



Creative Scotland

Group Annual Report and Accounts

For the year ended 31 March 2020

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Performance Report

Joint Report by the Chair and the Chief Executive

In March 2020, cultural life across Scotland and around the world, was impacted enormously by the Covid-19 pandemic. All aspects of life have been severely affected, the recovery will be long, and many things will not be the same post-Covid as they were before.

Culture will play a vital role in society's recovery, continuing to make a significant contribution to our wellbeing, quality of life and the economy.

From April 2020 onwards Creative Scotland has delivered a pivotal role in providing emergency funding support to Scotland's creative and cultural sector and this has been the primary focus of everyone in our organisation since that time.

The Covid-19 pandemic coincided with a period of strategic and operational change for Creative Scotland including a review of the way that we deliver funding, one of our core operational purposes. In the light of the pandemic, we prioritised our resources to address its impacts and to enable the delivery of high-volume emergency support funding for the people and organisations working in Scotland's culture sector who have been most impacted. The staff of Creative Scotland are thanked enormously for their focus and commitment in delivering all of this work.

The Covid-19 pandemic arrived in the final few weeks of the 2019/20 Financial Year and, significantly more commentary and analysis will be provided in next year's annual report and other update and review documents. However, significant progress was made in the year to March 2020 that is the subject of this report.

A major piece of work in 2019/20 to support our development and change as an organisation was our strategic and funding review. During the summer of 2019 we held public workshops in 17 venues across Scotland involving over 400 participants and contributions to inform Creative Scotland's priorities and funding approach. Alongside consideration of the new context created by the Covid-19 pandemic and its impact; the output from these workshops will help shape our strategic priorities and future funding approach which we will begin to implement in 2021/22.

Alongside this external facing review work, we continued to build on our journey of internal change, making improvements in our working practices, culture, and operations to strengthen the delivery of our services, including a key programme of work in digital transformation that is ongoing.

It was also an important year for recruitment with the appointment of Iain Munro as permanent CEO in October 2019 and David Smith as Director of Screen in November 2019. Director of Strategy, Philip Deverell, left in July 2019 with Gary Cameron stepping into the role on an acting basis.

The Board's capacity was further strengthened in September with the appointment of Duncan Cockburn, Philip Long, Sarah Munro and Stephanie Fraser. Many thanks go to Erin Forster and Sheila Murray for their 4 years of service to the Board and its Committees.

Throughout 2019/20, the Chair, CEO and other staff members gave evidence to four meetings of the Scottish Parliament Culture, Tourism, Europe and External Affairs Committee and kept the Committee informed of progress.

2019/20 was the second year of supporting the network of 121 Regular Funded Organisations and during the year we announced that the current 3-year arrangement would be extended to a fourth year, to March 2022. The Covid-19 pandemic has had a major impact on these Regularly Funded organisations and

additional support from the Scottish Government has enabled us to provide a degree of stability and continuity for these vital cultural organisations and the work they provide for the people of Scotland.

We have also continued to support creative activity by individuals and organisations through our Open Project Funding (supported by The National Lottery). This includes creative work across crafts, dance, design, digital, literature and publishing, multi-art form, music, theatre and the visual arts.

Creative Scotland's Targeted Funding has also enabled numerous opportunities for culture and creativity for people of all ages. For example, the Youth Music Initiative had another successful year offering high quality music making opportunities for young people across all parts of Scotland.

In January 2020 Shorestage Limited, a subsidiary of Creative Scotland, leased the premises at 31 Bath Road in Leith. Under the management of the operators, Firststage Studios Limited, work began on refurbishing and marketing the facility as a film and TV studio. Subsequently, the first major production, *The Rig*, produced for Amazon Prime Video, entered the building in November 2020.

2019/2020 saw the release of award-winning films backed by Screen Scotland including *Wild Rose*, *Yuli*, *Only You*, and *Scheme Birds*, and the broadcast of successful network TV productions including *Elizabeth is Missing*, *The Victim* and *Guilt*. Training opportunities across film and TV disciplines included a further edition of the Outlander Training Scheme, Short Circuit film talent development, TRC's Supersizer and PACT's Diversity Schemes. Large scale productions in Scotland included *1917*, *Deadwater Fell*, and *Fast and Furious: Hobbs and Shaw*. A collaboration with the Edinburgh Fringe saw creative connections fostered between film, TV producers and exciting new theatre talent. At the end of the financial year, Screen Scotland responded swiftly to the pandemic, launching the Bridging Bursary support for freelancers and support for producers and writers through its single project development awards.

More information on all of Creative Scotland's funding is available in the Review of Funding section of this document and a detailed review of performance can be found in our separately published Annual Review of Performance document which is produced to accompany this Annual Report and Accounts.

2019/20 was an important year for Creative Scotland in its continued improvement and development as an organisation. The impact of the Covid-19 pandemic and the consequent re-prioritisation of our strategy and resources will mean that our future approach will need to be re-considered accordingly and in the broader context of Scotland's public sector post-Covid. However, our primary aim remains unchanged: supporting and developing Scotland as a creative nation and our Board and staff remain committed to moving forward positively and with ambition, enabling creative people, places, communities and activity to thrive.

Structure, Governance and Management

Creative Scotland was founded on 1 July 2010 under the Public Services Reform (Scotland) Act 2010 and is the public body that supports the arts, screen and creative industries across all parts of Scotland on behalf of everyone who lives, works or visits here. It enables people and organisations to work in and experience the arts and creative sectors in Scotland by helping others to create culture through developing great ideas and bringing them to life. Creative Scotland's role as a development agency is to be an intelligent funder of the arts, screen and creative industries, to be a national and international advocate on their behalf and to positively influence attitudes, behaviours and policies.

Funding is received from both the Scottish Government and the National Lottery. A separate National Lottery Distribution Fund Annual Report and Accounts is produced for the activities undertaken as a Lottery Distributor under the National Lottery etc. Act 1993. A summary of the consolidated financial position of Creative Scotland is included at page 6.

These accounts have been prepared under an Accounts Direction issued by the Scottish Government on page 65.

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 2020, Creative Scotland had net assets of £1.5 million (2019: net liabilities of £4.4 million). Negative liabilities arise due to cash grant-in-aid from the Scottish Government re-allocated to better match

cash requirements for grants issued during the last quarter of the year. As Creative Scotland continues to receive funding from the Scottish Government, the Accountable Officer believes it is appropriate to continue to prepare the accounts on a going concern basis as set out in the accounting policies (1.3).

Risk management

The Risk Register is reviewed regularly at management meetings, with additional substantive periodic reviews also undertaken during the year. The register is also a standing item at each Audit and Risk Committee meeting, and the register is also presented annually in full to the Board. The five main risks identified for Creative Scotland are:

Risk identified	Mitigation of risk
<p>Funding Available funding from grant-in-aid, the National Lottery and other sources reduces resulting in less funding for the arts, screen and creative industries which adversely impacts delivery of the 10 Year Plan</p>	<p>Funding is discussed in regular meetings with the Scottish Government and the Chair has met with the Cabinet Secretary.</p> <p>Governance arrangements are in place for budget management and financial reporting to ensure the board and management have access to up to date modelling and scenario planning.</p> <p>Promotional campaigning on the importance of funding culture in Scotland</p>
<p>Impact of COVID-19 on the arts, screen and creative industries</p> <ol style="list-style-type: none"> 1. The impact of lockdown on delivering projects and outcomes for the foreseeable future 2. The potential for business failures in the arts, screen and creative industries 3. The recovery of the sector as lockdown restrictions are eased and whether it is likely outputs will return to pre-lockdown levels. 	<p>Creative Scotland has been involved in sector engagement and impact assessment activity to determine the key issues arising for the sector.</p> <p>Funding programmes have been developed to address the short term issues created by the lockdown, with wider review of activities as part of the funding review.</p> <p>Funding is discussed in regular meetings with the Scottish Government and the Chair has met with the Cabinet Secretary.</p>
<p>Political instability This increases the risk of uncertainty over cultural policy and many have impacts on cultural exchange and the economy that adversely affect the delivery of CS strategy.</p>	<p>Regular meetings with the Scottish Government and Scottish Ministers to discuss culture and the importance of funding the arts, screen and creative industries.</p> <p>Positive engagement with the Scottish Parliament's Culture Committee.</p>
<p>Operational capacity Several strategic projects progressing simultaneously: (Digital Transformation, Screen Scotland, Organisational Development, Funding Review) risks adversely impacting core day to day activities, overstressing resources and negatively impact staff morale.</p>	<p>Governance arrangements are in place to ensure all strategic projects have detailed plans in place and build in appropriate oversight by the board and its committees.</p>
<p>Artistic risk The funding of experimental or controversial work could result in adverse publicity.</p>	<p>Governance arrangements to ensure the funding process is robust and based on clear guidance that aligns to the strategic priorities.</p> <p>Communications strategies in place to monitor social media and the press and respond appropriately.</p>

Consolidated report

Creative Scotland prepares separate annual accounts for its grant-in-aid and National Lottery distribution as required by the accounts directions issued by the Scottish Ministers. A full set of consolidated accounts is not prepared due to the differing accounting policies that are required to be followed under the two separate accounts directions. However, to give a better understanding of the activities across both funding areas, the following table shows the consolidated financial position of Creative Scotland (CS) and the Creative Scotland National Lottery Distribution Fund (CS NLDF) for the year ending 31 March 2020. The position is based on the group financial statements of both CS and the financial statements of CS NLDF and eliminating the intra-group transaction which arises from recharges of the operational costs.

	CS ¹ £'000	CS NLDF ² £'000	Intra ³ £'000	Total £'000
Income				
National Lottery Proceeds		(31,767)	-	(31,767)
Project income from third parties	(2,113)	(261)	-	(2,374)
Other income	(3,306)	(254)	2,948	(612)
Total income	(5,419)	(32,282)	2,948	(34,753)
Expenditure				
Net grants issued ⁴	55,309	21,912	-	77,221
Project expenses	711	356	-	1,067
Salaries	6,811	2,308	(2,305)	6,814
Depreciation	219	-	-	219
Other operating costs	2,717	814	(643)	2,888
Pension adjustments	42	-	-	42
Total expenditure	65,809	25,390	(2,948)	88,251
Net expenditure/(surplus)	60,390	(6,892)	-	53,498
Movement in taxpayer's equity				
Opening Reserves	4,610	(724)	-	3,886
Net expenditure/surplus transferred	60,390	(6,892)	-	53,498
Grant-in-aid received from the Scottish Government ⁵	(65,330)	-	-	(65,330)
Actuarial gain on the Strathclyde Pension Fund	(973)	-	-	(973)
Movement in Capital Grant	30	-	-	30
Closing Reserves	(1,273)	(7,616)	-	(8,889)

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

Overall, the consolidated general fund has a balance of £8.9 million, of which £7.6 million relating to the CS NLDF is available for the Board to allocate to future expenditure. The reserves of Creative Scotland are not

available for distribution under HM Treasury’s budgeting rules for public bodies. Pension assets and liabilities are held within Creative Scotland accounts are not attributable to the CS NLDF. This is because Scottish Government provide budget cover for any pension liabilities that require provisions and for costs incurred under IAS 19, Retirement Benefits.

Review of funding

Creative Scotland’s funding programmes are categorised into three routes: 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.

2019/20 was the second year of regular funding for the three-year period from April 2018 to March 2021 for a total of £101.6 million to 121 organisations across 10 artforms. During 2019/20, £34.1 million was allocated from grant-in-aid to the portfolio.

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

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

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

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

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

A fourth year of regular funding has been approved for the financial year 2021/22, subject to confirmation of Creative Scotland's grant-in-aid allocations for that year. The intention is that organisations will receive an average of the total award received for 2018 to 2021.

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 was set at £8.5 million (2018/19 £10.5 million), the lower value reflects the creation of dedicated touring fund for theatre and dance which for 2019/20 was £3 million of National Lottery funds.

The open project fund is open to both individuals and organisations based in Scotland for awards up to £150,000 and the fund awards grants in two panel formats as follows:

Panel	Applications received	Awards made	Value	Success rate
Up to £15,000	817	305	2,338,215	37%
Over £15,000	295	142	6,462,447	48%

The types of projects funded by the Fund include:

- Projects which are about helping an artist to develop their skills
- Projects that create something new and high quality, in any art form
- Projects which are aiming to present high quality work to audiences, or projects which try to develop and reach new audiences for the arts
- Projects which encourage more people to take part in artistic and creative activity.

In total, £8.8 million of funding was awarded to 447 successful applications during 2019-20. Of this, £0.6 million was funded from grant-in-aid and £8.2 million was funded from National Lottery. A breakdown by artform is shown below:

Successful applications over the 11 artforms:

Art Form	Applications	Funding requested	Successful	Awarded
Crafts	30	331,882	11	130,026
Creative Industries	1	2,750	0	0
Dance	73	1,162,126	37	494,467
Design	21	588,982	4	117,209
Digital	29	522,367	8	153,129
Film	4	26,063	0	0
Literature/Publishing	121	2,133,344	57	932,311
Multi	109	4,318,578	45	1,681,589
Music	298	5,615,685	121	2,418,804
Theatre	218	4,646,158	86	1,499,346
Visual Arts	208	4,150,888	78	1,373,781
Grand Total	1112	23,498,822	447	8,800,662

In March 2020, the open project fund was suspended for new applications due to the impact of the COVID-19 health emergency, and the need to review and repurpose funding to suit the changed environment and ways of working. Applications that had been submitted were subject to further review for COVID-19 implications before being assessed and decided upon at panel.

Targeted Funding

Targeted funding is used to address specific activities and development needs in a sector, specialism, or geographic area. In 2019/20, total targeted grant funding was £32.3 million of which £20.9 million was funded from grant-in-aid and £11.4 million was from National Lottery. The £20.9 million of grant-in-aid funded targeted grants includes £12.5 million relating to restricted funding for specific Scottish Government sponsored projects and £6.6 million for Screen Scotland.

The main targeted programmes that were supported from grant-in-aid during 2019/20 are listed below:

1. Youth Music Initiative (YMI)

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

YMI Strand	Funding provided £'000	Details
Formula Fund (2018/19 and 2019/20 academic years)	7,203	Funding to the 32 local authorities and Jordanhill School for delivering the Scottish Government commitment – “every school pupil in Scotland should be offered a year of free music tuition by the time they leave primary school”.
Strengthening Youth Music	343	To support individuals, organisations and networks to undertake strategic action or training that will strengthen the youth music sector in Scotland for the benefit of young people
Training and Continuing Professional Development Fund	52	To support individuals, organisations and networks who work out with school settings in undertaking training and continuing professional development that will strengthen youth music in Scotland for the benefit of young people. The fund is devolved to the Scottish Music Centre.
Overheads and other expenses	206	Contribution to Creative Scotland's overheads (£200,000) and other project expenses for evaluation, advocacy and learning.

2. Cashback for Creativity

A new three year programme (Phase 4) for the Cashback for Creativity commenced in 2017/18 with a total budget of £2.6 million. This initiative sees funds recovered through the Proceeds of Crime Act, reinvested back into communities to benefit Scotland's young people. During 2019/20 the budget was £892,000 of which £884,000 was distributed as follows (£8,000 was approved for carry forward to 2020/21):

Cashback strand	Spend in 2019/20 £'000	Details
Open Fund	309	The CashBack for Creativity Open Fund creates opportunities for a range of organisations, working in collaboration with artists across the country, to apply for funding

Cashback strand	Spend in 2019/20 £'000	Details
		of up to £10,000 to deliver high quality arts activities for up to 12 months. This fund is administered by YouthLink Scotland.
Targeted Funds	477	The CashBack for Creativity Targeted Fund delivers a programme of engagement, learning, development and progression activities for young people in areas of deprivation across Scotland. The Fund is delivered through a portfolio of projects and programmes, with funding provided over three years.
Overheads and other expenses	98	Contribution to Creative Scotland's overheads (£65,000), management fee to YouthLink for administering the Open Fund and other expenses for evaluation, advocacy and learning

3. Platforms for Creative Excellence Programme (PLACE)

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

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

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

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

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

4. Expo Fund

Creative Scotland distributes £2 million of Scottish Government funding through grant-in-aid in support of Scotland's international Festivals. The funding promotes the development of Scottish

artists and creative expression across the country and will contribute to raising the profile of Scotland's world-class festivals. Funding was provided to the following festivals and programmes in 2019/20:

Organisation/Programme	Funding for 2019/20 (£)	Details
Festivals Edinburgh	200,000	Funding to promote and position Edinburgh as the world's leading festival city.
The Expo Festivals	1,433,478	Funding for Scotland's international festivals.
Made in Scotland	386,748	A partnership between Creative Scotland and the Edinburgh Festival Fringe Society, Federation of Scottish Theatre, and the Scottish Music Centre. It provides a showcase of world-class Scottish theatre, dance and music at the world's biggest arts Festival, the Edinburgh Fringe.

5. Screen Scotland

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

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

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

In 2019/20, Creative Scotland received £9 million in grant-in-aid for Screen Scotland activities, and this was used to support the following areas:

Screen Strand	Scotland	Grant-in-aid in £'000	spend 2019/20	Details
Broadcast Fund	Content	3,152		The Broadcast Content Fund promotes the sustainable growth of Scotland's broadcast production sector, encouraging the

Screen Strand	Scotland	Grant-in-aid spend in £'000 2019/20	Details
			development of new projects, the scaling up of already successful activities and the production of commissioned programmes.
Production Fund	Growth	1,169	<p>The Production Growth Fund aims to help grow Scotland's screen production sector, creating employment opportunities for Scottish crews, encouraging the use of production facilities, providing significant opportunities for the professional development of producers based in Scotland, and delivering a direct and significant economic benefit to Scotland.</p> <p>The Funding helps in attracting large scale productions into the country, and maximising screen spend in Scotland.</p>
Screen Commission		465	The Screen Commission department provide the locations service, represent Screen Scotland at international markets and industry events and work with production companies to provide crews, talent and facilities in Scotland.
Talent		42	The talent programmes seek to develop Scotland's screen talent and promoting Scotland's talent in domestic and international markets.
Audiences		450	Developing audiences in Scotland by increasing access to a wide range of high-quality film and television and raising the profile of Scottish film and television among audiences in Scotland, the UK and internationally.
Skills		116	The skills programmes provide funding for Improving employment opportunities in the sector through increased and co-ordinated opportunities for work-based learning, training and development.
Infrastructure		421	This spend includes funds for the tender for a private partner to let, refurbish and operate a new studio facility in Scotland. Funding includes grant funding for a dedicated subsidiary, Shorestage Limited, to secure a film studio premise.
Cinema Fund	Equipment	400	A capital fund for cinemas and venues to upgrade or install cinema screening equipment and aims to increase access to cinema and encourage resilience for film exhibitors based in Scotland.
Strategic Partnerships		577	A fund to develop further strategic partnerships with content commissioners such as the BBC and Channel 4

Operations

Senior Leadership Team

A recruitment process for a new Chief Executive took place during the year, with Iain Munro appointed to the post with effect from 14 October 2019. Iain previously served as Deputy Chief Executive, and was also Acting Chief Executive from June 2018.

In the wider senior leadership team, David Smith was appointed Director of Screen. The Director of Strategy, Philip Deverell also left the organisation and was replaced on an interim basis by Gary Cameron, who was previously the Head of Place Partnerships and Communities.

In September 2019, John Campbell joined Creative Scotland on secondment from the Scottish Government as Director of Digital Transformation.

Subsidiary company

A new subsidiary, Screen Scotland Limited, was incorporated on 18 December 2018 and was then renamed Shorestage Limited on 1 September 2020. The subsidiary will be involved in the development of a film studio for Scotland. During the year, a lease with Forth Ports PLC was signed, and an operator agreement was signed with First Stage Studios Ltd. The results of Shorestage Limited are consolidated into the group accounts of Creative Scotland.

Response to the COVID-19 global health emergency

The end of the financial year 2019/20 coincided with the COVID-19 global health emergency, a situation that has escalated with such speed and severity that it is impacting profoundly on the creative sector and the work it does with communities across Scotland. Creative Scotland's primary focus is to keep funding flowing to sustain individuals and organisations, not only through the immediate short-term impacts, but also looking forward to the medium to long term recovery required.

The immediate response of Creative Scotland was to suspend the open funding programmes across the arts, screen and creative industries, while promising to honour existing awards, even if activities cannot be completed due to the restrictions imposed by government to deal with the emergency.

An updated fund, the Open Fund: Sustaining Creative Development was launched to provide support for individuals and organisations to sustain their creative development in the coming months. Screen Scotland also launched a Single Project Development Funding Route for broadcast and TV content, and for film production. This allows independent production companies to access funding for short term projects.

At the same time, two bridging bursary programmes were designed to support both freelance creative professionals and self-employed screen sector workers who have lost earnings due to the cancellation of work as a result of COVID-19. The programmes will provide emergency bridging funds of up to £2,500 to individuals across Scotland.

Looking forward, it is clear that the ongoing response to COVID-19 and responding to the needs individuals and organisations across the arts, screen and creative industries will dominate Creative Scotland's priorities for the 2020/21 financial year.

Performance Analysis

Performance overview

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

Each year we publish an Annual Plan which sets out how we will achieve our ambitions and priorities for that year and summarises our planned income and expenditure. Our Annual Plans include a detailed performance management framework comprising performance indicators which we report against in the Annual Review of Performance, which is published separately.

Performance is measured with regards to statistical information from our grants management system, funding data supplied by regularly funded organisations and other applicants, third party data and from stakeholder surveys.

Outcomes and performance measures for the five ambitions for the arts, screen and creative industries over the next ten years as reported in our Annual Review of Performance.

Outcomes	Performance measures	Descriptions
More diverse high quality artistic and creative work is produced and developed across Scotland	1.1 Maintain the breadth of organisations supported through Creative Scotland Regular Funding	The count of organisations in receipt of Creative Scotland Regular Funding and value of funding by type of organisation, core activity, primary art form and geographic location
	1.2 Extend the breadth of artistic and creative work by individuals and organisations supported through Creative Scotland Targeted and Open Project Funding	The range and type of work by organisations and individual practitioners in receipt of Creative Scotland Targeted and Open Project Funding and value of funding by core activity, primary art form and geographic location
	1.3 Increase in number of events supported through Creative Scotland funding	The count of performances, exhibitions, screenings and publications delivered through Creative Scotland funding
Increased public engagement through stronger touring networks, digital distribution and exhibition platforms across Scotland	2.1 Contribute to maintaining high level of adult cultural engagement across the breadth of Scotland through our funded work.	The % of adults engaging in arts and culture across Scotland by type of cultural activity and frequency of participation
	2.2 Contribute to increasing children's cultural engagement across the breadth of Scotland through our funded work	The % of children engaging in arts and culture across Scotland by type of cultural activity
	2.3 Increase in the number of digital opportunities through Creative Scotland funding	The count and value of Creative Scotland funded activities with a focus on digital exhibition, distribution
	2.4 Increase in the amount of arts touring and distribution across Scotland	The count and value of Creative Scotland funded activities with a focus on distribution, touring and festivals

Outcomes	Performance measures	Descriptions
Increase in artists and creative people working with communities and addressing local needs	3.1 Broader spread of Creative Scotland funding by geographic location	The count and value of Creative Scotland funding awards including supporting new or enhanced cultural infrastructure
	3.2 Increased range of partnership income leveraged through Creative Scotland funding, across Scotland	Value and range of partnership funding secured through Creative Scotland funding across Scotland broken out by Local Authority areas
	3.3 Improved public perceptions of national and local creativity	% difference between agreement that 'Scotland is a creative nation' and % agreement that 'my local area is a creative place'
	3.4 Improved public perception of the value of local cultural offer	% agreeing that people in my local area would lose something of value if the area lost its arts and cultural activities
Leaders across the sectors are more confident, knowledgeable, connected and developing more sustainable business models.	4.1 Maintain the breadth of organisations taking a leadership role in their sector and/or locality	The count of organisations in receipt of Creative Scotland Regular Funding that provide a leadership role in their sector or locality
	4.2 Increase in the number of professional development opportunities through Creative Scotland funding	The count and value of leadership training opportunities, professional development, work placements, apprenticeships or internships supported by Creative Scotland funding
	4.3 Improve youth employment opportunities in Creative Scotland funded organisations	The count of young people employed by Creative Scotland funded organisations through youth employment initiatives and type of employment
	4.4 Broaden range of income streams across the sector	The count, value and type of income streams of Regularly Funded Organisations, including earned income and voluntary giving
More of Scotland's artists and creative people are engaging with international artists and creative practice	5.1 Improve the quality and impact of international engagement opportunities through Creative Scotland funding	The count and value of Creative Scotland funding awards with a focus on international exchange and creative development
	5.2 Increase in the amount of international touring across Scotland through Creative Scotland funding	The count, value and geographic spread of individuals and organisations in receipt of Creative Scotland funding to showcase international work in Scotland
	5.3 Increase in the % of positive international perceptions of Scotland's culture	% of positive perceptions of Scotland's nation brand across six areas of national competence, characteristics and assets (exports, investment, tourism, governance, people and culture).

The data for these performance measures are gathered from regular funded organisations and statistical surveys and will be reported in our Annual Review for 2019/20.

Financial performance

The financial statements for 2019/20 have been prepared under an Accounts Direction, on page 65, 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 2020 versus Budget

	<u>Actual</u> <u>£'000</u>	<u>Budget</u> <u>£'000</u>	<u>Variance</u> <u>£'000</u>
Income			
Project income	(2,113)	(2,090)	23
Other income	(3,306)	(3,489)	(183)
Expenditure			
Grants awards and investments	55,571		
Project Expenditure	711		
Less de-committed awards	(262)		
Total net grants and project expenses	56,020	56,118	98
Staff costs	6,853	6,195	(658)
Other operating expenditure	2,936	3,444	508
Net expenditure	60,390	60,178	(212)

Net expenditure was higher than budget, mostly due to the impact of the provision made for future liabilities to pay deficit contributions to the Arts Council Retirement Plan (1994). The provision is a non-cash item, and the Scottish Government were informed for budgetary control purposes.

During the year, there was additional cash grant-in-aid provided for the impact of COVID-19 (£0.9 million), and a reduction for the Youth Music Initiative Access Fund awards (£1.3 million), which were delayed until 2020/21 financial year. Savings in operating expenditure were utilised to support a number of funding programmes, including additional cashflow requests from RFOs, EDI projects and the Open Project Fund

Administrative performance

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

Target	Performance Indicator	Outturn for 2019/20	Outturn for 2018/19
6.3 Minimum of 90% of funding applications processed within published timeframe	% of applications processed within agreed timeframe	99%	98%
6.4 Minimum of 90% of initial payments to successful funding applicants made within published timeframe	% of initial award payments made within 10 working days of exchange of contracts	98%	95%

Environmental Sustainability

Creative Scotland is committed to reducing the environmental impact of its operations, as well as promoting carbon efficiency and sustainable behaviours across the arts, screen and creative industries. An environment policy sets out Creative Scotland's statutory requirements under the Climate Change (Scotland) Act 2009 and to assist the Scottish Government's target of cutting 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.

Monitoring of GHG emissions in tonnes of CO₂ for 2 key areas for our operations for 2019/20 and 2018/19 were undertaken, with key results shown in the table below:

	2019-20 GHG (tCO ₂ e)	2018-19 GHG (tCO ₂ e)	% change
Energy	25.9	31.8	(19%)
Business Travel	98.8	140.9	(30%)

Business travel outputs have decreased due to a reduction in the number of international trips undertaken in the year compared to the previous year.

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

Social matters

Creative Scotland is committed to ensuring people of all ages and from different types of communities throughout the country can have deep and meaningful engagement with the arts, screen and creative industries. Access and place are key ambitions in the 10 year plan to help achieve this. The following activities have taken place in 2019/20 to help achieve this:

- The Create: Inclusion Fund was launched towards the end of the 2018/19 financial year, and two full rounds of funding were made in 2019/20. The purpose of the fund is to seek to increase the diversity of people in the arts, screen and creative industries. The fund responds to issues raised in previous reports, 'Understanding Diversity in the Arts' and 'Equality Matters', and seeks to provide funding to help applicants progress, develop their creative and professional practice, their capacity or to support them to take professional and creative risks.
- Continuing to work on the Corporate Parenting Plan, which identifies opportunities for young people from care backgrounds.
- Working with local authorities throughout Scotland on our Place programme, which ensures Creative Scotland works closely with local partners over time to build and maintain a good working knowledge of local authority areas and their creative communities.
- Continuing to embed the concepts of equality and diversity in all our funding streams, and delivering targeted funds to support key projects. An Equalities, Diversity and Inclusion report is produced biennially.

Anti-bribery and corruption

Creative Scotland has well developed policies and procedures to address anti-corruption and anti-bribery matters. All staff are required to act honestly and to safeguard the public resources for which they are responsible and are encouraged to raise concerns about possible improprieties. This includes: financial reporting, fraud, bribery or blackmail, criminal offences, failure to comply with a legal or regulatory obligation, miscarriages of justice, endangering the health and safety of an individual or concealment of any of these matters. Policies are designed to support Creative Scotland values and ensure that staff can raise concerns without fear of suffering retribution and ensure there is a transparent and confidential process for dealing with concerns.

Payment of creditors

The Scottish Public Finance Manual requires that invoices be paid within ten days of receiving a valid invoice. During the year ended 31 March 2020, 81% of invoices were paid within ten days (2019: 78%), with an average payment date of 8.2 days (2019: 9.3).

Iain Munro

Iain Munro
Chief Executive and Accountable Officer
26 November 2020

Accountability Report

Corporate Governance Report

Director's Report

List of board members and senior leadership team:

Board Members

Ewan Angus
David Brew
Duncan Cockburn (from 16 September 2019)
Stephanie Fraser (from 16 September 2019)
Philip Long (from 16 September 2019)
Sarah Munro (from 16 September 2019)
Elizabeth Partyka
David Strachan
Robert Wilson (Chair)

Iain Aitchison (to 30 June 2020)
Karen Forbes (to 30 June 2020)
Erin Forster (to 31 July 2019)
Sheila Murray (to 31 July 2019)
Cate Nelson-Shaw (to 30 June 2020)
Karthik Subramanya (to 30 June 2020)

Senior Leadership Team

Iain Munro, Chief Executive
Isabel Davis, Executive Director, Screen
Ian Stevenson, Director, Finance and Funding Operations
Karen Lannigan, Director, HR & Office Services
Kenneth Fowler, Director, Communications
Clive Gillman, Director, Creative Industries
Scott Donaldson, Acting Director, Screen (to 30 November 2019)
Joan Parr, Acting Director, Arts & Engagement
Gary Cameron, Acting Director, Strategy (from 22 July 2019)
David Smith, Director, Screen (from 4 November 2019)

Philip Deverell, Director, Strategy (to 26 July 2019)
Ken Miller, Interim Director, Communications (to 30 June 2020)

Creative Scotland Board

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

Name	Date of appointment	Term	End of current term	Attendance
Robert Wilson (Chair)	10 February 2018	1 st	9 February 2022	6 out of 6
David Brew	1 August 2015	2 nd	31 July 2023	6 out of 6
Erin Forster	1 August 2015	1 st	31 July 2019	2 out of 3
Sheila Murray	1 August 2015	1 st	31 July 2019	2 out of 3
Iain Aitchison	1 August 2016	1 st	30 June 2020	4 out of 6
Karen Forbes	1 August 2016	1 st	30 June 2020	5 out of 6
Karthik Subramanya	1 August 2016	1 st	30 June 2020	5 out of 6
Cate Nelson-Shaw	1 August 2016	1 st	30 June 2020	6 out of 6
Ewan Angus	1 August 2018	1 st	31 July 2022	5 out of 6
Elizabeth Partyka	1 August 2018	1 st	31 July 2022	6 out of 6
David Strachan	1 August 2018	1 st	31 July 2022	6 out of 6
Duncan Cockburn	16 September 2019	1 st	15 September 2023	3 out of 3
Philip Long	16 September 2019	1 st	15 September 2023	2 out of 3
Stephanie Fraser	16 September 2019	1 st	15 September 2023	3 out of 3
Sarah Munro	16 September 2019	1 st	15 September 2023	1 out of 3

A recruitment process to appoint additional board members commenced in April 2019, and four new board members were appointed from 16 September 2019: Duncan Cockburn, Philip Long, Sarah Munro and Stephanie Fraser. In addition, David Brew's first term ended on 31 July 2019 and he was re-appointed for a second term to 31 July 2023. Two board members' terms ended on 30 June 2019 (Erin Foster and Sheila Murray) and four board members' terms ended on 30 June 2020 (Iain Aitchison, Karen Forbes, Karthik Subramanya and Cate Nelson-Shaw).

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

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

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

Board members are remunerated for their role, from 1 October 2019, and details are set out in the Remuneration and Staff Report.

Subcommittees of the Board

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

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

There is also a Screen Committee made up of three Creative Scotland Board members, sector representatives and public sector partners.

Audit and Risk Committee

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

The following members of the Board served on the Audit and Risk Committee during 2019/20:

Membership	Meetings attended
David Brew (Chair)	4 out of 4
Karthik Subramanya	3 out of 4
Duncan Cockburn	2 out of 2
Philip Long	1 out of 1
Erin Forster	0 out of 1

During the year, the Committee reviewed:

- The 2018/19 Annual Reports and Accounts of both Creative Scotland and the Creative Scotland National Lottery Distribution Fund
- Outputs of the internal and external auditors, including annual plans and reports.
- Revisions to the Framework Agreement between the Scottish Government and Creative Scotland
- The data protection annual report for 2018/19
- An investigation by the Competition and Markets Authority and a legal case brought against Creative Scotland at the Competition Appeal Tribunal
- The outcomes of the National Fraud Initiative
- Delegated authority and budget control guidelines
- The risk register and wider risk management arrangements, which were discussed at every meeting.

Financial and General Purposes Committee

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

The following members of the Board served on the Finance and General Purposes Committee during 2019/20:

Membership	Meetings attended
Elizabeth Partyka (Chair)	4 out of 4
Iain Aitchison	3 out of 4
Karen Forbes	3 out of 4
Ewan Angus	2 out of 2
Stephanie Fraser	1 out of 1

During the year, the Committee reviewed:

- The 2019/20 budget, including allocations of grant-in-aid from the Scottish Government and National Lottery income projections
- Management accounts showing outturn against budget for 2019/20
- Annual plan and performance targets

- Digital transformation strategy
- HR and Office Services directorate plans including health and safety and HR matters.

Nominations Committee

The Nominations Committee contributes as required to the appointment process for new Board members and to ensure induction, training and performance reviews are undertaken. The Committee is chaired by Robert Wilson with attendance from other board members as agreed. There were no meetings of the Committee during 2019/20.

Screen Committee

The Screen Committee is chaired by David Strachan and oversees the delivery of Screen Scotland. Its members are also representatives on the Screen Scotland Partnership Committee which includes representatives from the core partners in Screen Scotland: Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland, and the Scottish Funding Council. The purpose of the Screen Committee is to review the implementation and delivery of Screen Scotland, ensure partnership working, advise the Creative Scotland Board as appropriate on screen matters.

Political and Charitable Donations

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

Data loss

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

Statement of Accountable Officer's responsibilities

Under the Public Services Reform (Scotland) Act 2010, the Scottish Ministers have directed Creative Scotland to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Creative Scotland and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

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

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

The Principal Accountable Officer for the Scottish Administration has designated the 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 2020, Audit Scotland is the appointed auditor. So far as the Accountable Officer is aware, there is no relevant audit information of which the auditor is unaware and the Accountable Officer has taken all the steps that he ought to have taken in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

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

Governance Statement

Scope of Responsibility

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

Governance framework

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

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

The Board has corporate responsibility for ensuring that Creative Scotland fulfils the aims and objectives set by the Scottish Ministers. The Board is supported in its activities by two standing committees which meet at least four times per year: the Audit and Risk Committee; and the Finance and General Purposes Committee. There is also a Nominations Committee which meets when required. In addition, a Screen Committee oversees the delivery of Screen Scotland alongside other public sector partners.

As is good practice, terms of reference are in place for the Board and its standing committees. These pull together the Board's statutory and regulatory responsibilities, as detailed within key governance documentation including the Public Services Reform (Scotland) Act 2010 and Creative Scotland's Management Statement and Framework Document.

Operation of the Board

During 2019/20 the Board met on 5 occasions all of which were chaired by Robert Wilson. Minutes of these meetings are published on Creative Scotland's website.

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

- approval of the 2019/20 budget
- the continuing strategy and funding reviews
- the completion of the organisation development project and its evolution into digital transformation
- the Scottish Government's culture strategy

The Board met for an additional meeting to discuss the film studio project, including a review of the business case and approval was given for the subsidiary company Shorestage Limited to enter a lease with Forth Ports PLC.

The board meeting in March considered the impact of the COVID-19 pandemic on Creative Scotland's operations and the nationwide lockdown measures leading to the closure of much of the cultural sector across Scotland. Approval was given for emergency funding responses (as noted on page 13).

The Board received regular updates from the Audit and Risk and Finance General Purposes committees, which was a standing item on each board meeting. Details of both committees and their work in the year are noted on page 13. The Nominations Committee did not meet during the year, and the Screen Committee met 6 times.

Accountable officer

The Accountable officer for the year was Iain Munro, who was Acting Chief Executive until 14 October 2019 when he was appointed Chief Executive.

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

Assessment of corporate governance in the period

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The process within the organisation accords with guidance from the Scottish Ministers provided in the Scottish Public Finance Manual and has been in place for the year ended 31 March 2020 and up to the date of approval of the annual report and financial statements.

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

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

All recommendations from Internal and External audit are responded to by management and both the recommendations and responses for implementation are reviewed by the Audit and Risk Committee before being either approved or amended, for implementation. The findings from the Audit and Risk Committee are reported to the Board by way of submission of minutes of each meeting and an annual report on the committee's work.

The independent Internal Auditor's Annual Report found that Creative Scotland has adequate and effective arrangements for risk management, control and governance and that proper arrangements are in place to promote and secure value for money. The main issues raised by internal audit related to recommendations to improve procurement and the expenses system, and these are being actioned as part of an agreed action plan. Additional actions were agreed to progress outstanding internal audit recommendations.

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

More generally, the organisation is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area. In particular, in the period covering the year to 31 March 2020 and up to the signing of the financial statements, the organisation has:

- commenced a wider review of funding models and overall strategy
- commenced a programme of digital transformation to improve and update funding management systems and to utilise technology to improve the efficiency and effectiveness of the organisation.

The organisation will continue to develop its funding and strategy reviews during 2019/20 to improve corporate governance procedures.

Risk management

The Accountable Officer and Board have ultimate responsibility for the control of all identified organisational risks. Creative Scotland's Risk Management Strategy outlines the key activities undertaken to manage risk.

The Board approves the strategic plan, and risks which may impact its delivery are identified through senior leadership team, Board and sub-committee discussions. These are recorded in the Strategic Risk Register, which identifies the organisation's risks and the relevant control strategy for each. The register has been developed in line with relevant guidance issued by the Scottish Ministers and with clearly defined processes and specific areas of responsibility.

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

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

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

Response to COVID-19

The COVID-19 pandemic and the lockdown measures in the UK have had a significant impact on Creative Scotland's operations. The organisation's initial response to the pandemic is set out on page 13. In addition

to the support announced for individuals and organisations in the culture sectors in Scotland, a number of responses were initiated to ensure proper corporate governance during this period, including:

- utilisation of technology to ensure key financial and operation processes could be facilitated remotely
- scheduling more regular Board and Senior Leadership Team calls outwith the regular meeting schedules to tackle key issues as they arise and utilising technology to allow effective scrutiny to take place in the homeworking environment
- development of key funding responses, working internally and with partners to ensure digital transformation, legal and finance advice, and data protection issues were embedded
- HR strategies to ensure the health and wellbeing of our staff were prioritised

An internal audit in 2020/21 is planned to review the corporate governance arrangements in place during homeworking.

Conclusion

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

Remuneration and staff report

Board

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

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

During the year, Scottish Ministers decided to allow other board members to be remunerated with effect from 1 October 2019. The daily rate for board remuneration is set by Scottish Ministers and has been set for 2019/20 at a rate of £218 per day up to a maximum of £2,616 per year. Future pay increases are subject to the Scottish Government Public Sector Pay Policy.

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

Board members are not entitled to a pension.

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

1. Robert Wilson has not taken remuneration during his period of appointment.
2. Erin Foster and Shelia Murray's term of appointment ended on 30 June 2019, before board remuneration was introduced.

Senior Leadership Team

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

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

Remuneration of the Senior Leadership Team*

Name	2019/20				2018/19			
	Salary/ (Bonus) £'000	Benefit in kind £100s	Pension Benefits £'000	Total	Salary/ (Bonus) £'000	Benefit in kind £100s	Pension Benefits £'000	Total
Iain Munro ¹ Chief Executive	115-120 (0)	-	90-95	210-215	110-115 (0)	-	25-30	140-145
Isabel Davis Executive Director, Screen	90-95 (0)	-	20-25	110-115	50-55 (0)	3,000	10-15	65-70
Kenneth Fowler ² Director, Communications	75-80 (0)	-	15-20	95-100	75-80 (0)	-	15-20	90-95
Karen Lannigan Director, HR & Office Services	80-85 (0)	-	35-40	115-120	75-80 (0)	-	45-50	120-125
Ian Stevenson Director, Finance & Funding Operations	80-85 (0)	-	25-30	110-115	75-80 (0)	-	35-40	115-120
Clive Gillman Director, Creative Industries	65-70 (0)	-	15-20	85-90	60-65 (0)	-	15-20	80-85
Joan Parr Interim Director, Arts & Engagement	60-65 (0)	-	10-15	75-80	40-45 (0)	-	5-10	45-50
Gary Cameron ³ Interim Director, Strategy (from 22 July 2019)	40-45 (0)	-	5-10	50-55	-	-	-	-
David Smith ⁴ Director, Screen (from 4 November 2019)	30-35 (0)	-	5-10	35-40	-	-	-	-
Scott Donaldson ⁵ Acting Director, Screen (to 30 November 2019)	40-45 (0)	-	20-25	80-85	55-60 (0)	-	15-20	75-80
Philip Deverell ⁶ Director, Strategy (to 31 July 2019)	25-30 (0)	-	10-15	40-45	65-70 (0)	-	15-20	85-90

Figures shown are for the Senior Leadership Team in place during 2019-20 who were Creative Scotland employees.

1. Mr Munro was Acting Chief Executive until his appointment as Chief Executive on 14 October 2019. FTE salary for the Acting Chief Executive role is in the range £110,000 to £115,000. FTE salary for the Chief Executive role is in the range £115,000 to £120,000.
2. Mr Fowler was seconded to the Scottish Government for the full financial year.
3. FTE Salary is in the range £60,000 to £65,000
4. FTE Salary is in the range £75,000 to £80,000
5. Mr Donaldson is also Head of Film Education. FTE Salary is in the range £50,000 to £55,000. Salary is shown for the period Mr Donaldson was a member of the Senior Leadership Team.
6. FTE Salary was in the range £65,000 to £70,000

Seconded senior staff

Mr Ken Miller was seconded to Creative Scotland from Health Improvement Scotland as Interim Director of Communications with effect from 7 February 2019. The FTE salary for this post under the secondment agreement is £65,000 to £70,000 and Creative Scotland paid £107,000 (salary, on-costs and VAT) to Health Improvement Scotland for the period of the secondment to 31 March 2020. Mr Miller remains an employee of Health Improvement Scotland.

Mr John Campbell was seconded to Creative Scotland from the Scottish Government as Director of Digital Transformation with effect from 9 September 2019. The FTE salary for this post under the secondment agreement is £70,000 to £75,000 and Creative Scotland paid £69,000 (salary, on-costs and VAT) to the Scottish Government for the period of the secondment to 31 March 2020. Mr Campbell remains an employee of the Scottish Government.

Salary

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

Benefits in kind

The monetary value of benefits in kind to the nearest £100 covers any benefits provided by Creative Scotland and treated by HMRC as a taxable emolument, and any non-taxable emoluments not subject to taxation.

Bonus

No bonuses were paid during the period (2018/19- 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 2020 and 31 March 2019*:

Name	Accrued pension (lump sum) 31 March 2020 £'000	Accrued pension (lump sum) 31 March 2019 £'000	Real increase in pension (lump sum) £'000	CETV 31 March 2020 £'000	CETV 31 March 2019 £'000	Real increase in CETV £'000
Iain Munro	30-35 (90-95)	25-30 (80-85)	2.5-5 (10-12.5)	612	496	77
Isabel Davis	0-5 (5-10)	0-5 (0-5)	0-2.5 (2.5-5)	33	11	18
Kenneth Fowler	5-10 (20-25)	5-10 (20-25)	0-2.5 (2.5-5)	163	134	17
Karen Lannigan	15-20 (5-10)	10-15 (5-10)	0-2.5 (0-2.5)	221	176	45
Ian Stevenson	10-15 (30-35)	5-10 (25-30)	0-2.5 (5-7.5)	200	162	23
Clive Gillman	0-5 (10-15)	0-5 (5-10)	0-2.5 (2.5-5)	87	64	18
Joan Parr	10-15 (30-35)	10-15 (30-35)	0-2.5 (0-2.5)	252	223	14
Gary Cameron	0-5 (5-10)	-	0-2.5 (0-2.5)	33	-	6
David Smith	0-5 (0-5)	-	0-2.5 (0-2.5)	8	-	6
Scott Donaldson	15-20 (20-25)	15-20 (20-25)	0-2.5 (0-2.5)	358	336	22
Philip Deverell ¹	0-5 (10-15)	0-5 (10-15)	0-2.5 (2.5-5)	98	88	9

1. CETV shown at the date employment with Creative Scotland ended

Pension scheme

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

Cash Equivalent Transfer Values

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

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

The figures include the value of a pension benefit in another scheme or arrangement which the individual has transferred to Creative Scotland's pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take into account any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Exit packages*

Exit package cost band	Compulsory redundancies		Other settlements	
	Total number of packages by cost band (2019/20)	Total number of packages by cost band (2018/19)	Total number of packages by cost band (2019/20)	Total number of packages by cost band (2018/19)
Less than £10,000	-	-	-	-
£10,000 to £24,999	-	-	1	-
£25,000 to £49,999	-	-	-	-
£50,000 to £100,000	-	-	-	1
Over £100,000	-	-	-	-
Total number of exit packages	-	-	1	1

Exit packages include pay in lieu of notice, and other benefits in kind (taxable and non-taxable).

Median pay multiples*

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

	2019/20	2018/19
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	£29,998	£34,472
Ratio	3.92	3.32
Range of staff remuneration below highest paid director (bands of £5,000)	£15,000 to £95,000	£15,000 to £90,000
Employees receiving remuneration in excess of the highest-paid director	0	0

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

Staff costs and numbers*

	2019/20	2019/20	2019/20	2019/20	2018/19
	Employees (£'000)	Agency staff (£'000)	Inward Secondees (£'000)	Total (£'000)	Total (£'000)
Staff Costs	4,504	-	-	4,504	4,232
NI	448	-	-	448	387
Pension costs	1,157	-	-	1,157	1,199
Agency fees	-	231	-	231	31
Invoiced	-	-	176	176	63
Total	6,109	231	176	6,516	5,912
Average FTE by directorate					
Executive Office	6.9	-	-	6.9	6.7
Finance and Funding	17.7	0.4	-	18.1	20.4
Communications	13.7	0.5	1	15.2	14.2
HR & Office Services	10.3	0.3	-	10.6	10.2
Arts & Engagement	34.1	-	-	34.1	33.6
Screen Scotland	16.0	0.8	-	16.8	15.5
Creative Industries	7.2	-	-	7.2	7.0
Strategy	11.9	-	-	11.9	11.5
Digital Transformation	6.0	1.8	0.8	8.6	-
Total	123.8	3.8	1.8	129.4	119.1

Costs include two employees who were seconded to the Scottish Government, with additional grant-in-aid allocated to offset staff costs during the period of their secondment.

The Digital Transformation Directorate was created during the year as a temporary new structure which covers ICT and organisation development staff. Previously the ICT team sat within Finance and Funding.

Breakdown of employee groups by sex*

The table below shows the breakdown of the Creative Scotland Senior Leadership Team and Board by sex as at 31 March 2020.

	Males	Females
Senior Leadership Team	6	3
Creative Scotland Board	8	5

Sickness absence

In the year to 31 March 2020, an average of 5.4 working days (2019: 5.7 days) was lost per staff member working in the year.

Equalities and diversity

Creative Scotland is a 'Disability Two Ticks' organisation. This means that Creative Scotland guarantees that all disabled applicants who meet the minimum criteria for a job vacancy will be interviewed.

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

Creative Scotland is also a member of Stonewall's Diversity Champions Programme, the world's largest best practice employer's forum on sexual orientation in the workplace.

External contractors

In the year to 31 March 2020, Creative Scotland incurred expenditure of £106,000 on external contractors, which is made up of:

	£'000
External assessors	21
Contractors	85
	106

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

Trade Union Relations

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

Facility time statistics as required by the Trade Union (Facility Time Publication Requirements) Regulations 2017 are shown below.

Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
3	3

Percentage of time spent on facility time

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

Percentage of pay bill spent on facility time

Total cost of facility time (£)	2,300
Total pay bill (£)	6,109,000
% of pay bill spent on facility time	0.04%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	100%
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Iain Munro

Iain Munro
Chief Executive and Accountable Officer
26 November 2020

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

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Creative Scotland for the year ended 31 March 2020 under the Public Services Reform (Scotland) Act 2010. The financial statements comprise the Group Statement of Comprehensive Net Expenditure, the Group Statement of Financial Position, the Statement of Group Cash Flows, the Statement of Changes in Group Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2019/20 Government Financial Reporting Manual (the 2019/20 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Public Services Reform (Scotland) Act 2010 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2020 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 FReM; and
- have been prepared in accordance with the requirements of the Public Services Reform (Scotland) Act 2010 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 26 January 2018. The period of total uninterrupted appointment is 5 years. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Accountable Officer for the financial statements

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

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

Other information in the annual report and accounts

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

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Public Services Reform (Scotland) Act 2010 and directions made thereunder by the Scottish Ministers.

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

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Services Reform (Scotland) Act 2010 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Services Reform (Scotland) Act 2010 and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Liz Maconachie

Liz Maconachie

Senior Audit Manager, Audit Scotland

4th Floor, 8 Nelson Mandela Place

Glasgow, G2 1BT

26 November 2020

Group Statement of Comprehensive Net Expenditure

For the year ended 31 March 2020

	Notes	Creative Scotland 2019/20	Creative Scotland 2018/19	Group 2019/20
		£'000s	£'000s	£'000s
Income				
Project income	5	2,113	1,896	2,113
Other operating income	6	3,306	2,901	3,306
		5,419	4,797	5,419
Expenditure				
Staff costs	7	6,811	5,865	6,811
Grant commitments	8	55,571	57,010	55,273
Less: de-commitment of prior year grants		(262)	(142)	(262)
Project expenditure	9	711	808	711
Other operating expenditure	10	2,717	2,423	3,015
Depreciation		219	167	219
		65,767	66,131	65,767
Net operating costs for the year		(60,348)	(61,334)	(60,348)
Other finance (costs) / income	18	(42)	(25)	(42)
		(42)	(25)	(42)
Net expenditure		(60,390)	(61,359)	(60,390)

Other comprehensive expenditure

	Creative Scotland 2019/20	Creative Scotland 2018/19	Group 2019/20
	£'000s	£'000s	£'000s
Retained deficit for the financial year	(60,390)	(61,359)	(60,390)
Actuarial gain/(loss) on the Strathclyde Pension Fund	973	(567)	973
Capital grant net income	(30)	(30)	(30)
Net gain/(loss) on revaluation of property	18	82	18
Total comprehensive expenditure	(59,429)	(61,874)	(59,429)

The notes on pages 42-64 form part of these accounts.

Group Statement of Financial Position

As at 31 March 2020

	Notes	Creative Scotland 2019/20	2018/19	Group 2019/20
		£'000s	£'000s	£'000s
Non-current assets				
Property, plant and equipment	12	1,704	1,729	1,704
Intangible assets	13	25	52	25
Total non-current assets		1,729	1,781	1,729
Current assets				
Trade and other receivables	14	2,694	3,170	2,652
Cash and cash equivalents	15	10,679	1,768	10,751
Total current assets		13,373	4,938	13,403
Total assets		15,102	6,719	15,132
Current liabilities				
Trade and other payables	16	(11,485)	(8,573)	(11,515)
Provisions	19	(223)	(167)	(223)
Total current liabilities		(11,708)	(8,740)	(11,738)
Non-current assets plus net current assets		3,394	(2,021)	3,394
Non-current liabilities				
Provisions	19	(507)	(105)	(507)
Other payables	16	(498)	(600)	(498)
Pension liabilities	18	(849)	(1,635)	(849)
Total non-current liabilities		(1,854)	(2,340)	(1,854)
Assets less liabilities		1,540	(4,361)	1,540
Reserves				
General fund		1,273	(4,610)	1,273
Revaluation reserve		267	249	267
Total reserves		1,540	(4,361)	1,540

The Accountable Officer authorised these financial statements for issue on 26 November 2020.

Iain Munro

Iain Munro
Chief Executive and Accountable Officer
26 November 2020

The notes on pages 42-64 form part of these accounts.

Statement of Group Cash Flows

For the year ended 31 March 2020

	2019/20	2018/19
	£'000s	£'000s
Cash flows from operating activities		
Net expenditure	(60,390)	(61,359)
<i>Adjustments for non-cash items</i>		
Adjustments for IAS 19	187	243
Depreciation on property, plant and equipment	192	139
Amortisation of intangible fixed assets	27	28
Capital grants released	(30)	(30)
<i>Movements in working capital</i>		
(Increase)/decrease in trade and other receivables	518	(1,570)
Increase/(decrease) in trade and other payables	2,840	6,151
<i>Movements in provisions</i>		
Increase/(decrease) in provisions	458	-
Net cash outflow from operating activities	(56,199)	(56,398)
Cash flows from investing activities		
Purchase of property, plant and equipment	(148)	(79)
Purchase of intangible assets	-	(48)
Net cash outflow from investing activities	(148)	(127)
Cash flows from financing activities		
Scottish Government grant-in-aid received	65,330	55,700
Net decrease in cash and cash equivalents	8,983	(825)
Cash and cash equivalents at the beginning of the period	1,768	2,593
Cash and cash equivalents as the end of the period	10,751	1,768

The notes on pages 42-64 form part of these accounts.

Statement of Changes in Group Taxpayers' Equity

For the year ended 31 March 2020

	General Fund	Revaluation Reserve	Total
	£'000s	£'000s	£'000s
Balance as at 31 March 2018	1,646	167	1,813
Changes in taxpayers' equity 2018/19			
Actuarial loss	(567)	-	(567)
Retained deficit	(61,359)	-	(61,359)
Grant in Aid transfer	55,700	-	55,700
Revaluation of property	-	82	82
Movement in capital grant	(30)	-	(30)
Balance as at 31 March 2019	(4,610)	249	(4,361)
Changes in taxpayers' equity 2019/20			
Actuarial gain	973	-	973
Retained deficit	(60,390)	-	(60,390)
Grant in Aid transfer	65,330	-	65,330
Revaluation of property	-	18	18
Movement in capital grant	(30)	-	(30)
Balance as at 31 March 2020	1,273	267	1,540

The notes on pages 42-64 form part of these accounts.

Notes to the financial statements

(Forming part of the financial statements)

1 Accounting policies

1.1 Basis of accounting and preparation

In accordance with the accounts direction issued by Scottish Ministers under section 13(1) of Schedule 9 of the Public Services Reform (Scotland) Act 2010, these financial statements have been prepared in accordance with the 2019/20 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.

1.2 Accounting Convention

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

The consolidated accounts (the Group) include the accounts of Creative Scotland and its wholly owned subsidiary company, Shorestage Limited for the year ending 31 March 2020.

1.3 Going Concern

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

1.4 Property, Plant & Equipment (PPE)

Recognition

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

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

Capitalisation

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

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

Measurement

Valuation

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

All assets are measured subsequently at fair value as follows:

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

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

Subsequent expenditure:

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

Revaluations and Impairment:

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

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

Depreciation

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

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

- Dwellings and other buildings - 35 years
- Leasehold improvements - life of the lease
- Plant and machinery - 5 years
- Furniture, fixtures and fittings - 5 - 10 years
- ICT systems - 3 years
- Motor vehicles - 4 years

1.5 Intangible Assets

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

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

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

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

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

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

- Software - 4 years
- Website development - 3 years

Intangible assets under development are not amortised.

1.6 Financial instruments

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

Financial Assets

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

Other financial liabilities

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

Recognition and measurement

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

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1.7 Recognition of income

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

1.8 Resources Expended

Resources expended are included in the financial statements on an accruals basis. The expenditure is included in the category most appropriate to the nature of the expenditure. Grants are recognised when these are approved unless there are conditions which may reasonably stop the payment of future instalments of the grant. Projects awarded over a multi-year basis are accounted for on an annualised basis whereby awards are spread across the financial years of the project.

1.9 Pensions

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

Strathclyde Pension Scheme

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

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

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

Arts Council Retirement Plan 1994

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

The pension cost is assessed every three years by an actuary who determines the rate of contributions required. The most recent actuarial valuation took place in the year to 31 March 2019.

1.10 Leases

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

1.11 Provisions

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

1.12 Taxation and VAT

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

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

1.13 Short Term Employee Benefits

A liability and an expense are recognised for holiday days, holiday pay, non-consolidated performance related pay and other short-term benefits when the employees render service that increases their entitlement to these benefits. As a result, an accrual has been made for holidays earned but not taken.

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

The International Accounting Standards Board (IASB) has issued the final version of IFRS 16 which will replace IAS 17 for annual periods beginning on or after 1 January 2019. The Government Financial Reporting Manual has deferred implementation of this standard until 1 April 2021, it therefore does not affect the 2019-20 financial statements. The full impact of the introduction of this standard will require assets and liabilities to be increased by the same amount, as operating leases will be treated in the same way as finance leases. IFRS 16 will be adopted by for the first time in 2021-22 with 2020-21 forming a comparative year.

2 Critical accounting estimates and judgements

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

- The present value of pension obligations is dependent on actuarial valuations, which are based on assumptions for the discount rate, the rate of inflation, and the rate of future salary and pension increases. These are set out in Note 18, and the sensitivities to any changes in the assumptions used and the impact on the obligation and monetary value are disclosed on page 56.
- Creative Scotland has recognised provisions for dilapidations on rented premises. These provisions are based on expert valuations and are subject to agreement with landlords.
- Creative Scotland recharges 40% of applicable operating costs to the Creative Scotland National Lottery Distribution Fund. This is based on management's judgement of the most appropriate recharge rate based on a number of factors, including the proportion of income from each fund over the medium term of operations.

3 Reconciliation of net expenditure to grant-in-aid

	£'000s
Net expenditure per Group SoCNE	(60,390)
Capital	(149)
Grant-in-aid for 2019/20	59,895
Net deficit for the year to 31 March 2020	<u>(644)</u>

The grant-in-aid allocated to Creative Scotland for the year to 31 March 2020 was £59.9 million, all of which was drawn down in cash during the year. An additional £5.4 million was paid in relation to carry forward from the 2018/19 financial year giving a total cash GIA allocation of £65.3 million for 2019/20.

4 External auditor's remuneration

	2019/20	2018/19
	£'000s	£'000s
External audit remuneration	46	45
Total external auditor's remuneration	<u>46</u>	<u>45</u>

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

5 Project income

	Creative Scotland 2019/20	2018/19	Group 2019/20
	£'000s	£'000s	£'000s
Creative Europe	46	46	46
Paul Hamlyn Foundation	-	6	-
CashBack for Creativity	884	873	884
Royal Edinburgh Military Tattoo	146	4	146
City of Edinburgh Council	1,032	967	1,032
Scots Gaitherin'	5	-	5
	<u>2,113</u>	<u>1,896</u>	<u>2,113</u>

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

Cashback for Creativity is provided by the Scottish Government and is a programme for activities and opportunities for young people, utilising funds seized from criminals under the proceeds of crime legislation. Phase 4 of the programme commenced on 1 April 2017.

Royal Edinburgh Military Tattoo provides funding for the Young Talent Development Fund.

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

6 Other operating income

	Creative Scotland 2019/20	2018/19	Group 2019/20
	£'000s	£'000s	£'000s
Recharges to Creative Scotland NLDF	2,947	2,685	2,947
Amortisation of capital grant	30	30	30
Event space rental income	191	95	191
Office space rental income	135	66	135
Miscellaneous	3	25	3
	3,306	2,901	3,306

7 Staff costs

	2019/20	2018/19
	£'000s	£'000s
Staff costs during the year		
Wages and salaries	4,504	4,232
Social security costs	448	387
Pension costs	1,157	1,199
Apprenticeship levy	8	6
Movement in holiday pay accrual	5	10
Other staff related costs: temporary staff	231	31
ACRP Deficit Contribution	458	-
	6,811	5,865

The amount recharged in respect of the National Lottery Distribution Fund's share of Creative Scotland's payroll costs was £2.3 million (40% of eligible staff costs) (2018-19: £2.1 million, 40%).

8 Grant commitments

	2019/20	2018/19
	£'000s	£'000s
Regular Funded Organisations	34,050	34,368
Open Project Funding	631	215
Scottish Government - Restricted Funds		
Youth Music Initiative	7,599	8,594
Expo Fund	1,820	1,800
Sistema	850	780
Festivals Edinburgh	200	200
World War I Commemorations	-	50
CCA Funding	-	150
Platform for Creative Excellence (PLACE)	1,968	1,968
European Championships Berlin Exchange	-	15
Expressive Arts	15	-
Total Scottish Government - Restricted Funds	12,452	13,557
Targeted – Arts and Engagement		
CashBack for Communities	786	767
Teacher Development Fund	-	5
Royal Edinburgh Military Tattoo	147	-
Scotland in Venice	40	-
Targeted – Screen Scotland		
Audience Development	450	545
Broadcast Content Fund	3,152	3,003
Distribution and Exhibition Fund	155	169
Infrastructure	298	300
Inward Investment (Production Growth Fund)	1,169	1,575
Markets and Festivals Fund	84	218
Skills and Talents	116	572
Strategic Partnerships	577	90
Screen Commission (International Markets and Industry Events)	39	-
Cinema Projection Fund	400	-
Professional Development Fund	38	-
Business Support	26	-
Other Talent	42	-
Film Development and Production	-	130
Film Education	-	770
Film Festival Fund	-	12
Talent Development	-	102
Targeted – Creative Industries		
Creative Industries	278	-
Sector Organisations	300	444
Targeted – Strategy		
EDI	131	-
Targeted - Other		
Strategic Fund	144	168

Culture Counts	66	-
Total targeted funding	8,438	8,870
Total grant commitments for the year	55,571	57,010

9 Project expenditure

	2019/20 £'000s	2018/19 £'000s
Scottish Government - Restricted Funds		
Youth Music Initiative	7	32
Place	15	-
International Showcase Reel	39	-
Targeted – Arts and Engagement		
CashBack for Communities	33	41
Arts Strategies	-	2
Scots Gaitherin'	5	-
Scotland in Venice	27	-
International Partnership Working	5	-
Targeted - Screen		
Infrastructure	123	44
Screen Commission (Inward Investment)	417	579
Screen Commission (International Markets and Industry Events)	9	-
Specialist Sector Business Development and Enterprise	-	23
Talent Development	-	9
Content Development and Production	-	9
Film Education	-	16
Targeted – Creative Industries		
Sector Organisations	-	18
Targeted - Other		
Creative Europe	31	35
Total project expenditure	711	808

10 Other operating expenditure

	Creative Scotland		Group
	2019/20	2018/19	2019/20
	£'000s	£'000s	£'000s
HR	273	148	273
Office Services	85	84	85
Estates	800	815	800
Finance	168	165	168
Legal and contracts	91	65	91
ICT	249	176	249
Communications	72	122	72
Board and committee expenses	20	7	20
Central services	736	658	736
Marketing	70	62	70
Knowledge and Research	132	114	132
External assessors	21	7	21
Shorestage Limited	-	-	298
Total other operating expenditure	2,717	2,423	3,015

11 Corporation Tax

Corporation tax is due on the bank interest received in the year based on the standard rate of corporation tax for the year. For the year ending 31 March 2020, no corporation tax was payable to HMRC.

12 Property, plant and equipment

	Land	Buildings	Buildings Leasehold	Fixtures and Fittings	IT Equipment	Creative Scotland Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Cost						
1 April 2019	500	735	910	73	183	2,401
Revaluation	7	11	-	-	-	18
Additions	-	-	82	-	67	149
Disposals	-	-	-	-	-	-
31 March 2020	507	746	992	73	250	2,568
Depreciation						
1 April 2019	-	-	471	63	138	672
Revaluation	-	-	-	-	-	-
Charge for the year	-	21	106	8	57	192
Disposals	-	-	-	-	-	-
31 March 2020	-	21	577	71	195	864
NBV						
31 March 2020	507	725	415	2	55	1,704

Prior year	Land	Buildings	Buildings Leasehold	Fixtures and Fittings	IT Equipment	Creative Scotland Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Cost						
1 April 2018	524	690	860	73	160	2,307
Revaluation	(24)	45	-	-	-	21
Additions	-	-	50	-	29	79
Disposals	-	-	-	-	(6)	(6)
31 March 2019	500	735	910	73	183	2,401
Depreciation						
1 April 2018	-	39	397	56	107	599
Revaluation	-	(60)	-	-	-	(60)
Charge for the year	-	21	74	7	37	139
Disposals	-	-	-	-	(6)	(6)
31 March 2019	-	-	471	63	138	672
NBV						
31 March 2019	500	735	439	10	45	1,729

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

13 Intangible assets

	Computer software	Website	Work in progress	Total
	£'000s	£'000s	£'000s	£'000s
Cost				
1 April 2019	409	237	-	646
Revaluation	-	-	-	-
Additions	-	-	-	-
Transfers	-	-	-	-
Disposals	-	-	-	-
31 March 2020	409	237	-	646
Amortisation				
1 April 2019	407	187	-	594
Revaluation	-	-	-	-
Charge for the year	2	25	-	27
Disposals	-	-	-	-
31 March 2020	409	212	-	621
NBV				
31 March 2020	-	25	-	25

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

14 Trade receivables and other current assets

	Creative Scotland		Group
	31 March 2020	31 March 2019	31 March 2020
	£'000s	£'000s	£'000s
Trade receivables	1,083	143	1,083
Due from Creative Scotland NLDF	205	924	205
Prepayments and accrued income	678	1,240	481
Grant advances	716	862	827
Staff advances and loans	12	1	12
VAT due from HMRC	-	-	44
	2,694	3,170	2,652

Trade receivables and other current assets can be analysed as:

	Creative Scotland		Group
	31 March 2020	31 March 2019	31 March 2020
	£'000s	£'000s	£'000s
Balances with other Central Government bodies	1,230	177	1,077
Balances with Local Authorities	250	972	250
Balance with Creative Scotland NLDF	206	924	206
Total intra Government balances	1,686	2,073	1,533
Balances with bodies external to Government	1,008	1,097	1,119
	2,694	3,170	2,652

15 Cash and cash equivalents

	Creative Scotland		Group
	31 March 2020	31 March 2019	31 March 2020
	£'000s	£'000s	£'000s
Balance at 1 April	1,768	2,593	1,768
Net change in cash and cash equivalent balances	8,911	(825)	8,983
Balance at 31 March	10,679	1,768	10,751

The following balances at 31 March were held at:

Government Banking Service	10,679	1,768	10,679
Commercial banks	-	-	72
Cash in hand	-	-	-
Balance at 31 March	10,679	1,768	10,751

16 Trade payables and other current liabilities

	Creative Scotland		Group
	31 March 2020	31 March 2019	31 March 2020
	£'000s	£'000s	£'000s
Amounts falling due within one year:			
Trade payables	285	129	285
Grants outstanding	10,430	7,963	10,430
Accruals	507	416	537
Deferred income	263	65	263
	11,485	8,573	11,515
Amounts falling due after one year:			
Other payables, accruals and deferred income	498	600	498
	498	600	498

Trade payables and other current liabilities can be analysed as:

	Creative Scotland		Group
	31 March 2020	31 March 2019	31 March 2020
	£'000s	£'000s	£'000s
Balances with other Central Government bodies	290	132	290
Balances with Local Authorities	629	252	629
Total intra Government balances	919	384	919
Balances with bodies external to government	11,064	8,789	11,094
	11,983	9,173	12,013

17 Commitments under operating leases

At 31 March 2020, Creative Scotland had future minimum lease payments under non-cancellable operating leases relating to annual rent for premises at Waverley Gate, 2-4 Waterloo Place, Edinburgh; and The Lighthouse, 11 Mitchell Lane, Glasgow.

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

Shorestage Limited has a short-term lease on a property at Bath Road, Leith, which runs to 31 December 2020.

	Creative Scotland	Creative Scotland	Group
	31 March	31 March	31 March
	2020	2019	2020
	£'000s	£'000s	£'000s
Operating leases commitments			
Not later than 1 year	564	512	827
Later than 1 year and not later than 5 years	2,091	2,133	2,091
Later than 5 years	243	765	243

18 Pension schemes

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

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

Strathclyde Pension Fund

These figures are prepared by the Actuaries in accordance with IAS 19. As required under IAS 19, the actuaries have used the projected unit credit method of valuation to measure the pension obligations at 31 March 2020. The last full actuarial valuation of the Strathclyde Pension Fund was carried out on 31 March 2017.

	Assets	Obligations	Net (liability)/ asset
	£'000s	£'000s	£'000s
Fair value of employee assets	8,500	-	8,500
Present value of funded liabilities	-	10,135	(10,135)
Present value of unfunded liabilities	-	-	-
Opening Position as at 31 March 2019	8,500	10,135	(1,635)
Service cost			
- Current service cost	-	287	(287)
- Past service cost	-	(42)	42
- Effect of settlements	-	-	-
Total service costs	-	245	(245)
Net interest			
- Interest income on plan assets	204	-	204
- Interest cost on defined benefit obligation	-	246	(246)
Total net interest	204	246	(42)
Total defined benefit cost recognised	204	491	(287)
Cashflows			
- Planned participants' contributions	44	44	-
- Employer contributions	100	-	100
- Contributions in respect of unfunded benefits	-	-	-
- Benefits paid	(115)	(115)	-
- Unfunded benefits paid	-	-	-
Expected closing position	8,733	10,555	(1,822)
Remeasurements			
- Change in demographic assumptions	-	(360)	360
- Change in financial assumptions	-	(1,119)	1,119
- Other experience	-	(59)	59
- Return on assets excluding amounts included in net interest	(565)	-	(565)
Total remeasurements recognised	(565)	(1,538)	973
Fair value of employer assets	8,168	-	8,168
Present value of funded liabilities	-	9,017	(9,017)
Present value of unfunded liabilities	-	-	-
Closing Position as at 31 March 2020	8,168	9,017	(849)

Prior year

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

	31 March 2020	31 March 2019
	%	%
Assumptions		
Financial assumptions		
Pension increase rate	1.9	2.5
Salary increase rate	3.0	3.7
Expected return on assets	2.3	2.4
	Males	Females
Mortality		
Current pensioners	20.7	22.9
Future pensioners	22.2	24.6

Historic Mortality

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

- Prospective pensioners- CMI 2016 model assuming current rates of improvements have peaked and will converge to a long-term rate of 1.5% p.a. for males and 1.25% p.a. for females.
- Pensioners- CMI 2016 model assuming current rates of improvements have peaked and will converge to a long-term rate of 1.5% p.a. for males and 1.25% p.a. for females.

Assets

Asset Category	Quoted in active markets	Not Quoted in active markets	Total	%
	£'000s	£'000s	£'000s	
Equity Securities				
Consumer	523.1	1.5	524.6	6%
Manufacturing	423.8	1.3	425.1	5%
Energy and Utilities	109.2	-	109.2	1%
Financial Institutions	352.1	-	352.1	4%
Health and Care	206.8	2.1	208.9	3%
Information technology	269.2	0.1	269.3	3%
Other	-	-	-	0%
Debt Securities				
Corporate Bonds (investment grade)	256.3	-	256.3	3%
Private Equity	-	976.0	976.0	12%
Real Estate				
UK Property	-	739.5	739.5	9%
Investment funds and unit trusts				
Equities	2,319.7	201.1	2,520.8	31%
Bonds	357.2	588.5	945.7	12%
Commodities	4.1	-	4.1	0%
Infrastructure	-	-	-	0%
Other	-	10.5	10.5	0%
Derivatives				
Foreign Exchange	-	-	-	0%
Other	0.2	-	0.2	0%
Cash and Cash Equivalents	420.5	405.2	825.7	10%
Total	5,242	2,926	8,168	100%

Projected defined benefit cost for the period to 31 March 2021

	Assets	Obligations	Net (liability)/ asset
	£'000s	£'000s	£'000s
Service cost	-	232	(232)
Interest income on plan assets	188	-	188
Interest cost on defined benefit obligation	-	209	(209)
Total included in the Group SoCNE	188	441	(253)

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/ (decreased) as a result of a change in the respective assumptions by 0.5% percent. In valuing the liabilities of the pension fund at 31 March 2020, mortality assumptions have been made as indicated below. The table below also shows the effect of changing life expectancy to assume that all members of the fund lived for one year longer.

Sensitivity analysis

	Approximate increase to Employer Obligation	Approximate monetary amount (£000)
0.5 % decrease in Real Discount Rate	11%	1,033
0.5% increase in Salary Increase Rate	2%	154
0.5% increase in Pension Increase Rate	10%	865

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

Arts Council Retirement Plan (1994)

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

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

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

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

	Arts Council Retirement Plan (1994)- Total	Creative Scotland members- total (% of Plan)
Total members	2,479	323 (13%)

Expected employer contributions to the scheme in the 2020-21 financial year are £987,000.

19 Provisions

	2020 Dilapidations	2020 Pension Deficit	2020 Total	2019 Total
	£'000s	£'000s	£'000s	£'000s
1 April	272	-	272	272
Arising in the year	-	458	458	-
Utilised in the year	-	-	-	-
Reversal	-	-	-	-
31 March	<u>272</u>	<u>458</u>	<u>730</u>	<u>272</u>
Of which:				
Due within one year	167	56	223	167
Due greater than one year	105	402	507	105
	<u>272</u>	<u>458</u>	<u>730</u>	<u>272</u>

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

20 Financial instruments

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

- Liquidity risk
- Credit risk
- Market risk

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

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

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

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

Fair values

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

Liquidity risk

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

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

Credit risk

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

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

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

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

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

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

Market risk

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

Foreign exchange risk

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

21 Related party transactions

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

Related party transactions in respect of Creative Scotland's National Lottery Distribution Fund are detailed in the Fund's financial statements for the year ended 31 March 2020. During the year, Creative Scotland invoiced the National Lottery Distribution Fund for £2.9 million in respect of recharges for the year for staff, overhead and related costs (see Note 6).

The Scottish Government's Directorate of Culture, External Affairs and Tourism is regarded as a related party. During the year, Creative Scotland had various material transactions with the Scottish Government Culture, Tourism and Major Events Directorate relating to grant-in-aid (Note 3).

Shorestage Limited (SC616389) is a company controlled by Creative Scotland. The directors for the company are the Chief Executive and the Director of Finance and Funding Operations. During the year, Creative Scotland provided the company with a grant of £400,000 (2018/19: £300,000) for the purposes of developing a film studio at 31 Bath Road, Leith in Edinburgh. The grant was drawn down in full, with an intragroup balance of £197,000 as at 31 March 2020.

The following related party transactions were incurred during 2019/20 in relation to board members of Creative Scotland.

Board member	Related party	Awards made 19/20	Payments made 19/20
David Strachan	Tern Television (Director)	£149,753 Broadcast content fund	£134,776
Duncan Cockburn	Aberdeen Performing Arts (Director)	£333,250 Regular Funding	£333,250

22 Subsidiary undertakings

Screen Scotland Limited (SC616389) was incorporated on 17 December 2018 and was renamed Shorestage Limited on 1 September 2020. The first financial period from incorporation ended on 31 March 2020.

Creative Scotland has invested £1 in ordinary share capital in the company as at 31 March 2020. Related party disclosures are disclosed in Note 21.

23 Contingent Liabilities

The valuation of defined benefit and unfunded liabilities at 31 March 2020, as disclosed in Note 18 does not include an allowance for a potential 'past service cost' in light of the recent judgement by the Supreme Court of the United Kingdom on Guaranteed Minimum Pension (GMP) equalisation. The ruling requires pension schemes, such as the Strathclyde Pension Fund, to equalise the effect of unequal GMPs accrued between May 1990 and April 1997 by virtue of them having been paid to scheme members at different ages (65 for men, 60 for women). In acknowledging that no definitive method for equalisation has been set and given actuarial advice that the trigger for recognition of the past service cost did not exist in the Strathclyde Pension Fund at 31 March 2020, Creative Scotland is unable to reliably quantify an associated contingent liability.

Accounts Direction



**CREATIVE SCOTLAND
DIRECTION BY THE SCOTTISH MINISTERS**

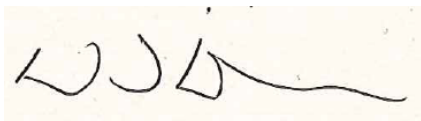
The Scottish Ministers, in pursuance of section 13(1) of Schedule 9 of the Public Services Reform (Scotland) Act 2010 hereby give the following direction.

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

The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

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

Signed by the authority of the Scottish Ministers



Dated

25 Jan. 2012