible to maintain and improve public services and deliver improved outcomes. Both the SG and Creative Scotland will take all necessary steps to ensure that their relationship is developed and supported in line with the jointly agreed principles set out in the statement on '[Strategic Engagement between the Scottish Government and Scotland's NDPBs](#)'. This includes the Scottish Government-Creative Scotland Senior Bimonthly meetings, the phone call following each Board Meeting or Chair's Meeting from Creative Scotland's CEO to the Sponsor and the regular forward look communications meetings which include the Sponsor, Culture Europe and External Affairs Communications, Culture Europe and External Affairs Directorate Communications and Creative Scotland's Communications.

Governance and accountability

Legal origins of powers and duties

8. Creative Scotland is established under the Public Services Reform (Scotland) Act 2010. The constitution of Creative Scotland is set out in Schedule 9 of the Act. Creative Scotland does not carry out its functions on behalf of the Crown.

Ministerial responsibilities

9. The Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities of Creative Scotland and its use of resources. They are not however responsible for day to day operational matters and founding legislation prevents them from directing Creative Scotland in relation

to “artistic or cultural judgement” in respect of Creative Scotland’s specific statutory functions. Their responsibilities include:

- agreeing Creative Scotland’s strategic aims and objectives and key targets as part of the corporate planning process;
- agreeing the budget and the associated grant in aid requirement to be paid to Creative Scotland, and securing the necessary Parliamentary approval;
- carrying out responsibilities specified in the Public Services Reform (Scotland) Act 2010 such as appointments to Creative Scotland’s board, approving the terms and conditions of board members, and approving the appointment of the chief executive; and
- other matters such as approving Creative Scotland’s pay remit and laying the accounts (together with the annual report) before the Parliament.

Creative Scotland Board Responsibilities

10. The Creative Scotland board, including the chair, normally consists of 9-15 members (including the Chair) appointed by the Scottish Ministers in line with the Code of Practice for Ministerial Public Appointments in Scotland. The role of the Board is to provide leadership, direction, support and guidance to ensure the Body delivers and is committed to delivering its functions effectively and efficiently and in accordance with the aims, policies and priorities of the Scottish Ministers. It has corporate responsibility, under the leadership of the chair, for the following:

- taking forward the strategic aims and objectives for the body agreed by the Scottish Ministers;
- determining the steps needed to deal with changes which are likely to impact on the strategic aims and objectives of Creative Scotland or on the attainability of its operational targets;
- promoting the efficient, economic and effective use of staff and other resources by Creative Scotland consistent with the principles of [Best Value](#), including, where appropriate, participation in [shared services](#) arrangements and ensuring that effective arrangements are in place so that Creative Scotland acts corporately in accordance with the priorities set out in the Scottish Government’s statement of corporate expectations;
- ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control. (The board must set up an audit committee chaired by a non-executive member to provide independent advice and assurance on the effectiveness of the internal control and risk management systems.);
- taking into account relevant guidance issued by the Scottish Ministers;
- ensuring that the board receives and reviews regular financial information concerning the management and performance of Creative Scotland and is informed in a timely manner about any concerns regarding the activities of Creative Scotland;
- appointing, with the approval of the Scottish Ministers, Creative Scotland chief executive and, in consultation with the SG, set appropriate performance objectives and remuneration terms linked to these objectives which give due weight to the proper management and use of resources within the stewardship of Creative Scotland and the delivery of outcomes; and
- demonstrating high standards of corporate governance at all times, including openness and transparency in its decision making. The terms of reference of any Board sub-committees should be reviewed annually.

Further guidance on how the board should discharge its duties is provided in appointment letters and in ‘On Board - A guide for Board Members of Public Bodies in Scotland’.

The Chair’s Responsibilities

11. The chair is accountable to the Scottish Ministers and, in common with any individual with responsibility for devolved functions, may also be held to account by the Scottish Parliament.

Communications between Creative Scotland board and the Scottish Ministers should normally be through the chair. He is responsible for ensuring that Creative Scotland's policies and actions support the Scottish Ministers' wider strategic policies and that its affairs are conducted with probity.

12. In leading the board the chair must ensure that:

- the work of the board is subject to regular self-assessment and that the board, including any sub-committees, is working effectively;
- the board has a balance of skills appropriate to directing Creative Scotland business, in accordance with recognised good practice in corporate governance;
- the board members are fully briefed on terms of appointment, duties, rights and responsibilities;
- he or she, together with the other board members, receives appropriate induction training, including on financial management and reporting requirements and, as appropriate, on any differences that may exist between private and public sector practice;
- the Scottish Ministers are advised of Creative Scotland needs when board vacancies arise;
- there is a code of conduct for board members in place, approved by the Scottish Ministers.

13. The chair assesses the performance of individual board members on a continuous basis and undertakes a formal appraisal at least annually. The chair will undertake a review of the effectiveness of sub-committees at least annually. The chair, in consultation with the board as a whole, is also responsible for undertaking an annual appraisal of the performance of the chief executive.

Individual Board Members' Responsibilities

14. Individual board members should act in accordance with the responsibilities of the board as a whole and comply at all times with the code of conduct adopted by Creative Scotland and with the rules relating to the use of public funds and to conflicts of interest. (In this context "public funds" means not only any funds provided to Creative Scotland by the Scottish Ministers but also any other funds falling within the stewardship of Creative Scotland, including trading and investment income, gifts, bequests and donations.) General guidance on board members' responsibilities is summarised in their appointment letters and is also provided in [On Board: A Guide for Board Members of Public Bodies in Scotland](#).

Creative Scotland Chief Executive responsibilities

15. The chief executive of Creative Scotland is employed and appointed by the board with the approval of the Scottish Ministers. She is the board's principal adviser on the discharge of its functions and is accountable to the board. Her role is to provide operational leadership to Creative Scotland and ensure that the board's aims and objectives are met and Creative Scotland's functions are delivered and targets met through effective and properly controlled executive action. Her general responsibilities include the performance, management and staffing of Creative Scotland. General guidance on the role and responsibilities of the chief executive is contained in 'On Board.' Specific responsibilities to the board include:

- advising the board on the discharge of its responsibilities - as set out in this document, in the founding legislation and in any other relevant instructions and guidance issued by or on behalf of the Scottish Ministers - and implementing the decisions of the board;
- ensuring that financial considerations are taken fully into account by the board at all stages in reaching and executing its decisions, and that appropriate financial appraisal and evaluation techniques, consistent with the Appraisal and Evaluation, and VAT sections of the Scottish Public Finance Manual (SPFM), are followed. The implications of VAT in relation to procurement and shared services should be considered at an early stage to ensure that financial efficiency is achieved. The inability to recover VAT results in a significant increase in costs. NDPBs are subject to the normal VAT registration and recovery rules. The majority make minimal taxable business supplies. It is intended that, through an extension of s33 VAT Act 1994, reclaims of VAT

on specifically named services, as defined by HM Treasury, can be made by NDPBs, subject to budget neutrality;

- ensuring that Creative Scotland adheres, where appropriate, to the SG's [Programme and Project Management \(PPM\) Principles](#);
- having robust performance and risk management arrangements - consistent with the [Risk Management](#) section of the SPFM - in place that support the achievement of Creative Scotland's aims and objectives and that facilitate comprehensive reporting to the board, the SG and the wider public;
- ensuring that adequate systems of internal control are maintained by Creative Scotland, including effective measures against fraud and theft consistent with the [Fraud](#) section of the SPFM;
- establishing appropriate documented internal delegated authority arrangements consistent with the [Delegated Authority](#) section of the SPFM;
- advising the board on the performance of Creative Scotland compared with its aims and objectives;
- preparing Creative Scotland's corporate and business plans, in the light of the strategic aims and objectives agreed by the Scottish Ministers;
- ensuring effective relationships with SG officials; and
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the SG; that the SG is notified promptly if over or under spends are likely and that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the SG in a timely fashion.

Creative Scotland's Accountable Officer responsibilities

16. The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the SG) will designate the chief executive as the Accountable Officer for Creative Scotland. Accountable Officers are personally answerable to the Scottish Parliament for the exercise of their functions, as set out in the [Memorandum to Accountable Officers for Other Public Bodies](#). These include:

- ensuring the propriety and regularity of Creative Scotland's finances and that there are sound and effective arrangements for internal control and risk management;
- ensuring that the resources of Creative Scotland are used economically, efficiently and effectively and that appropriate arrangements are in place to secure Best Value;
- ensuring compliance with relevant guidance issued by the Scottish Ministers, in particular the SPFM;
- signing the annual accounts and associated governance statements; and
- a statutory duty to obtain written authority from the board / chair before taking any action which he/she considered would be inconsistent with the proper performance of the Accountable Officer functions.

17. It is incumbent on the chief executive to combine her Accountable Officer responsibilities to the Scottish Parliament with her wider responsibilities to the board. The board/chair should be fully aware of, and have regard to, the Accountable Officer responsibilities placed upon the chief executive, including the statutory duty described above.

Portfolio Accountable Officer responsibilities

18. The Principal Accountable Officer for the Scottish Administration will designate the Director-General for Strategy and External Affairs as the Accountable Officer for the SG portfolio budget for Creative Scotland. Withdrawal of the Accountable Officer designation would also be a matter for the

Principal Accountable Officer. The responsibilities of a Portfolio Accountable Officer are set out in detail in the [Memorandum to Accountable Officers for Parts of the Scottish Administration](#). He/she is personally answerable to the Scottish Parliament for ensuring that:

- the financial and other management controls applied by the SG are appropriate and sufficient to safeguard public funds and, more generally that those being applied by Creative Scotland conform to the requirements both of propriety and of good financial management;
- the key roles and responsibilities which underpin the relationship between the SG and Creative Scotland are set out in a framework document - and that this document is regularly reviewed;
- effective relationships are in place at Director and Deputy-Director level between the SG and Creative Scotland in accordance with the strategic engagement principles; and
- there is effective, continuous assessment and appraisal of the performance of the chair of Creative Scotland, in line with the requirements of the Code of Practice for Ministerial Public Appointments in Scotland.

Scottish Government Director and Deputy Director

19. The Director for Culture, Europe and External Affairs and Deputy Director for Culture and Historic Environment have responsibility for overseeing and ensuring effective relationships between the SG and Creative Scotland which support alignment of Creative Scotland's business to the SG's Purpose and National Outcomes and high performance by Creative Scotland. They will work closely with Creative Scotland chief executive and be answerable to the Portfolio Accountable Officer for maintaining and developing positive relationships with Creative Scotland characterised by openness, trust, respect and mutual support. They will be supported by a sponsor unit in discharging these functions. The Director for Culture, Europe and External Affairs shall be responsible for assessing the performance of Creative Scotland's chair, at least annually.

Sponsor unit responsibilities

20. The SG sponsor unit for Creative Scotland is the Culture and Historic Environment – Sponsorship and Funding Team. It is the normal point of contact for Creative Scotland in dealing with the SG. The unit, under the direction of the Deputy Director, is the primary source of advice to the Scottish Ministers on the discharge of their responsibilities in respect of Creative Scotland and undertakes the responsibilities of the Portfolio Accountable Officer on his/her behalf. Specific responsibilities include:

- discharging sponsorship responsibilities in line with the principles and framework set out in the document 'Strategic Engagement between the Scottish Government and Scotland's NDPBs' and ensuring that sponsorship is suitably flexible, proportionate and responsive to the needs of the Scottish Ministers and Creative Scotland;
- ensuring that appointments to Creative Scotland board are made timeously and, where appropriate, in accordance with the Code of Practice for Ministerial Appointments to Public Bodies in Scotland;
- proportionate monitoring of Creative Scotland's activities through an adequate and timely flow of appropriate information, agreed with Creative Scotland, on performance, budgeting, control and risk management;
- addressing in a timely manner any significant problems arising in Creative Scotland, alerting the Portfolio Accountable Officer and the responsible Minister(s) where considered appropriate;
- ensuring that the objectives of Creative Scotland and the risks to them are properly and appropriately taken into account in the SG's risk assessment and management systems;
- ensuring Creative Scotland complies with SG Pay Policy

- informing Creative Scotland of relevant SG policy in a timely manner and working with them to ensure alignment of plans and objectives to the National Performance Framework; and
- encouraging bodies to work collaboratively to achieve outcomes including within Community Planning Partnerships.

Internal audit

21. Creative Scotland shall:

- establish and maintain arrangements for internal audit in accordance with the [Public Sector Internal Audit Standards](#) and the [Internal Audit](#) section of the SPFM;
- set up an audit committee of its board, in accordance with the [Audit Committees](#) section of the SPFM, to advise both the board and the chief executive in her capacity as Creative Scotland Accountable Officer. The papers for this Board shall be shared with the SG who may attend its meetings as an observer;
- forward timeously to the SG the audit charter, strategy, periodic audit plans and annual audit assurance report, including Creative Scotland Head of Internal Audit opinion on risk management, control and governance and other relevant reports as requested; and
- keep records of, and prepare and forward timeously to the SG an annual report on fraud and theft suffered by Creative Scotland and notify the SG at the earliest opportunity of any unusual or major incidents.

22. The SG's Internal Audit Division has a right of access to all documents held by Creative Scotland internal auditor, including where the service is contracted out. The SG has a right of access to all Creative Scotland records and personnel for any purpose.

External audit

23. The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, Creative Scotland's annual accounts and passes them to the Scottish Ministers who shall lay them before the Scottish Parliament, together with the auditor's report and any report prepared by the AGS. For the purpose of audit the auditors have a statutory right of access to documents and information held by relevant persons. Creative Scotland shall instruct its auditors to send copies of all management reports (and correspondence relating to those reports) and responses to the SG.

24. The AGS, or examiners appointed by the AGS, may carry out examinations into the economy, efficiency and effectiveness with which Creative Scotland has used its resources in discharging its functions. The AGS may also carry out examinations into the arrangements made by Creative Scotland to secure Best Value. For the purpose of these examinations the examiners have a statutory right of access to documents and information held by relevant persons. In addition, Creative Scotland shall provide, in contracts and any conditions to grants, for the AGS to exercise such access to documents held by contractors and sub-contractors and grant recipients as may be required for these examinations; and shall use its best endeavours to secure access for the AGS to any other documents required by the AGS which are held by other bodies.

Annual report and accounts

25. Creative Scotland must publish an annual report of its activities together with its audited accounts after the end of each financial year. The annual report must cover the activities of any corporate, subsidiary or joint ventures under the control of Creative Scotland. It should comply with the Government [Financial Reporting Manual](#) (FReM) and outline Creative Scotland's main activities and performance against agreed objectives and targets for the previous financial year.

26. The accounts must be prepared in accordance with relevant statutes and the specific accounts direction (including compliance with the FReM) and other relevant guidance issued by the Scottish Ministers. Any financial objectives or targets set by the Scottish Ministers should be reported on in the accounts and will therefore be within the scope of the audit. Any subsidiary or joint venture owned or controlled by Creative Scotland shall be consolidated in its accounts in accordance with International Financial Reporting Standards as adapted and interpreted for the public sector context.

27. The draft report should be submitted to the SG for comment, and the draft accounts for information, by 31 August of the relevant year. The final version should be available for laying before the Scottish Parliament by the Scottish Ministers in sufficient time for them to meet the statutory date for laying and publishing accounts audited by the AGS, ie 31 December, following the close of the previous financial year., There is an expectation on the part of the Scottish Ministers that accounts will be laid and published as early as possible. The accounts must not be laid before they have been formally sent by the AGS to the Scottish Ministers and must not be published before they have been laid. Creative Scotland shall be responsible for the publication of the report and accounts e.g. on Creative Scotland's website.

Management responsibilities

Corporate and business plans

28. Creative Scotland must ensure that a corporate plan, agreed with the Scottish Ministers, is in place and published on its website. Creative Scotland shall agree with the SG the issues to be addressed in the plan and the timetable for its preparation and review. The finalised plan shall reflect Creative Scotland's strategic aims and objectives as agreed by the Scottish Ministers, indicative budgets and any priorities set by the Scottish Ministers. It shall demonstrate how Creative Scotland contributes to the achievement of the SG's primary purpose of creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth and alignment with the SG's [National Performance Framework](#) (NPF). The corporate plan for Creative Scotland should include:

- the purpose and principal aims of Creative Scotland;
- an analysis of the environment in which Creative Scotland operates;
- key objectives and associated key performance targets for the period of the plan, the strategy for achieving those objectives and how these will contribute towards the achievement of the SG's primary purpose and alignment with the NPF;
- indicators against which performance can be judged;
- details of planned efficiencies, describing how Creative Scotland proposes to achieve better value for money, including through collaboration and shared services; and
- other matters as agreed between the SG and Creative Scotland.

29. The corporate plan should inform the development of a separate business plan for each financial year. The business plan for Creative Scotland should include key targets and milestones for the year immediately ahead, aligned to the NPF, and be linked to budgeting information so that, where possible, resources allocated to achieve specific objectives can be identified. A copy of Creative Scotland's business plan should be provided to the sponsor unit prior to the start of the relevant financial year.

Budget management

30. Each year, in the light of decisions by the Scottish Ministers on the allocation of budgets for the forthcoming financial year, the SG will send to Creative Scotland a formal statement of its budgetary provision, a note of any related matters and details of the budget monitoring information required by the SG. The monthly monitoring is the primary means of in year budgetary control across the SG. As such bodies must comply with the format and timing of the monitoring together with any requests for further information. The statement of budgetary provision will set out the budget within the classifications of resource Departmental Expenditure Limits (DEL), capital DEL and Ring-fenced (non- cash) DEL. Creative Scotland will also inform the Sponsor Unit at the earliest opportunity if a requirement for Annually Managed Expenditure (AME) budget is identified. Transfers of budgetary provision between the different classifications would require the prior approval of the SG Finance Directorate. Any proposals for such transfers should therefore be submitted to the sponsor unit. The SG should also be advised in the event that budget provision was forecast to be higher than estimated net expenditure. Subject to the above, transfers of provision within the classifications may be undertaken without reference to the SG, subject to any constraints on specific areas of expenditure e.g. the approved pay remit.

31. If the trading and other resource income - or the net book value of disposals of non-current assets - realised is less than included in the most up to date agreed budget Creative Scotland shall, unless otherwise agreed with the SG, ensure a corresponding reduction in its gross expenditure. (The extent to which Creative Scotland exceeds agreed budgets shall normally be met by a corresponding reduction in the budgets for the following financial year.) If income realised is more than included in the most up to date agreed budgets Creative Scotland must obtain the prior approval of the SG before using any excess to fund additional expenditure. Failure to obtain prior approval for the use of excess income - excluding income resulting from gifts, bequests and donations - to fund additional expenditure may result in corresponding reductions in budgets for the following financial year.

Cash management

32. Any [grant in aid](#) (i.e. the cash provided to Creative Scotland by the SG to support the allocated budget) for the year in question must be authorised by the Scottish Parliament in the annual Budget Act. Grant in aid will normally be paid in monthly instalments on the basis of updated profiles and information on unrestricted cash reserves. Payment will not be made in advance of need, as determined by the level of unrestricted cash reserves and planned expenditure. Unrestricted cash reserves held during the course of the year should be kept to the minimum level consistent with the efficient operation of Creative Scotland - and the level of funds required to meet any relevant liabilities at the year-end. Grant in aid not drawn down by the end of the financial year shall lapse. Grant in aid shall not be paid into any restricted reserve held by Creative Scotland.

33. The banking arrangements adopted by Creative Scotland must comply with the [Banking](#) section of the SPFM.

Risk management

34. Creative Scotland shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of generally recognised best practice in corporate governance, and develop a risk management strategy, consistent with the [Risk Management](#) section of the SPFM. Reporting arrangements should ensure that the sponsor unit is made aware of relevant risks and how they are being managed. Creative Scotland Audit and Risk committee is also required, at the earliest opportunity, to notify the relevant SG Audit and Risk Committee if it considers that it has identified a significant problem which may have wider implications.

Fraud management

35. Creative Scotland should adopt and implement policies and practices to safeguard itself against fraud and theft, in accordance with the Fraud section of the SPFM. Application of these processes must be monitored actively, supported by a fraud response plan and robust reporting arrangements. This includes the establishment of avenues to report any suspicions of fraud. In addition the NDPB should take risk-based and proportionate steps to appraise the financial standing of any supplier or other body with which it intends to enter into a contract or to provide funding.

Performance management

36. Creative Scotland shall operate management information and accounting systems that enable it to review, in a timely and effective manner, its financial and non-financial performance against the strategic aims, objectives, targets and milestones set out in the corporate and business plans. The results of such reviews should be reported on a regular basis to Creative Scotland board and copied to the SG. The SG shall assess Creative Scotland's performance on a continuous basis and undertake a formal internal review at least twice a year. The responsible Cabinet Secretary shall meet Creative Scotland chair at least once a year.

Creative Scotland staff management

Broad responsibilities for Creative Scotland staff

37. Creative Scotland will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:

- personnel policies, practices and systems comply with employment and equalities legislation, and standards expected of public sector employers;
- the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness (subject to the SG Pay Policy for Staff Pay Remits);
- the performance of its staff at all levels is satisfactorily appraised and Creative Scotland's performance measurement systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve Creative Scotland's objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle-blowing procedures consistent with the Public Interest Disclosure Act 1998 are in place; and
- a code of conduct for staff is in place based on the Model Code for Staff of Executive NDPBs – see chapter 5 of [Public Bodies: A Guide for Departments](#).

Pay and conditions of service

38. Creative Scotland will comply with SG Pay Policy in relation to staff and the chief executive. Creative Scotland shall submit to the SG for approval (normally annually unless a multi-year deal has been agreed) a pay remit in line with the SG Pay Policy for Staff Pay Remits and negotiate a pay settlement within the terms of the approved remit. Proposals on non-salary rewards must comply with the guidance in the Non-Salary Rewards section of the SPFM. Creative Scotland shall comply with employment and equalities legislation. Creative Scotland will also seek appropriate approval under the SG Pay Policy for Senior Appointments for the chief executive's remuneration package prior to appointment, annually or when a new appointment or change to the remuneration package is being proposed.

Pensions, redundancy and compensation

39. Superannuation arrangements for Creative Scotland staff are subject to the approval of the SG. Creative Scotland staff shall normally be eligible for a pension provided by the Arts Council Retirement Plan, 1994. Staff who transferred from Scottish Screen to Creative Scotland and who are scheme participants at the point of transfer (1st July 2010) will remain with the Local Government Pension Scheme during their working lives with Creative Scotland. Staff may opt out of the occupational pension scheme provided by Creative Scotland, but the employers' contribution to any personal pension arrangement, including stakeholder pension, shall normally be limited to the national insurance rebate level.

40. Any proposal by Creative Scotland to move from existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of the SG. Proposals on compensation payments must comply with the [Severance, Early Retirement and Redundancy Terms](#) section of the SPFM. This includes referral to the SG of any proposed compensation payment being considered for an individual outwith any existing approved scheme and *before* the individual is approached and any offer made either orally or in writing.

Asset and property management

41. Creative Scotland shall maintain an accurate and up-to-date record of its current and non-current assets consistent with the Property: Acquisition, Disposal & Management section of the SPFM. 'Non-current' assets should be disposed of in accordance with the SPFM. The SG's Property Controls Team should be consulted about relevant proposed disposals of property that Creative Scotland holds for operational purposes (as opposed to for investment) at the earliest opportunity and should then submit those for the Trawl at least one month prior to them being advertised on the open market. Any proposal to acquire land, buildings or other rights in property for accommodation/operational purposes should comply with the SPFM. Creative Scotland is also subject to the SG Asset Management Policy,

including the requirement for acquisition of a new lease, continuation of an existing lease, choosing not to exercise a break option in a lease or purchase of property for accommodation / operational purposes to be approved in advance by Scottish Ministers. The Property Controls Team should be consulted as early as possible in this process.

42. All assets (property, plant and equipment) are to be properly recorded by Creative Scotland on the Cabinet Office electronic Property Information Mapping System (e-PIMS) (or other robust property asset management system used by the business area) and are to be properly and well managed. Those bodies subject to the legislative requirement to report Climate Change data to Parliament must enter their property information onto ePIMS and must ensure it is maintained accurately. An annual return will be required to Property Division to support the preparation of the report to Parliament. Assistance and advice on this may be sought from Property Division.

Specific financial provisions

Delegated authorities

43. Creative Scotland's specific delegated financial authorities - as agreed in consultation between Creative Scotland and the SG - are set out in the attached **Appendix**. Creative Scotland shall obtain the SG's prior written approval before entering into any undertaking to incur any expenditure that falls outside these delegations. Creative Scotland shall also comply with any requirements for prior SG approval included in the SPFM and/or this document. Prior SG approval must always be obtained before incurring expenditure for any purpose that is or might be considered novel, contentious or repercussive or which has or could have significant future cost implications.

Income generation

44. Creative Scotland shall seek to optimise income - grant in aid does not qualify as income - from all sources, including from the [European Union](#), and ensure that the SG is kept informed. Novel or contentious proposals for new sources of income or methods of fundraising must be approved by the SG. Fees or charges for any services supplied by Creative Scotland shall be determined in accordance with the [Fees & Charges](#) section of the SPFM.

45. Gifts, bequests or donations received by Creative Scotland score as income and should be provided for in the agreed resource DEL and capital DEL budgets, updated as necessary in consultation with the SG. However, Creative Scotland should be able to demonstrate that expenditure funded by gifts etc is additional to expenditure normally supported by grant in aid (i.e. SG core funding) or by trading and other income. Before accepting such gifts etc Creative Scotland shall consider if there are any associated costs in doing so or any conflicts of interests arising. Creative Scotland shall keep a written record of any such gifts etc and what happened to them.

Financial investments

46. Unless covered by a specific delegated authority Creative Scotland shall not make any financial investments without the prior approval of the SG. That would include equity shares in ventures which further the objectives of Creative Scotland. Creative Scotland shall not invest in any venture of a speculative nature outside of its statutory functions.

Borrowing

47. Borrowing cannot be used to increase Creative Scotland's spending power. All borrowing by Creative Scotland - excluding agreed overdrafts - shall be from the Scottish Ministers in accordance with guidance in the [Borrowing, Lending & Investment](#) section of the SPFM.

Lease arrangements

48. Unless covered by a specific delegated authority Creative Scotland shall not enter into any finance, property or accommodation related lease arrangement – including the extension of an existing lease or the non-exercise of a tenant's lease break - without the SG's prior approval. Before entering/ continuing such arrangements Creative Scotland must be able to demonstrate that the lease offers better value for money than purchase and that all options of sharing existing public sector space

have been explored. Non-property/ accommodation related operating leases are subject to a specific delegated authority. Creative Scotland must have capital DEL provision for finance leases and other transactions which are in substance borrowing.

Tax arrangements

49. Non-standard tax management arrangements should always be regarded as novel and/or contentious and must therefore be approved in advance by the SG. Relevant guidance is provided in the [Tax Planning and Tax Avoidance](#) section of the SPFM. Creative Scotland must comply with all relevant rules on taxation, including VAT. All individuals who would qualify as employees for tax purposes should be paid through the payroll system with tax deducted at source. It is the responsibility of Creative Scotland to observe VAT legislation and recover input tax where it is entitled to do so. Creative Scotland must also ensure that it accounts properly for any output tax on sales or disposals.

Lending and guarantees

50. Any lending by Creative Scotland must adhere to the guidance in the [Borrowing, Lending & Investment](#) section of the SPFM on undertaking due diligence and seeking to establish a security. Unless covered by a specific delegated limit Creative Scotland shall not, without the SG's prior approval, lend money, charge any asset, give any guarantee or indemnity or letter of comfort, or incur any other contingent liability (as defined in the [Contingent Liabilities](#) section of the SPFM or in International Financial Reporting Standards), whether or not in a legally binding form. Guarantees, indemnities and letters of comfort of a standard type given in the normal course of business are excluded from this requirement.

Third party grants

51. Creative Scotland has a statutory authority to make third party grants. Unless covered by a specific delegated authority Creative Scotland shall not, without the SG's prior agreement, provide grant funding to a third party. Such funding would be subject to the guidance in the [State Aid](#) section of the SPFM. Guidance on a framework for the control of third party grants is provided as an [annex](#) to the Grant & Grant in Aid section of the SPFM.

52. State aid is a term which refers to forms of public assistance, given to undertakings on a discretionary basis, which has the potential to distort competition and affect trade between Member States of the European Union. Any activity that the NDPB undertakes itself, or funds other bodies to undertake, that can be offered on a commercial market for goods and services is subject to state aid rules. A state aid assessment is therefore required prior to disbursing any funding and would be subject to the guidance in the State Aid section of the SPFM.

Impairments, provisions and write-offs

53. Assets should be recorded on the balance sheet at the appropriate valuation basis in accordance with the FReM. Where an asset - and that includes investments - suffers impairment it is important that the prospective impairment and background is communicated to the SG at the earliest possible point in the financial year to determine the implications for Creative Scotland's budget. Similarly any significant movement in existing provisions or the creation of new provisions should be discussed in advance with the SG. Write-off of bad debt and/or losses scores against Creative Scotland's resource DEL budget classification and is subject to a specific delegated limit.

Insurance

54. Creative Scotland is subject to the SG policy of self-insurance. Commercial insurance must however be taken out where there is a legal requirement to do so and may also be taken out in the circumstances described in the [Insurance](#) section of the SPFM - where required with the prior approval of the SG. In the event of uninsured losses being incurred the SG shall consider, on a case by case basis, whether or not it should make any additional resources available to Creative Scotland. The SG will provide Creative Scotland with a Certificate of Exemption for Employer's Liability Insurance.

Procurement and payment

55. Creative Scotland's procurement policies shall reflect relevant guidance in the [Procurement](#) section of the SPFM and relevant guidance issued by the SG's Procurement and Commercial Directorate. Procurement should be undertaken by appropriately trained and authorised staff and treated as a key component of achieving Creative Scotland's objectives consistent with the principles of [Best Value](#), the highest professional standards and any legal requirements. Unless covered by a specific delegated authority any proposal to award a contract without competition (non-competitive action) must be approved in advance by the SG. Any external consultancy contracts with a value of more than £100,000 must be approved in advance by the Cabinet Secretary for Infrastructure, Investment and Cities and the Cabinet Secretary for Finance, Employment and Sustainable Growth.

56. Any major investment programmes or projects undertaken by Creative Scotland shall be subject to the guidance in the [Major Investment Projects](#) section of the SPFM and is also subject to a specific delegated authority. The sponsor unit must be kept informed of progress on such programmes and projects and Ministers must be alerted to any developments that could undermine their viability. ICT investment plans must be reported to the SG's Information Services Investment Board.

57. Creative Scotland shall pay all matured and properly authorised invoices relating to transactions with suppliers in accordance with the [Expenditure and Payments](#) section of the SPFM, and in doing so shall seek wherever possible and appropriate to meet the SG's target for the payment of invoices within 10 working days of their receipt.

Gifts made, special payments and losses

58. Unless covered by a specific delegated authority Creative Scotland shall not, without the SG's prior approval, make gifts or special payments or write-off of losses. Special payments and losses are subject to the guidance in the [Losses and Special Payments](#) section of the SPFM. Gifts by management to staff are subject to the guidance in the [Non-Salary Rewards](#) section of the SPFM.

Clawback

59. Where Creative Scotland has financed expenditure on assets by a third party, Creative Scotland shall make appropriate arrangements to ensure that any such assets above an agreed value are not disposed of by the third party without Creative Scotland's prior consent. Creative Scotland shall put in place arrangements sufficient to secure the repayment of its due share of the proceeds - or an appropriate proportion of them if Creative Scotland contributed less than the whole cost of acquisition or improvement. Creative Scotland shall also ensure that if assets financed by Creative Scotland cease to be used by the third party for the intended purpose an appropriate proportion of the value of the asset shall be repaid to Creative Scotland.

Board expenses

60. Allowances and expenses paid to board members must comply with the SG Pay Policy for Senior Appointments and any specific guidance on such matters issued by the Scottish Ministers.

EXECUTIVE NDPB MODEL FRAMEWORK DOCUMENT: APPENDIX

SPECIFIC DELEGATED FINANCIAL AUTHORITIES

	Delegated Limit
External business and management consultancies	£100,000
Non-competitive action	£50,000
Operating leases – other than property/accommodation related leases	0
Gifts	£200
Special payments	£10k
Claims waived or abandoned	£5k
Write-off of bad debt and/or losses	£10k
Others as appropriate e.g.	
New, novel or contentious expenditure	0
Loans	£250k
Grants outwith normal course of business	£250k GiA / capital £100k
Major investment programmes/projects	£500k