

ALBA | CHRUTHACHAIL

Creative Scotland

Group Annual Report and Accounts

For the year ended 31 March 2023

SG/2023/295

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Performance Report

Joint Report by the Chair and the Chief Executive

The year from April 2022 to March 2023 coincided with an emergence from the Covid-19 pandemic for Scotland's people and communities. Whilst a return to a more normal life for many, the impact of the pandemic continued to have significant ramifications for Scotland's culture and creative sector. The funding delivered by Creative Scotland, provided by the Scottish Government and the National Lottery, was ever more critical to both cultural organisations and individual artists and creative practitioners.

In 2022/23, Creative Scotland made 1,643 funding awards through our existing funding programmes totalling £88.1 million in value. A detailed breakdown of our funding is shown on page 8. This included the continued provision of Regular Funding to 121 organisations; the continued availability of Open Funding for Individuals and Organisations; and broad support for different aspects of cultural and creative provision through targeted funding support for Scotland's screen sector, Youth Arts, and the Youth Music Initiative.

This funding support was crucial in helping to support Scotland's artists, creative practitioners and cultural organisations continue to produce work that resonates, entertains, and inspires people who live, work, study or visit here. Creativity in all its forms continues to be a vital part of life in all parts of Scotland.

There is no shortage of success stories to be told about Scotland's culture and creativity, and we tell these daily across our channels through our advocacy work, including through the Our Creative Voice initiative, sharing data, evidence and case studies which demonstrate the impact that culture and creativity have on society, the economy, and the lives of people and communities across Scotland.

There is significant and consistent public recognition of the importance of culture and creativity in all our lives. Creative Scotland commissions public survey work which shows that over four in five Scots (84%) agree that there should be public funding of arts and cultural activities in Scotland. While, economically, the culture and creative sector makes a significant contribution to Scotland's finances. The Scottish Government Growth Sector Statistics at 1 September 2023 shows the value of Scotland's creative industries to be £4.4bn, supporting nearly 80,000 jobs.

Scotland's Screen sector also makes a significant contribution, creatively and economically. The most recent research commissioned by Screen Scotland demonstrates significant growth across all areas of production with an estimated £617.4 million being spent on the production of film, TV, and other audio-visual content in Scotland. Growth is in very large part due to sector development work undertaken since Screen Scotland was formed as part of Creative Scotland in 2018.

Looking forward, however, the budget situation for Creative Scotland, Screen Scotland and for the culture and creative sector in Scotland is far from certain. There is continued and growing pressure on public finances at both local and national level; an ongoing cost-of-living crisis (which is impacting individuals as much as organisations); rising inflation affecting business operating costs; global uncertainties. When combined with the exhaustion and risk of talent drain of people working in the sector, these mean that long term financial planning, and the planning of future cultural activity and programming, is extremely challenging.

Government budgets for culture remain centrally important but have seen flatline levels for many years, and as a non-statutory service, Local Government choices are deprioritising cultural support, all whilst demand for Creative Scotland funding is increasing considerably. Creative Scotland's National Lottery

income continues to be an important source of flexibility for supporting individual artists and provision across the communities of Scotland.

There has been a 52% increase in Open Fund applications from 2019/20 to 2022/23 with financial requests doubling, and this high demand is continuing. Our Open Funds are supported by National Lottery funding and, in 2022/23, we launched the new National Lottery Open Fund for Organisations, as well as the National Lottery Extended Programme Fund, which also provides support for cultural organisations.

Creative Scotland is currently rolling out a new approach to supporting culture and creative organisations on a multi-year basis. The new Multi-Year Fund replaces the existing Regular Funding programme, which supports 120 organisations across Scotland; and elements of the National Lottery Open Fund and Targeted Fund.

In addition, we continue to support the sector in its fragile recovery from the impacts of the pandemic and current economic and financial environment, and do everything we can to improve its ability to face current and future challenges.

As well as the ongoing delivery of our Funding, this includes a continued focus on increasing participation in, and appreciation of the value of art and creativity through our advocacy work; helping the sector adapt to, and mitigate the impacts of the climate emergency; a commitment to Fair Work, promoting fair pay, conditions, and employment opportunities across the sector; delivering the commitments set out in the third iteration of our Gaelic Language Plan for 2023-28; developing opportunities for increased cultural contribution in other policy areas such as health; and continuing our support for international collaboration and artistic exchange, including promoting Scotland's cultural strength at home and internationally as a partner in Scotland is Now/Brand Scotland campaigns.

The challenges facing the sector have never been greater but enormous ambition remains. We therefore continue to keep focussed on the public benefit that is delivered through our work in support of the people and organisations that produce and present Scotland's world-renowned art and creativity, and to increase appreciation of the value that creativity delivers in terms of Scotland's culture, wellbeing, equality, economy, and international reputation.

Performance Overview

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 7.

Strategic priorities

In 2021 Creative Scotland established a refreshed Strategic Framework. This Framework is aligned to Creative Scotland's formal remit and legislative duties, setting out our broader aims as well as priorities for supporting future recovery and renewal of the arts, screen, and creative industries across Scotland.

Creative Scotland's Objectives:

- People and organisations working in art and creativity are supported to make work of quality and ambition that enriches life in Scotland for everyone.
- More people from all parts of society access, participate in and value a range of artistic and creative activities.
- Art and creativity are recognised by people at home and abroad as a central part of the nation.

This will be done by Creative Scotland:

- Ensuring that the funding distributed from Scottish Government and the National Lottery delivers the widest possible public benefit across Scotland.
- Advocating for the arts and creativity, promoting policy and practice that enhance their growth.
- Using Creative Scotland's skills, knowledge, and expertise to enable creative development.

Creative Scotland will prioritise:

- Equalities, Diversity, and Inclusion: Supporting a diverse range of creative people, communities, and activity, promoting an equality of opportunity to create, participate and engage.
- Sustainable Development: Helping tackle the climate emergency and supporting the growth of sustainable creative businesses across Scotland.
- Fair Work: Promoting fair pay, conditions, and employment opportunities across the creative sector.
- International: Developing innovative and sustainable ways of strengthening international collaboration and promoting artistic and cultural exchange

Going concern

At 31 March 2023, Creative Scotland had net assets of £1.9 million (2022: £3 million). As Creative Scotland continues to receive grant-in-aid 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 senior management meetings, with additional substantive periodic reviews also undertaken during the year. The register is also a standing item at each Audit and Risk Committee meeting, and the register is also presented annually in full to the Board.

During the year, the risk management policy was updated, which included the establishment of separate risk registers for operations and the Arts, Communities and Inclusion directorates within Creative Scotland, to sit alongside the separate risk register for Screen Scotland. A corporate risk register summarises the key risks for the organisation for review by senior leadership and the Board.

The main risks identified for Creative Scotland as at 31 March 2023 are:

Risk identified	Mitigation of risk
<p>Scottish Government Funding</p> <p>A real terms reduction in grant-in-aid from the Scottish Government results in a reduction in cultural activity, job losses and a poorer quality of life for people living in Scotland.</p> <p>Reduced funding could lead to the non-delivery of Creative Scotland's strategic priorities in relation to: Equality, Diversity and Inclusion, Sustainable Development, Fair Work, and International.</p>	<p>Funding is discussed in regular meetings with the Scottish Government and the Scottish Parliament's culture committee.</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>Advocacy activity on the importance of funding culture in Scotland.</p> <p>Detailed risk registers are now maintained for the key directorates of Screen Scotland and Arts, Communities, and Inclusion.</p>
<p>Delays in the funding settlement from the Scottish Government</p> <p>The Scottish Government may delay or reduce in-year, the allocation of grant-in-aid resulting in a reduction in cultural activity, job losses and a poorer quality of life for people living in Scotland.</p>	<p>Funding is discussed in regular meetings with the Scottish Government and the Scottish Parliament's culture committee.</p> <p>Regular review of budget outturn via the monthly management accounts, review of outputs from the operational planning app, and a mid-year review process to review and re-allocate funding as required.</p> <p>The Board will consider any reductions and impacts on the delivery of key strategic priorities.</p>
<p>National Lottery reserves</p> <p>Reduced Scottish Government grant-in-aid could lead to an associated depletion in National Lottery reserves, which will reduce Creative Scotland's ability to deliver its strategic priorities and multi-year funding.</p>	<p>Communication of the impact and issues associated with the substitution of National Lottery funding for grant-in-aid.</p> <p>Regular review of the outturn and projections for the CS NLDF, and ensuring comprehensive information is</p>

Risk identified	Mitigation of risk
	available to the Board for decision making on reserve levels.
<p>Cyber Security</p> <p>There is a risk that a successful cyber attack is launched against Creative Scotland, resulting in impacts that affect the operation of the organisation.</p>	<p>A digital risk register is in place which details number of procedures and controls are in place to reduce the risk of cyber security failures in all our systems.</p> <p>A training programme for staff is underway in cyber security to further improve the control environment.</p> <p>Actions to improve system vulnerability is also underway with an aim to fully improve key systems by the end of 2023.</p>
<p>Future Funding Framework</p> <p>The introduction of the Future Funding Framework (which includes the Multi-Year Funding Programme) does not result in optimal outcomes for the sectors supported.</p>	<p>Financial planning across future years and co-ordination with the Scottish Government's Resource Spending Review, to ascertain the level of funds available to distribute through the revised programmes.</p> <p>Operational plans are in development to ensure sufficient staffing and organisational capacity to deliver the revised funding programmes.</p> <p>A robust methodology has been created to enable effective communication and understanding internally and externally.</p> <p>Internal audit have reviewed the design process for key elements of the Future Funding Framework and reported their findings to the Audit and Risk Committee. They noted substantial progress had been made with a strong focus on an agile project management approach with good engagement from staff and Board members.</p>

Consolidated report

Creative Scotland prepares separate annual accounts for its grant-in-aid and National Lottery distribution activities as required by the accounts directions issued by the Scottish Ministers. A full set of consolidated accounts is not prepared due to the differing accounting policies that are required to be followed under the two separate accounts directions. However, to give a better understanding of the activities across both funding areas, the following table shows the consolidated financial position of Creative Scotland (CS) and Creative Scotland National Lottery Distribution Fund (CS NLDF) for the year ending 31 March 2023. The position is based on the group financial statements of both CS and the financial statements of CS NLDF and eliminating the intra-group transaction which arises from recharges of the operational costs.

Consolidated Statements of Net Income and Expenditure

	2022/23				2021/22			
	CS				CS			
	CS ¹ £'000	NLDF ² £'000	Intra ³ £'000	Total £'000	CS ¹ £'000	NLDF ² £'000	Intra ³ £'000	Total £'000
Income								
National Lottery Proceeds	-	(32,104)	-	(32,104)	-	(32,223)	-	(32,223)
Project income from third parties	(845)	(200)	-	(1,045)	(1,003)	(388)	-	(1,391)
Other income	(4,417)	(308)	3,925	(800)	(3,740)	(98)	3,168	(670)
Sales revenue	(437)	-	-	(437)	(1,581)	-	-	(1,581)
Total income	(5,699)	(32,612)	3,925	(34,386)	(6,324)	(32,709)	3,168	(35,865)
Expenditure								
Net grants issued ⁴	51,878	31,008	-	82,886	126,657	25,599	-	152,256
Project expenses	1,073	360	-	1,433	1,175	361	-	1,536
Salaries	8,260	2,935	(2,930)	8,265	6,939	2,209	(2,220)	6,928
Depreciation	524	-	-	524	121	-	-	121
Other operating costs	4,510	1,406	(995)	4,921	4,823	1,139	(948)	5,014
Pension adjustments	9	-	-	9	17	-	-	17
Total expenditure	66,254	35,709	(3,925)	98,038	139,732	29,308	(3,168)	165,872
Net expenditure/(surplus)	60,555	3,097	-	63,652	133,408	(3,401)	-	130,007

Consolidated changes in Taxpayer's Equity

	CS £'000	CS NLDF £'000	Intra £'000	Total £'000
Opening Reserves as at 1 April 2021	(1,146)	(20,659)	-	(21,805)
Changes in taxpayers' equity 2021/22				
Net expenditure/surplus transferred	133,408	(3,401)	-	130,007
Grant-in-aid received from the Scottish Government ⁵	(133,555)	-	-	(133,555)
Actuarial gain on the Strathclyde Pension Fund	(1,489)	-	-	(1,489)
Movement in Capital Grant	30	-	-	30
Closing Reserves as at 31 March 2022	(2,752)	(24,060)	-	(26,812)
Changes in taxpayers' equity 2022/23				
Net expenditure/surplus transferred	60,555	3,097	-	63,652
Grant-in-aid received from the Scottish Government ⁵	(59,162)	-	-	(59,162)
Actuarial (gain)/loss on the Strathclyde Pension Fund	111	-	-	111
Movement in Capital Grant	30	-	-	30
Closing Reserves as at 31 March 2023	(1,218)	(20,963)	-	(22,181)

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

Overall, the consolidated general fund has a balance of £22.2 million, of which £21 million relating to the CS NLDF is available for the Board to allocate to future expenditure of which a significant amount has been used in the subsequent financial year. The reserves of Creative Scotland are not available for distribution under HM Treasury's budgeting rules for public bodies. Pension assets and liabilities are held within Creative Scotland accounts are not attributable to the CS NLDF. This is because the Scottish Government provides budget cover for any pension liabilities that require provisions and for costs incurred under IAS 19, *Retirement Benefits*.

Review of funding

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

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

For both 2020/21 and 2021/22, a large number of COVID emergency funds were in place to support the arts, screen, and creative industries during the pandemic. There was no further budget for emergency funds in 2022/23, with one legacy award of £2,000 made relating to the Creative Scotland Hardship Fund.

Funding includes the following items:

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

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

	2022/23			2021/22		
	CS £'000	CS NLDF £'000	TOTAL £'000	CS £'000	CS NLDF £'000	TOTAL £'000
Grants						
Regular Funding	33,381	-	33,381	30,774	3,100	33,874
Open Project Funding	648	15,041	15,689	4,153	9,660	13,813
Touring Fund	-	1,978	1,978	-	2,406	2,406
Targeted Funding	20,704	14,871	35,575	23,234	11,185	34,419
COVID Emergency Funding	2	-	2	69,244	-	69,244
Total grants distributed	54,735	31,890	86,625	127,405	26,351	153,756
Project expenses	1,073	360	1,433	1,175	361	1,536
Total funding	55,808	32,250	88,058	128,580	26,712	155,292

The following sections give details of the funding provided during the financial year under the main routes.

A full breakdown of the individual funds under each route for CS funded grants is shown in Note 8 (page 51) and for CS NLDF grants in Note 5 (page 47) of the CS NLDF Annual Report and Accounts.

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 Creative Scotland's strategic priorities will be addressed.

The original third year of regular funding for the three-year period from April 2018 to March 2021 was for a total of £101.6 million to 121 organisations across 10 artforms. The contracts were all extended 2021/22 and 2022/23 on the basis of a straight third allocation. During 2022/23, £33.9 million was allocated from grant-in-aid to the portfolio, and final spend for the year was £33.4 million.

Artform	Number of organisations	Total award (£)
Craft	4	745,194
Creative Industries	4	555,344
Dance	9	1,573,349
Digital	1	90,333
Literature	8	2,322,753
Multi-Art	21	10,145,336
Music	19	3,808,334
Screen	4	2,022,937*
Theatre	28	8,482,586
Visual Arts	23	4,128,001
Total	121	33,874,167

* In September 2022 one screen organisation, the Centre for Moving Image (CMI), entered administration and was wound up. The remaining balance due to be paid to CMI (£533,000) was ringfenced for future cinema provision and future Edinburgh International Film Festival activity and was distributed via Screen Scotland funding programmes.

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. The portfolio of Regularly Funded Organisations (RFOs) comprises 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 further two years of regular funding was approved for the financial years 2023/24 and 2024/25 with organisations continuing to receive an average of the total award received for 2018 to 2021. From 1 April 2025, the new multi-year funding programme will be in place.

Open Project Funding

Open project funding aims to support the arts, screen, and creative industries, with projects that explore, realise, and develop creative potential, widen access to their work, and enrich Scotland's reputation as a distinctive creative nation connected to the world. The fund is supported by both grant-in-aid and National Lottery.

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:

Category	2022/23				2021/22			
	Apps received	Awards made	Value (£'000)	Success rate	Apps received	Awards made	Value (£'000)	Success rate
Individuals	1,055	490	6,433	46%	779	414	5,458	53%
Organisations	419	218	9,256	52%	366	214	8,360	58%
TOTAL	1,474	708	15,689	48%	1,145	628	13,818	55%

In total, £15.7 million of funding was awarded to 708 successful applications during 2022/23. Of this, £0.6 million was funded from grant-in-aid and £15 million was funded from National Lottery.

Success rates declined in the year as the number of applications increased significantly from 2021/22, even although a higher budget was made available. The increase in applications coincides with COVID-19 restrictions ending and cultural activities resuming throughout Scotland.

A breakdown by category is shown below:

Successful applications over categories (2022/23 and 2021/22):

Categories	2022/23				2021/22			
	Apps. received	Funding requested (£'000)	Apps. Awarded	Awarded (£'000)	Apps. received	Funding requested (£'000)	Apps. Awarded	Awarded (£'000)
Arts & Health/Wellbeing	21	569	8	222	13	234	3	13
Children & Y. People	8	79	2	18	5	138	1	54
Crafts	62	1,085	28	368	34	557	16	284
Creative Industries	1	66	1	55	5	154	3	131
Creative Learning	14	300	4	155	4	76	3	74
Dance	66	1,863	39	1,159	46	1,097	32	878
Design	20	499	9	207	19	418	8	213
Digital	42	847	9	150	37	1,158	14	452
EDI	6	354	2	81	2	73	0	0
Interdisciplinary	29	681	18	358	3	35	2	22
Literature	150	2,470	76	1,348	130	2,496	78	1,511
Multi	51	2,777	33	1,808	70	2,656	40	1,680
Music	418	7,854	229	4,249	337	6,705	195	3,852
Other	6	115	1	2	0	0	0	0
Place and Communities	12	472	5	225	2	19	0	0
Scots	0	0	0	0	1	5	0	0
Theatre	233	5,694	104	2,663	201	4,230	117	2,491

Traditional Arts	6	75	2	13	2	19	1	2
Visual Arts	329	6,247	138	2,607	234	4,345	115	2,161
Grand Total	1,474	32,046	708	15,689	1,145	24,414	628	13,818

Targeted Funding

The main targeted programmes that were supported from grant-in-aid during 2022/23 are listed below:

1. Youth Music Initiative (YMI) and Youth Arts

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.

The funding programmes that operated under the combined YMI and Youth Arts budget were as follows:

YMI Strand	Funding provided £'000	Details
Formula Fund (2021/22 and 2022/23 academic years)	6,590	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”
Access to Music Making	2,148	To create access to high-quality music-making opportunities for children and young people aged 0-25 years
Strengthening Youth Music	125	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
Experimental Music	6	To support the development of the diversity of the youth music making sector within Scotland. This fund has a focus on supporting genres and forms of music making currently underrepresented within the YMI portfolio.
Youth Arts Open Fund	460	To support organisations seeking small amounts of funding so that they can deliver creative activity to young people –primarily those young people who have traditionally found it hardest to access such creative opportunities.
Overheads and other expenses	324	Contribution to Creative Scotland’s overheads (£200,000), Youth Arts Fund administration, and other project expenses for evaluation, advocacy, and learning.

2. 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 manages and administers the Scottish Government's contribution to the fund, in partnership with City of Edinburgh Council, and oversees 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	Year 5 (£)	Year 4 (£)	Year 1-3 (£)
Edinburgh International Festival	400,000	400,000	1,200,000
Edinburgh Art Festival	215,000	215,000	645,000
Edinburgh Jazz and Blues Festival	211,830	211,830	635,489
Edinburgh International Book Festival	195,000	195,000	585,000
Edinburgh International Children's Festival	178,201	178,201	534,602
Edinburgh International Science Festival	177,333	177,333	532,000
Edinburgh Festival Fringe Society	166,667	166,667	500,000
Edinburgh's Hogmanay	133,333	133,333	400,000
Edinburgh International Film Festival*	124,549	124,549	373,647
Scottish International Storytelling Festival	100,000	100,000	300,000
Edinburgh Festivals	65,667	65,667	197,000

2022/23 was the final year of the programme.

* Funding for the Edinburgh International Film Festival was delayed due to the administration of the Centre for the Moving Image, which was the company that organised the festival. Funding was ringfenced for 2023-24 for the Edinburgh International Film Festival through the Edinburgh International Festival.

3. Expo Fund

Creative Scotland distributed £1.8 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 2022/23:

Organisation/Programme	Funding for 2022/23 (£'000)	Details
The Expo Festivals	1,762	Funding for Scotland's international festivals.
Made in Scotland	34	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.

4. Screen Scotland

Screen Scotland is the dedicated partnership for screen in Scotland, delivering enhanced support for all aspects of Scotland's screen sector. Partners include Creative Scotland, Scottish Enterprise,

Highlands and Islands Enterprise, Skills Development Scotland, and the Scottish Funding Council, with funding provided from the Scottish Government through grant-in-aid and the National Lottery.

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 2022/23, Creative Scotland received £7.25 million in grant-in-aid for Screen Scotland activities, and this was used to support the following areas, with the main funds being as follows:

Screen Strand	Scotland	Grant-in-aid in £'000	spend 2022/23	Details
Broadcast Fund	Content		2,645	The Broadcast Content Fund promotes the sustainable growth of Scotland's broadcast production sector, encouraging the development of new projects, the scaling up of already successful activities and the production of commissioned programmes.
Production Fund	Growth		1,570	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. The Funding helps in attracting large scale productions into the country, and maximising screen spend in Scotland.
Screen Commission			232	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.
Infrastructure			745	This fund supports the development of the film and TV studio operated by Shorestage Limited, Creative Scotland's wholly owned subsidiary. The fund includes funding for the operation of

Screen Strand	Scotland	Grant-in-aid in £'000	spend 2022/23	Details
				the studio, refurbishment, and maintenance works.
Strategic Partnerships			823	A fund to develop further strategic partnerships with content commissioners such as the BBC and Channel 4.
Skills			440	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.
Audience Development			571	The audience development fund provides funding for distribution and exhibition, and for film festivals.
Talent			452	Supporting the development of new, emerging, and established talent.

5. Culture Collective Fund

The Culture Collective Fund was based on a proposal put forward by the National Partnership for Culture following a recommendation by the Advisory Group on Economic Recovery. It was designed as a pilot programme to establish a network of creative practitioners, organisations, and communities, working together to create a positive difference, locally and nationally, in response to COVID-19. The programme was focussed on community engaged creative activity, supporting participatory approaches and projects where creative practitioners and communities work collaboratively. A key element of this aimed at proactively responding to the impact of COVID-19, providing employment opportunities for creative practitioners and actively engaging people in shaping the future cultural life of their community.

In 2020/21, a total of 26 awards totalling £5.9 million were made to organisations across Scotland. An extension to the Fund was agreed in 2021/22, with an additional £4.2 million of funding to the 26 projects to continue for another year.

In 2022/23, £230,000 was allocated to the Fund to support the programme management of awards delivered over 2020/21 and 2021/22.

The [Culture Collective website](#) provides further details of the projects funded from the Fund.

Operations

Funds

During the year, the Extend Programme Fund was launched. This is a new time-limited funding opportunity for arts and cultural organisations to get longer term support than is currently available through the Open Fund for Organisations. The Fund also covers the period when organisations may also be making an application to the new Multi-Year Funding Programme in 2023/24.

In addition, the following funds were digitised and re-launched with new on-line applications:

- Open Fund for Organisations
- Youth Music Initiative- Formula Funds and Access to Music Making
- Made in Scotland
- The Touring Fund

Senior Leadership Team

During the year, two new executive directors were appointed: Anne Langley as Executive Director of Operations (on 25 July 2022) and Dana MacLeod as Executive Director of Arts, Communities, and Inclusion (on 26 September 2022). An Interim Director of Arts, Paul Burns, was appointed in January 2023.

Subsidiary company

Creative Scotland's wholly owned subsidiary company, Shorestage Limited continued to be involved in the development of a film and TV studio for Scotland. During the year, a long-term lease with Forth Ports and a sublease with the operator, First Stage Studios was agreed.

The results of Shorestage Limited are consolidated into the group accounts of Creative Scotland. The Company reported a loss for the financial year due to costs of the sublease, which are accounted for under IFRS 16, *Leases*.

Future Plans and performance

Future plans and performance will be influenced by the Strategic Framework refresh, and also the implementation of the Future Funding Framework. The level of financial resources available to support these key areas will continue to be a risk to future performance.

Future Funding Framework

A significant part of Creative Scotland's work in 2023/24 will be delivering a Multi-Year Funding Programme which offers funding for creative and cultural organisations, supporting their core costs and programmes of work for the initial period of 1 April 2025 to 31 March 2028. It is intended for organisations which wish to enter into a sustained strategic funding relationship with Creative Scotland, including Screen Scotland. There will be a minimum annual level of award of £50,000.

The aim of the Programme is to replace the current Regularly Funded Organisations and will also replace other funding currently offered through Open Fund for Organisations and targeted funding. This means that from 1 April 2025, longer-term, year-on-year funding for organisations will be in the one programme.

The Programme opened for expressions of interest in July 2023, with a two-stage application process taking place. The first stage will assess how organisations will deliver public benefit through their work by addressing the fund criteria. The second stage will consider in further detail how organisations will deliver the commitments made in Stage 1 through a process that will be largely based on a review of their business plans.

Performance Analysis

Introduction

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

Creative Scotland produced an annual plan for 2022/23 which set out the strategic objectives for the year, alongside priorities. The performance management framework sets out 26 indicators for measuring performance at Creative Scotland.

An Annual Review for 2022/23 will be published providing an overview of the activities during the year and performance against the 26 indicators. In the Performance Analysis presented here, relevant data has been collected to report on:

- Financial performance of Creative Scotland
- Performance of regularly funded organisations
- Administration and operational performance.

Financial performance

The financial statements for 2022/23 have been prepared under an Accounts Direction, on the last page of this document, 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 (FReM).

The budget is approved by the Board and actual out-turn (adjusted for intra-group transactions) is shown below.

Creative Scotland - Results for the year ending 31 March 2023 versus Budget

	Actual £'000	Intra £'000	Revised £'000	Budget £'000	Variance £'000
Income					
Project income	(845)		(845)	(1,032)	(187)
Other income	(4,417)	3,925	(492)	(287)	205
Expenditure					
Grants awards and investments	54,735		54,735		
Project Expenditure	1,073		1,073		
Less de-committed awards	(1,982)		(1,982)		
Total net grants and project expenses	53,826		53,826	53,498	(328)
Staff costs	8,248	(2,930)	5,318	4,678	(640)
Other operating expenditure	2,858	(995)	1,863	2,305	442
Depreciation	524		524	220	(304)
Net expenditure	60,194	-	60,194	59,382	(812)

Performance was within the budget framework for the year, with an overspend arising from a non-cash provision (£800,000) for the deficit in the Arts Council Retirement Plan (1994). The deficit will be met from future years via a recovery plan agreed with the Plan’s actuary and paid from future years cash grant-in-aid.

A note of the net expenditure reconciled to the cash grant-in-aid drawn down is shown in Note 3. IAS 19 costs and depreciation included above are excluded from cash grant-in-aid.

Annual Statistical Survey

All organisations in receipt of regular funding are required to complete the Annual Statistical Survey to provide data on a number of metrics across audiences, youth employment and financial income from other sources. This data generates shared intelligence about the organisations supported by Creative Scotland through regular funding and is used to advocate on behalf of the arts, screen and creative industries. Analysis of the Annual Statistical Surveys received in 2023 (reflecting activity for the year 2022/23) shows the following outturns for Creative Scotland’s performance indicators.

Target	Performance Indicator	Outturn for 2022/23	Outturn for 2021/22
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	121 organisations received multi-year Regular Funding in 2022/23, although one organisation left the portfolio when it entered administration and was dissolved.	121 organisations received multi-year Regular Funding in 2021/22
Increase in number of events supported through Creative Scotland funding	The count of performances, exhibitions, screenings and publications delivered through Creative Scotland funding	37,622 public events The increase is positive and reflects a return to normality following COVID-19.	26,545 public events
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	133 young people The increase is positive and reflects an increase in cultural activities following COVID-19.	96 young people
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.	£118.9 million, Income levels remain flat as although income from earnings has increased, funding from public funds has fallen by a similar amount, leaving income streams overall flat.	£119.2 million

Overall the Annual Statistical Survey shows the recovery in the cultural sector as organisations are able to revive their projects and programmes of activities involving performances and exhibitions. This in turn has improved a key metric on youth employment. However, the Survey also shows the precarious financial position of the cultural sector in Scotland, as funding remains relatively static, while inflation and costs are at a 40 year high.

Further details on the performance of Regularly Funded Organisations will be reported in the Annual Review.

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 2022/23	Outturn for 2021/22
Minimum of 90% of funding applications processed within published timeframe	% of applications processed within agreed timeframe	94%	90%
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	98.6%	83%

KPI performance in this area has improved from 2021/22, as the number of applications processed as returned to normal levels following the large number of COVID-19 response programmes in operation during 2021/22.

Environmental Sustainability

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

Culture and creativity have a vital role to play in helping address the climate emergency and contribute to a more environmentally sustainable Scotland. The arts, screen, and creative industries can play a key role in meeting Scotland's ambitious net zero target. Organisations and individuals funded by Creative Scotland can become agents of change in the fair and equitable transformation of Scotland to a thriving, net-zero, climate-ready nation.

Tackling the climate emergency can only be achieved through transformational, rather than incremental, change. Transformation requires the prioritisation of 'mitigation,' by reducing emissions and 'adaptation,' thinking about resilience, and responding to the impacts of climate risks on buildings, organisations, and practice. Creative Scotland recognises the powerful role that the arts, screen, and creative industries have in influencing society through their programming focus, drawing on the potential for arts and creativity to help everyone to envisage alternative futures. Environmental impacts are central to developing sustainable business models in the creative and cultural sectors.

During 2022/23, Creative Scotland took the following actions:

- Development of the Climate Emergency and Sustainability Plan which will be reviewed annually and reported on every April, beginning April 2024.
- Development of a Strategic Framework and the Environmental Sustainability Strategic Priority
- The appointment of a Climate Emergency and Sustainability Lead in January 2023

- Inclusion of the Environmental Sustainability Strategic Priority within our Open and Multi- Year funding criteria
- Inclusion of Climate Risk within our organisational risk register
- The continued meeting of the Public Bodies Climate Change Duties, including the completion of a Building Assessment Report (BAR) for applicable assets.
- The creation of internal and external guidance on the organisational position on the use of public funds for offsetting and insetting.
- The development of a programme of work for 2023/24 that includes the expansion of the greenhouse gas emissions boundary, collection of more detailed data associated with Scope 1, 2 and 3 greenhouse gas emissions and an updated travel policy.
- Working in conjunction with Creative Carbon Scotland to support arts, screen, and creative industries to develop and report on greenhouse gas emissions, mitigation, and adaptation action. This includes the mandatory reporting of Regular Funded Organisations (RFO) and self-motivated individuals and organisations not currently in receipt of RFO funding.

Monitoring of GHG emissions in tonnes of CO₂ for 2 key areas for our operations for 2021/22 and 2022/23 were undertaken, with key results shown in the table below:

	2022-23 GHG (tCO₂e)	2021-22 GHG (tCO₂e)	% change
Energy	14.3	10.5	+36%
Business Travel	77.6	10.3	+653%

Going forward, Creative Scotland intends to provide headlines on the following, which we will also be including with our Public Bodies Reporting Duties submission:

- Scope 1 – Mains Gas Consumption
- Scope 2 – Grid Electricity Use
- Scope 3 – Water, Home Working, Overnight Stays, Waste, Grid Electricity Transmission and Distribution Losses, Business Travel, Digital
- Scope x (influence) – data on the emissions from our regularly funded organisations

Social matters and EDI

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. The following activities took place in 2022/23 to help achieve this:

- The Create:Inclusion fund ran for the second round of funding since its launch. This is a key funding programme to increase the diversity of people in the arts and creative industries;
- The EDI Advisory Group met on three occasions to inform, support, and develop delivery against Creative Scotland's current and future Equalities Outcomes;
- Continuing to work on the Corporate Parenting Plan, which identifies opportunities for young people from care backgrounds;
- Working with local authorities throughout Scotland on our Place programme, which ensures Creative Scotland works closely with local partners over time to build and maintain a good working knowledge of local authority areas and their creative communities;
- Continuing to embed the concepts of equality and diversity in all our funding streams and delivering targeted funds to support key projects: an Equalities, Diversity and Inclusion report is produced biennially.

EDI is also a key theme for reporting from Regularly Funded Organisations (RFOs) and each RFO is required to complete an EDI Action Plan, which is specific and responsive to the challenges and characteristics of each organisation. RFOs reported a diverse range of programming and outreach

activities. They have supported inclusivity through programming and targeting work for a range of groups in society as noted below from the Annual Statistical Returns for 2022/23:

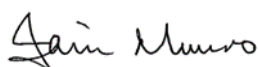
<i>Has your work had a specific focus on any the following groups?</i>	Through programming	Through targeted engagement or outreach work	Through marketing or audience development work
Minority Ethnic Groups	74%	72%	59%
Children and Young People	90%	92%	86%
Disabled People	76%	76%	70%
Faith / Religious Groups	6%	11%	5%
Gender Groups	53%	49%	43%
Health / Wellbeing	78%	82%	69%
LGBTI Groups	60%	49%	49%
Looked After Children	31%	43%	23%
Older People	59%	64%	54%
Refugees / Asylum Seekers	44%	57%	37%

Anti-bribery and corruption

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

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 2023, 71% of invoices were paid within ten days (2022: 70%), with an average payment date of 9.8 days (2022: 10.8).



Iain Munro
Chief Executive and Accountable Officer
27 November 2023

Accountability Report

Corporate Governance Report

Director's Report

List of board members and senior leadership team:

Board Members

Malath Abbas
Muslim Alim
Ewan Angus
Yahya Barry
David Brew
Patrick Brown
Norah Campbell
Duncan Cockburn
Stephanie Fraser
Philip Long
Carol Main
Sarah Munro
Elizabeth Partyka
Heather Stewart
David Strachan
Louise Wilson
Robert Wilson (Chair)

Senior Leadership Team

Iain Munro, Chief Executive
Isabel Davis, Executive Director, Screen
Anne Langley, Executive Director, Operations
(from 25 July 2022)
Dana MacLeod, Executive Director, Arts, Communities & Inclusion
(from 26 September 2022)
Ian Stevenson, Director, Finance
Karen Lannigan, Director, HR & Office Services
Kenneth Fowler, Director, Communications
Clive Gillman, Director, Creative Industries
David Smith, Director, Screen
Alastair Evans, Acting Director, Strategy
Paul Burns, Interim Director, Arts (from 18 January 2023)

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	2nd	9 February 2026	9/9
David Brew	1 August 2015	2nd	31 July 2023	9/9
Ewan Angus	1 August 2018	1st	31 July 2022	2/2
Elizabeth Partyka	1 August 2018	2nd	31 July 2026	8/9
David Strachan	1 August 2018	2nd	31 July 2026	8/9
Duncan Cockburn	16 September 2019	1st	15 September 2023	7/9
Philip Long	16 September 2019	1st	15 September 2023	8/9
Stephanie Fraser	16 September 2019	1st	15 September 2023	8/9
Sarah Munro	16 September 2019	1st	15 September 2023	5/9
Malath Abbas	1 April 2021	1st	31 March 2025	9/9
Yahya Barry	1 April 2021	1st	31 March 2025	9/9
Duncan Hendry	1 April 2021	1st	31 March 2025*	2/4
Carol Main	1 April 2021	1st	31 March 2025	9/9

Duncan Hendry resigned from the Board with effect from 30 November 2022 due to ill health. Sadly, Duncan died later in 2023.

Five new board members were appointed with effect from 1 August 2023: Muslim Alim, Patrick Brown, Norah Campbell, Heather Stewart, and Louise Wilson.

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 and details are set out in the Remuneration and Staff Report.

Subcommittees of the Board

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

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

In 2021/22, two non-Board members were appointed to the subcommittees, one to the Audit and Risk (Brian Montgomery) and one to the Finance and General Purposes Committees (Patrick Brown). Both non-

Board members are not remunerated for their role and are entitled to claim reasonable travel expenses for attending meetings. Patrick Brown was later appointed to the Creative Scotland board with effect from 1 August 2023.

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.

Brian Montgomery resigned from the Committee during the year.

The following members of the Board served on the Audit and Risk Committee during 2022/23:

Membership	Meetings attended
David Brew (Chair)	4/4
Duncan Cockburn	3/4
Philip Long	3/4
Yahya Barry	4/4
Carol Main	4/4
Brian Montgomery (non-board member)	2/3

During the year, the Committee reviewed:

- The 2021/22 Annual Reports and Accounts of the Creative Scotland Group and its subsidiary, Shorestage Limited and the Creative Scotland National Lottery Distribution Fund;
- Outputs of the internal and external auditors, including annual plans and reports;
- The data protection annual report for 2021/22 and regular updates
- Delegated authority and budget control guidelines;
- Risk registers and the risk management policy. A risk workshop was also held with committee members and SLT members in attendance, and a new risk register process was developed and approved.

Finance 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 2022/23:

Membership	Meetings attended
Elizabeth Partyka (Chair)	5/5
Ewan Angus	1/2
Stephanie Fraser	5/5
Malath Abass	5/5
Duncan Hendry (to 30/11/22)	2/4
Patrick Brown (non-board member)	5/5
David Strachan	1/1

During the year, the Committee reviewed:

- The 2022/23 budget, including allocations of grant-in-aid from the Scottish Government and National Lottery income projections;
- Management accounts showing outturn against budget for 2022/23;
- The recharge methodology for operating costs to the CS NLDF;
- The annual plan and performance targets;
- The progress of the digital transformation strategy;
- HR and Office Services directorate plans including health and safety and HR matters.

Nominations Committee

The Nominations Committee contributes as required to the appointment process for new Board members and to ensure induction, training and performance reviews are undertaken. The Committee is chaired by Robert Wilson with attendance from other board members as agreed.

There was one meeting of the Committee held during the year, attended by: Robert Wilson, Malath Abbas, David Brew, Stephanie Fraser, and Carol Main.

Screen Committee

The Screen Committee is chaired by David Strachan and its remit includes providing advice on Screen Scotland's strategy, agreeing and monitoring operational plans and budgets, overseeing the effectiveness of partnership working and maintaining and monitoring Screen Scotland's Risk Register.

Malath Abbas was appointed to the Committee during the year. The following members of the Board served on the Screen Committee during 2022/23:

Membership	Meetings attended
David Strachan (Chair)	5/5
Elizabeth Partyka	4/5
Ewan Angus	1/1
Malath Abbas	4/5

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

Political and Charitable Donations

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

Data loss

The Data Protection Officer provides an annual report to the Audit and Risk Committee, and the report for 2022/23 confirms that there were no incidents of data loss that required to be reported to the Information Commissioner.

Statement of Accountable Officer's responsibilities

Under 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 2023, Audit Scotland is the appointed auditor. So far as the Accountable Officer is aware, there is no relevant audit information of which the auditor is unaware, and the Accountable Officer has taken all the steps that he ought to have taken in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

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

Governance Statement

Scope of Responsibility

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

Governance framework

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

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

The Board has corporate responsibility for ensuring that Creative Scotland fulfils the aims and objectives set by the Scottish Ministers. The Board is supported in its activities by three standing committees which meet at least four times per year: the Audit and Risk Committee; the Finance and General Purposes Committee and the Screen Committee. There is also a Nominations Committee which meets when required.

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

Operation of the Board

During 2022/23 the Board met on nine 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 approach for multi-year funding, and the funding strategy for delivering the programme of work in 2023/24
- Approval of funding awards over £500,000- there were three awards across Creative Scotland and the CS NLDF that fell into this category covering screen and the Youth Music Initiative Formula Fund;
- approval of the 2023/24 budget;
- approval of the 2021/22 accounts for both Creative Scotland Group and the Creative Scotland National Lottery Distribution Fund;
- Review of the risk register;
- Appraisal and evaluation of board members and activities.

The Board received regular updates from the Audit & Risk, Finance & General Purposes and Screen committees, which were standing items at each full board meeting. A nominations committee was also held during the year. Details of the committees and their work in the year are noted on pages 22-24.

Accountable officer

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

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

Assessment of corporate governance in the period

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

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

The process within the organisation accords with guidance from the Scottish Ministers provided in the Scottish Public Finance Manual and has been in place for the year ended 31 March 2023 and up to the date of approval of the annual report and financial statements.

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

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

Internal audit is outsourced to an independent third-party organisation appointed by Creative Scotland. The current internal auditors, Azets, took over as Internal Auditor for a three-year appointment from 1 April 2022. External audit is provided by Audit Scotland.

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

The independent Internal Auditor's Annual Report found that Creative Scotland Creative Scotland has a framework of governance, risk management and controls that provides reasonable assurance regarding the effective and efficient achievement of objectives.

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 2023 and up to the signing of the financial statements, the organisation has continued its long-term strategic reviews, and plans for digitising the application process for key funding routes. The organisation will continue to develop its funding and strategy reviews during 2023/24 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.

During the year, the risk management strategy was reviewed, and a risk management workshop was held, facilitated by the internal auditors. The workshop was attended by members of the Senior Leadership Team including the Chief Executive, the Audit and Risk Committee, the Chair and other board members. From this a revised corporate risk register was developed which sets out the key risks to be reviewed by the Board and the Audit and Risk Committee. Separate sub risk registers are maintained for Screen Scotland; the Arts, Communities, and Inclusion directorate; Strategy and Planning, Creative Industries, Multi-Year Funding and for Operations.

Sub risk registers are reviewed by the Senior Leadership Team and the Executive Director of Operations on a regular basis. The corporate risk register is a standing item at each Audit and Risk Committee meeting and, in addition to ongoing reporting through the Audit and Risk Committee minutes, the Register is also presented annually in full to the Board.

Independent reviews are undertaken by Creative Scotland's Internal Auditor. These reviews are focussed on key risks identified in the risk register. In addition, professional advisors are used as appropriate to ensure legal compliance and minimisation of risk.

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

Conclusion

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

Remuneration and staff report

The 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.

Board*

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

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

Scottish Ministers decided to allow other board members to be remunerated with effect from 1 October 2019. The daily rate for board remuneration is set by Scottish Ministers and had been set for 2022/23 at a rate of £221.92 per day up to a maximum of £2,663 per year. Future pay increases are subject to the Scottish Government Public Sector Pay Policy and approval of the Chair.

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	2022/23			2021/22		
	Board Fee £'000	Benefits in kind (to nearest £100)	Total £'000	Board Fee £'000	Benefits in kind (to nearest £100)	Total £'000
Robert Wilson (Chair)	-	-	-	-	-	-
David Brew	0.5	-	0.5	0.5	-	0.5
Ewan Angus (to 31/07/22)	0.5	<1	0.5	0.5	<1	0.5
Elizabeth Partyka	0.5	<2	0.5	0.5	-	0.5
David Strachan	0.5	<4	0.5	0.5	-	0.5
Duncan Cockburn	0.5	<3	0.5	0.5	-	0.5
Philip Long	0.5	-	0.5	0.5	-	0.5
Stephanie Fraser	0.5	<1	0.5	0.5	<1	0.5
Sarah Munro	0.5	-	0.5	0.5	<1	0.5
Malath Abbas	0.5	<1	0.5	0.5	-	0.5
Yahya Barry	0.5	-	0.5	0.5	-	0.5
Duncan Hendry (to 30/11/22)	0.5	-	0.5	0.5	-	0.5
Carol Main	0.5	-	0.5	0.5	-	0.5

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.

Remuneration of the Senior Leadership Team*

Name	2022/23				2021/22			
	Salary/ (Bonus) £'000	Benefits in kind (to nearest £100)	Pension Benefits £'000	Total	Salary/ (Bonus) £'000	Benefits in kind (to nearest £100)	Pension Benefits £'000	Total
Iain Munro ¹ Chief Executive	125-130 (0)	-	-35 to - 40	85-90	125-130 (0)	-	50-55	180-185
Isabel Davis Executive Director, Screen	100-105 (0)	-	15-20	120-125	95-100 (0)	-	20-25	120-125
Anne Langley Executive Director, Operations ² (from 25/07/22)	65-70 (0)	-	15-20	80-85	-	-	-	-
Dana Macleod Executive Director, Arts, Communities and Inclusion ³ (from 26/09/22)	45-50 (0)	-	10-15	60-65	-	-	-	-
Kenneth Fowler Director, Communications	80-85 (0)	-	5-10	85-90	75-80 (0)	-	15-20	95-100
Karen Lannigan Director, HR & Office Services	85-90 (0)	-	40-45	125-130	80-85 (0)	-	25-30	110-115
Ian Stevenson Director, Finance	80-85 (0)	-	0-5	85-90	80-85 (0)	-	10-15	95-100
Clive Gillman Director, Creative Industries	80-85 (0)	-	10-15	90-95	75-80 (0)	-	30-35	110-115
David Smith Director, Screen	80-85 (0)	-	15-20	100-105	75-80 (0)	-	15-20	95-100
Alastair Evans Interim Director, Strategy	65-70 (0)	-	5-10	70-75	55-60 (0)	-	5-10	65-70
Paul Burns Interim Director, Arts ⁴ (from 18/01/23)	55-60 (0)	-	0-5	60-65	-	-	-	-

Figures shown are for the Senior Leadership Team in place during 2022-23 who were Creative Scotland employees.

1. Pension benefits are negative due to a negative real increase in pension arising from the impacts of inflation.
2. FTE Salary for 2022/23 is £95,000 - £100,000.
3. FTE Salary for 2022/23 is £95,000 - £100,000.
4. FTE Salary for 2022/23 is £65,000 - £70,000. Mr Burns was not a member of the Senior Leadership Team in 2021/22.

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 (2021/22- 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 2023 and 31 March 2022*:

Name	Accrued pension (lump sum) 31 March 2023 £'000	Accrued pension (lump sum) 31 March 2022 £'000	Real increase in pension (lump sum) £'000	CETV 31 March 2023 £'000	CETV 31 March 2022 £'000	Real increase / (decrease) in CETV £'000
Iain Munro	40-45 (125-130)	35-40 (115-120)	-2.5 to 0 ¹ (-5 to -2.5)	470	657	(21)
Isabel Davis	5-10 (15-20)	0-5 (10-15)	0-2.5 (2.5-5)	53	66	6
Anne Langley	0-5 (0-5)	-	0-2.5 (0-2.5)	6	-	4
Dana Macleod	0-5 (0-5)	-	0-2.5 (0-2.5)	5	-	3
Kenneth Fowler	10-15 (35-40)	10-15 (30-35)	0-2.5 (0-2.5)	137	178	2
Karen Lannigan	20-25 (5-10)	20-25 (5-10)	2.5-5 (0-2.5)	319	280	29
Ian Stevenson	10-15 (40-45)	10-15 (35-40)	0-2.5 (0-2.5)	153	207	0
Clive Gillman	5-10 (20-25)	5-10 (20-25)	0-2.5 (0-2.5)	131	136	7
David Smith	0-5 (10-15)	0-5 (5-10)	0-2.5 (2.5-5)	40	39	8
Alastair Evans	5-10 (20-25)	5-10 (20-25)	0-2.5 (0-2.5)	64	99	1
Paul Burns	0-5 (0-5)	0-5 (0-5)	0-2.5 (0-2.5)	13	12	1

1. The impact of high inflation in 2022/23 has caused the real increase in CETV from employer's contributions to be negative for Mr Munro.

Pension scheme

Pension benefits are provided through the Arts Council Retirement Plan (1994) and the Strathclyde Pension Fund. The members of the Senior Leadership Team are members of the two schemes on the same basis as other employees.

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*

There were no exit packages arising from compulsory redundancy or other settlements in 2022/23 or 2021/22.

Fair pay disclosures*

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.

	2022/23	2021/22
Banded remuneration of the highest paid director in Creative Scotland	£125,000 to £130,000	£125,000 to £130,000
% increase in remuneration of the highest paid director from 2021/22 to 2022/23	0%	
Median Remuneration of Creative Scotland staff	£39,169	£34,034
Ratio	3.26	3.75
The average percentage change in remuneration from the previous financial year in respect of the employees of the entity taken as a whole	11.3%	
25% percentile of Creative Scotland staff remuneration	£30,750	£29,285
Ratio	4.15	4.35
75% percentile of Creative Scotland staff remuneration	£46,195	£41,934

	2022/23	2021/22
Ratio	2.76	3.04
Full range of staff remuneration (bands of £5,000)	£20,000 to £130,000	£20,000 to £100,000
Number of employees receiving remuneration in excess of the highest-paid director	0	0

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

The median pay ratio for the 2022-23 is consistent with the pay, reward, and progression policies. The median pay has increased from prior years following the pay awards implemented as of 1 April 2022. The ratios between the remuneration of the highest paid director in the organisation and the median and 75th and 25th percentiles of remuneration of the organisation's workforce have fallen due to the pay award under the Public Sector Pay Policy for Senior Management being lower than the pay award awarded to the rest of the workforce.

Staff costs and numbers*

	2022/23	2022/23	2022/23	2022/23	2021/22
	Employees	Agency staff	Inward	Total	Total
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Staff Costs	5,262	-	-	5,262	4,918
NI	570	-	-	570	481
Pension costs	1,327	-	-	1,327	1,268
Agency fees	-	306	-	306	262
Invoiced	-	-	36	36	109
Total	7,159	306	36	7,501	7,038
Average FTE by directorate					
Executive Office	6.3	-	-	6.3	5.4
Finance and Funding	17.8	1.3	-	19.1	18.9
Communications	14.2	-	-	14.2	14.5
HR & Office Services	6.5	0.3	-	6.8	9.4
Arts & Engagement	32.5	-	-	32.5	33.4
Screen Scotland	21.2	0.8	-	22.0	20.3
Creative Industries	6.9	-	-	6.9	6.9
Strategy	14.9	-	0.7	15.6	13.4
Digital Transformation	6.2	1.5	-	7.7	7.9
Total	126.5	3.9	0.7	131.1	130.1

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 2023.

	Males	Females
Senior Leadership Team	7	4
Creative Scotland Board	7	4
All other employees	37	88

Public bodies are required under the Gender Representation on Public Boards (Scotland) Act 2018 to ensure that females make up 50% of board members by 31 December 2022. Appointments to the Creative Scotland Board are made by the Scottish Ministers, and Creative Scotland have made representations to the Scottish Ministers to ensure this target can be met in future board recruitment exercises.

Sickness absence

In the year to 31 March 2023, an average of 4.3 working days (2022: 2.5 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 employers' forum on sexual orientation in the workplace.

Trade Union Relations

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

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

Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
4	4

Percentage of time spent on facility time

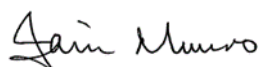
% of time	Number of employees
0%	-
1-50%	4
51-99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time (£)	5,151
Total pay bill (£)	7,159,000
% of pay bill spent on facility time	0.07%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	100%
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Iain Munro
Chief Executive and Accountable Officer
27 November 2023

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

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the Annual Report and Accounts of Creative Scotland for the year ended 31 March 2023 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2023 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 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 2021 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 2 December 2022. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, I report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

I report in my separate Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

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

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

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 decisions of users taken on the basis of these financial statements.

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

- using my understanding of the central government sector to identify that the Public Services Reform (Scotland) Act 2010 and directions made thereunder by the Scottish Ministers are significant in the context of the body;
- inquiring of the Accountable Officer and Director of Finance as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer and Director of Finance concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited parts of the Remuneration and Staff Report

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

Other information

The Accountable Officer is responsible for the other information in the Annual Report and Accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

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

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

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

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

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the 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 parts 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 108 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.

Esther Scoburgh CPFA
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Group Statement of Comprehensive Net Expenditure

For the year ended 31 March 2023

	Note	Creative Scotland		Group	
		2022/23	2021/22	2022/23	2021/22
		£'000s	£'000s	£'000s	£'000s
Income					
Project income	5	845	1,003	845	1,003
Other operating income	6	4,417	3,740	4,417	3,740
Sales revenue		-	-	437	1,581
		5,262	4,743	5,699	6,324
Expenditure					
Staff costs	7	8,260	6,939	8,260	6,939
Grant commitments	8	54,735	127,405	53,860	127,307
Less: de-commitment of prior year grants		(1,982)	(650)	(1,982)	(650)
Project expenditure	9	1,073	1,175	1,073	1,175
Other operating expenditure	10	2,844	3,144	4,510	4,823
Depreciation		524	121	524	121
		65,454	138,134	66,245	139,715
Net operating costs for the year		(60,192)	(133,391)	(60,546)	(133,391)
Other finance (costs) / income	18	(2)	(17)	(9)	(17)
		(2)	(17)	(9)	(17)
Net expenditure		(60,194)	(133,408)	(60,555)	(133,408)

Other comprehensive expenditure

	Creative Scotland		Group	
	2022/23	2021/22	2022/23	2021/22
	£'000s	£'000s	£'000s	£'000s
Retained deficit for the financial year	(60,194)	(133,408)	(60,555)	(133,408)
Actuarial gain/(loss) on the Strathclyde Pension Fund	(111)	1,489	(111)	1,489
Capital grant net income	(30)	(30)	(30)	(30)
Net gain/(loss) on revaluation of property	107	(76)	107	(76)
Total comprehensive expenditure	(60,228)	(132,025)	(60,589)	(132,025)

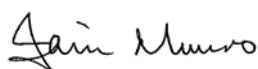
The notes on pages 44-67 form part of these accounts.

Group Statement of Financial Position

As at 31 March 2023

	Note	Creative Scotland		Group	
		2022/23	2021/22	2022/23	2021/22
		£'000s	£'000s	£'000s	£'000s
Non-current assets					
Property, plant, and equipment	12	1,413	1,406	1,413	1,406
Intangible assets	13	-	-	-	-
Long term leases	17a	1,095	-	1,095	-
Investment in subleases	17b	-	-	4,243	-
Total non-current assets		2,508	1,406	6,751	1,406
Current assets					
Trade and other receivables	14	2,243	2,358	2,270	2,154
Cash and cash equivalents	15	22,323	50,203	22,714	50,520
Total current assets		24,566	52,561	24,984	52,674
Total assets		27,074	53,967	31,735	54,080
Current liabilities					
Trade and other payables	16	(23,098)	(50,997)	(23,090)	(51,110)
Provisions	19	(258)	(167)	(258)	(167)
Short term lease	17	(426)	-	(728)	-
Total current liabilities		(23,782)	(51,164)	(24,076)	(51,277)
Non-current assets plus net current assets		3,292	2,803	7,659	2,803
Non-current liabilities					
Provisions	19	(814)	(105)	(814)	(105)
Other payables	16	(162)	(276)	(162)	(276)
Finance lease	17	(671)	-	(5,399)	-
Pension assets/(liabilities)	18	241	530	241	530
Total non-current liabilities		(1,406)	149	(6,134)	149
Assets less liabilities		1,886	2,952	1,525	2,952
Reserves					
General fund		1,579	2,752	1,218	2,752
Revaluation reserve		307	200	307	200
Total reserves		1,886	2,952	1,525	2,952

The Accountable Officer authorised these financial statements for issue on 27 November 2023.



Iain Munro
Chief Executive and Accountable Officer

The notes on pages 44-67 form part of these accounts.

Statement of Group Cash Flows

For the year ended 31 March 2023

	2022/23	2021/22
	£'000s	£'000s
Cash flows from operating activities		
Net expenditure	(60,555)	(133,408)
<i>Adjustments for non-cash items</i>		
Adjustments for IAS 19	178	235
Depreciation on property, plant, and equipment	524	121
Amortisation of intangible fixed assets	-	-
Capital grants released	(30)	(30)
Interest expense	63	-
Impairment of lease	689	-
<i>Movements in working capital</i>		
(Increase)/decrease in trade and other receivables	(116)	84
Increase/(decrease) in trade and other payables	(28,135)	24,249
<i>Movements in provisions</i>		
Increase/(decrease) in provisions	800	(415)
Net cash outflow from operating activities	(86,582)	(109,164)
Cash flows from investing activities		
Purchase of property, plant, and equipment	-	(53)
Purchase of intangible assets	-	-
Long term leases	-	-
Net cash outflow from investing activities	-	(53)
Cash flows from financing activities		
Scottish Government grant-in-aid received	59,162	133,555
Payment of lease liabilities	(528)	-
Payment of interest portion of lease liabilities	(63)	-
Proceeds from sublease	205	-
Net cash inflow from financing activities	58,776	-
Net increase/(decrease) in cash and cash equivalents	(27,806)	24,338
Cash and cash equivalents at the beginning of the period	50,520	26,182
Cash and cash equivalents as the end of the period	22,714	50,520

The notes on pages 44-67 form part of these accounts.

Statement of Changes in Group Taxpayers' Equity

For the year ended 31 March 2023

	General Fund £'000s	Revaluation Reserve £'000s	Total £'000s
Balance as at 31 March 2021	1,146	276	1,422
Changes in taxpayers' equity 2020/21			
Actuarial gain	1,489	-	1,489
Retained deficit	(133,408)	-	(133,408)
Grant in Aid transfer	133,555	-	133,555
Revaluation of property	-	(76)	(76)
Movement in capital grant	(30)	-	(30)
Balance as at 31 March 2022	2,752	200	2,952
Changes in taxpayers' equity 2022/23			
Actuarial gain/(loss)	(111)	-	(111)
Retained deficit	(60,555)	-	(60,555)
Grant in Aid transfer	59,162	-	59,162
Revaluation of property	-	107	107
Movement in capital grant	(30)	-	(30)
Balance as at 31 March 2023	1,218	307	1,525

The notes on pages 44-67 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 2022/23 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 2023.

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 Expenditure.

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 2022.

1.10 Leases

Leases are capitalised at the present value of the minimum lease payments at the inception of the lease and a liability recognised for the same amount in line with IFRS 16, *Leases*. Leased assets are depreciated over the shorter of the asset's useful life and the lease term. Each lease payment is allocated between the principal capital component and finance charges. The finance charges are allocated to each period during the lease term, to produce a constant periodic rate of interest on the remaining balance of the liability. Interest on leases is charged to the statement of comprehensive net expenditure in the year in which the lease payment relates.

Where the interest rate implicit in a lease cannot be readily determined, the lease liability is calculated using the HM Treasury discount rates. For leases that commence or are remeasured in the 2022 calendar year, this rate is 0.95%.

IFRS 16 was implemented with effect from 1 April 2022, and the two long term leases held at that time were recognised as noted above. Shorestage Limited signed a long-term lease in April 2022, and this was recognised as noted above also.

Leases with a term under one year, or leases that are held on a short-term basis, that is they can be cancelled with no penalty in a short period, are not capitalised and rent payments are expenses when settled. The lease on the Glasgow office is considered a short-term lease on this basis.

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.

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 59.
- Creative Scotland has recognised provisions for dilapidations on rented premises. These provisions are based on expert valuations and are subject to agreement with landlords.
- Creative Scotland recharges applicable operating costs to the Creative Scotland National Lottery Distribution Fund. This is based on management's judgement of the most appropriate recharge rate based on a number of factors, including the proportion of income from each fund over the medium term of operations. The recharge for the year was 40% for salaries and other operating costs (2021/22: 32.5% for salaries and 40% for all applicable operating costs). The recharge rate for the 2021/22 financial year reflects the level of administration for COVID-19 emergency response programmes, all of which were funded from grant-in-aid and was returned to the previous pre-pandemic rate in 2022/23.

3 Reconciliation of net expenditure to grant-in-aid

	£'000s
Net expenditure per Group SoCNE	(60,280)
Add: non-cash items	765
Capital additions	-
Lease payments	(441)
Provision for the Arts Council Retirement Plan (1994)	801
Grant-in-aid for 2022/23	59,162
Net surplus for the year to 31 March 2023	<u>7</u>

The grant-in-aid allocated to Creative Scotland for the year to 31 March 2023 was £59.2 million, all of which was drawn down in cash during the year. Creative Scotland operated within its grant-in-aid cash allocation, with only a small variance for the year (0.01%).

4 External auditor's remuneration

	2022/23	2021/22
	£'000s	£'000s
External audit remuneration	60	48
Total external auditor's remuneration	<u>60</u>	<u>48</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		Group	
	2022/23	2021/22	2022/23	2021/22
	£'000s	£'000s	£'000s	£'000s
Creative Europe	-	4	-	4
City of Edinburgh Council	845	968	845	968
British Film Institute	-	31	-	31
	845	1,003	845	1,003

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

6 Other operating income

	Creative Scotland		Group	
	2022/23	2021/22	2022/23	2021/22
	£'000s	£'000s	£'000s	£'000s
Recharges to Creative Scotland NLDF	3,925	3,168	3,925	3,168
Amortisation of capital grant	30	30	30	30
Event space rental income	169	157	169	157
Office space rental income	120	110	120	110
Miscellaneous	35	1	35	1
Award repayments	138	274	138	274
	4,417	3,740	4,417	3,740

Award repayments represent payments due to the Fund from royalties etc. from investments in screen productions.

7 Staff costs

	2022/23	2021/22
	£'000s	£'000s
Staff costs during the year		
Wages and salaries	5,262	4,918
Social security costs	570	481
Pension costs	1,327	1,268
Apprenticeship levy	10	10
Movement in holiday pay accrual	(16)	6
Other staff related costs: temporary staff	307	262
ACRP Deficit Contribution	800	(6)
	8,260	6,939

The amount recharged in respect of the National Lottery Distribution Fund's share of Creative Scotland's payroll costs was £2.9 million (40% of eligible staff costs) (2021-22: £2.2 million, 32.5%). A more detailed analysis of staff costs is included in the Remuneration and Staff Report (page 29).

8 Grant commitments

	2022/23 £'000s	2021/22 £'000s
Regular Funded Organisations	33,381	30,774
Open Project Funding	648	4,153
Scottish Government - Restricted Funds		
Youth Music Initiative (YMI) & Youth Arts	9,329	8,928
Expo Fund	1,796	2,002
Festivals Edinburgh	-	200
Platform for Creative Excellence (PLACE)	1,842	4,067
Alasdair Gray Archive	-	15
Arts and Business	200	-
Total Scottish Government - Restricted Funds	13,167	15,212
Capital Grants	-	-
COVID-19 Response Funds		
Culture Organisations & Venue Recovery Fund	-	8,331
Performing Arts Venue Relief Fund	-	8,949
Hardship Funds	-	15
Culture Collective	-	4,242
Independent Cinemas	-	3,197
Recovery Fund for Cultural Organisations	-	20,840
Hardship Fund 2022	2	7,532
Cancellation Fund	-	16,138
Total COVID-19 Response Funds	2	69,244
Targeted – Arts and Engagement		
Sector Development – Dance	-	23
Sector Development – Literature	-	45
Sector Development – Visual Arts	-	17
International Market Development	-	4
Declaration of Arbroath 2020+1	-	38
TTS Youth Engagement – NYAGG	-	20
International – Strategic Partnerships	10	-
Targeted – Screen Scotland		
Audience Development	556	257
Broadcast Content Fund	2,645	2,790
Distribution and Exhibition Fund	-	13
Infrastructure	477	98
Production Growth Fund	1,570	2,250
Markets and Festivals Fund	8	57
Skills and Talents	439	955
Strategic Partnerships	767	225
Professional Development Fund	34	15
Talent	452	106
Business and Market Development	9	27
Film Education	157	25

	2022/23	2021/22
	£'000s	£'000s
Montrose Playhouse	-	190
Screen EDI	24	48
Film Festivals	78	-
Specialist Business and Market Fund	166	-
Targeted – Creative Industries		
Creative Industries	-	38
Sector Organisations	-	300
Targeted – Strategy		
EDI	-	147
Gaelic Arts Development	-	13
Traditional Arts Development	-	43
Targeted – Other		
Strategic Fund	25	91
Culture Counts	90	-
Culture @ COP26	-	50
Climate Beacons	30	100
Environment	-	37
Total Targeted Funding	<u>7,537</u>	<u>8,022</u>
Total Grant Commitments for the Year	<u>54,735</u>	<u>127,405</u>

9 Project expenditure

	2022/23	2021/22
	£'000s	£'000s
Scottish Government - Restricted Funds		
Youth Music Initiative	124	94
COVID-19 Response Funds		
Sectoral Hardship Fund	-	(8)
Culture Collective	230	1
Targeted – Screen		
Broadcast Content Fund	-	(46)
Infrastructure	268	836
Screen Commission	232	274
Business and Market Development	33	10
Markets and Festivals Fund	-	6
Skills	1	5
COVID Skills Recovery Project	-	3
Strategic Partnerships	56	-
Audience Development	15	-
International	114	-
Total project expenditure	<u>1,073</u>	<u>1,175</u>

10 Other operating expenditure

	Creative Scotland		Group	
	2022/23	2021/22	2022/23	2021/22
	£'000s	£'000s	£'000s	£'000s
HR	172	139	172	139
Office Services	68	61	68	61
Estates	408	720	408	720
Finance	145	130	145	130
Legal and contracts	148	103	148	103
ICT	986	1,090	986	1,090
Communications	128	246	128	246
Board and committee expenses	42	43	42	43
Central services	403	304	403	304
Marketing	75	55	75	55
Knowledge and Research	258	222	258	222
External assessors	11	31	11	31
Shorestage Limited	-	-	1,666	1,679
Total other operating expenditure	2,844	3,144	4,510	4,823

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 2023, 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 2022	500	625	992	73	303	2,493
Revaluation	51	63	-	-	-	114
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
31 March 2023	551	688	992	73	303	2,607
Depreciation						
1 April 2022	-	-	747	73	267	1,087
Revaluation	-	6	-	-	-	6
Charge for the year	-	20	63	-	18	101
Disposals	-	-	-	-	-	-
31 March 2023	-	26	810	73	285	1,194
NBV						
31 March 2023	551	662	182	-	18	1,413
Prior year						
	Land	Buildings	Buildings Leasehold	Fixtures and Fittings	IT Equipment	Creative Scotland Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Cost						
1 April 2021	510	751	992	73	250	2,576
Revaluation	(10)	(126)	-	-	-	(136)
Additions	-	-	-	-	53	53
Disposals	-	-	-	-	-	-
31 March 2022	500	625	992	73	303	2,493
Depreciation						
1 April 2021	-	43	683	73	227	1,026
Revaluation	-	(60)	-	-	-	(60)
Charge for the year	-	17	64	-	40	121
Disposals	-	-	-	-	-	-
31 March 2022	-	-	747	73	267	1,087
NBV						
31 March 2022	500	625	245	-	36	1,406

Land and buildings were revalued at 31 March 2022, 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 2022	409	237	-	646
Revaluation	-	-	-	-
Additions	-	-	-	-
Transfers	-	-	-	-
Disposals	-	-	-	-
31 March 2023	409	237	-	646
Amortisation				
1 April 2022	409	237	-	646
Revaluation	-	-	-	-
Charge for the year	-	-	-	-
Disposals	-	-	-	-
31 March 2023	409	237	-	646
NBV				
31 March 2023	-	-	-	-

Prior year	Computer software	Website	Work in progress	Total
	£'000s	£'000s	£'000s	£'000s
Cost				
1 April 2021	409	237	-	646
Revaluation	-	-	-	-
Additions	-	-	-	-
Transfers	-	-	-	-
Disposals	-	-	-	-
31 March 2022	409	237	-	646
Amortisation				
1 April 2021	409	237	-	646
Revaluation	-	-	-	-
Charge for the year	-	-	-	-
Disposals	-	-	-	-
31 March 2022	409	237	-	646
NBV				
31 March 2022	-	-	-	-

14 Trade receivables and other current assets

	Creative Scotland		Group	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	£'000s	£'000s	£'000s	£'000s
Trade receivables	1	1	22	294
Due from Creative Scotland NLDF	1,726	1,005	1,726	1,005
Prepayments and accrued income	512	753	512	808
Grant advances	-	595	-	20
Staff advances and loans	4	2	4	2
Other	-	2	-	2
VAT due from HMRC	-	-	6	23
	2,243	2,358	2,270	2,154

Trade receivables and other current assets can be analysed as:

	Creative Scotland		Group	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	£'000s	£'000s	£'000s	£'000s
Balances with other Central Government bodies	1	31	7	34
Balances with Local Authorities	95	250	95	250
Balance with Creative Scotland NLDF	1,726	1,005	1,726	1,005
Total intra Government balances	1,822	1,286	1,828	1,289
Balances with bodies external to Government	421	1,072	442	865
	2,243	2,358	2,270	2,154

15 Cash and cash equivalents

	Creative Scotland		Group	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	£'000s	£'000s	£'000s	£'000s
Balance at 1 April	50,203	26,015	50,520	26,182
Net change in cash and cash equivalent balances	(27,880)	24,188	(27,806)	24,338
Balance at 31 March	22,323	50,203	22,714	50,520

The following balances at 31 March were held at:

Government Banking Service	22,323	50,203	22,323	50,203
Commercial banks	-	-	391	317
Cash in hand	-	-	-	-
Balance at 31 March	22,323	50,203	22,714	50,520

16 Trade payables and other current liabilities

	Creative Scotland		Group	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	£'000s	£'000s	£'000s	£'000s
Amounts falling due within one year:				
Trade payables	309	186	315	231
Grants outstanding	21,943	50,080	21,893	50,080
Accruals	624	655	634	723
Deferred income	75	76	101	76
Finance lease	426	-	728	-
Other taxes and social security	147	-	147	-
	23,524	50,997	23,818	51,110
Amounts falling due after one year:				
Other payables, accruals, and deferred income	162	276	162	276
Finance lease	671	-	5,399	-
	833	276	5,561	276

Trade payables and other current liabilities can be analysed as:

	Creative Scotland		Group	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	£'000s	£'000s	£'000s	£'000s
Balances with other Central Government bodies	228	129	228	129
Balances with Local Authorities	5,383	6,347	5,383	6,347
Total intra Government balances	5,611	6,476	5,611	6,476
Balances with bodies external to government	18,746	44,797	23,768	44,910
	24,357	51,273	29,379	51,386

17 Leases

At 31 March 2023, 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. 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. Both leases were recognised as right of use assets when IFRS 16 was implemented on 1 April 2022.

The lease at The Lighthouse, Glasgow was for a period of 5 years from 1 April 2016 and was extended another year to 31 March 2023. The lease runs on a rolling basis, and therefore has not been considered to be a right of use asset.

Shorestage Limited has a long-term lease on a property at Bath Road, Leith, which runs to 2036.

Right of use assets

	Buildings		Total	
	CS	Group	CS	Group
	£'000s	£'000s	£'000s	£'000s
Gross carrying amount				
At 31 March 2022	-	-	-	-
Initial adoption of IFRS 16 on 1 April 2022	1,519	1,519	1,519	1,519
Additions	-	5,136	-	5,136
Disposals	-	-	-	-
Balance as at 31 March 2023	1,519	6,655	1,519	6,655
Depreciation and impairment				
Balance as at 1 April 2022	-	-	-	-
Disposals	-	-	-	-
Depreciation	(424)	(424)	(424)	(424)
Derecognition on signing of a sublease	-	(5,136)	-	(5,136)
Balance as at 31 March 2023	(424)	(5,560)	(424)	(5,560)
Carrying amount as at 31 March 2023	1,095	1,095	1,095	1,095
	2023		2022	
	CS	Group	CS	Group
	£'000s	£'000s	£'000s	£'000s
Lease liabilities				
Current	426	728	-	-
Non-current	671	5,399	-	-
	1,097	6,127	-	-

Lease payments and interest charges over the remaining period of the lease are as follows:

	1 year	2-5 years	5-10 years	>10 years	TOTAL
Payments Due	786,186	2,163,397	2,092,329	1,469,897	6,511,809
Interest Charges	(58,209)	(170,517)	(126,143)	(29,685)	(384,554)
	727,977	1,992,880	1,966,186	1,440,212	6,127,255

17b Investments in subleases

	Buildings		Total	
	CS	Group	CS	Group
	£'000s	£'000s	£'000s	£'000s
Gross carrying amount				
Balance as at 1 April 2022	-	-	-	-
Additions	-	5,136	-	5,136
Disposals	-	-	-	-
Balance as at 31 March 2023	-	5,136	-	5,136
Movements in year				
Balance as at 1 April 2022	-	-	-	-
Impairment on recognition	-	(689)	-	(689)
Payments received	-	(204)	-	(204)
Balance as at 31 March 2023	-	(893)	-	(893)
Carrying amount as at 31 March 2023	-	4,243	-	4,243

The property at Bath Road, Leith was subleased to First Stage Studios for a period of 15 years from a backdated entry date of September 2021 to 4 September 2036. The initial recognition was based on the valuation of the head lease. An impairment charge was recognised to account for the agreed discount on rent over the period of the lease.

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 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 2022. The last full actuarial valuation of the Strathclyde Pension Fund was carried out on 31 March 2020.

Period ended 31 March 2023	Assets	Obligations	Net (liability)/ asset
	£'000s	£'000s	£'000s
Fair value of employee assets	11,547	-	11,547
Present value of funded liabilities	-	11,017	(11,017)
Present value of unfunded liabilities	-	-	-
Opening Position as at 31 March 2022	11,547	11,017	530
Service cost			
- Current service cost	-	296	(296)
- Past service cost	-	-	-
- Effect of settlements	-	-	-
Total service costs	-	296	(296)
Net interest			
- Interest income on plan assets	310	-	310
- Interest cost on defined benefit obligation	-	298	(298)
Total net interest	310	298	12
Total defined benefit cost recognised	310	594	(284)
Cashflows			
- Planned participants' contributions	45	45	-
- Employer contributions	106	-	106
- Benefits paid	(254)	(254)	-
- Contributions in respect of unfunded benefits	-	-	-
- Unfunded benefits paid	-	-	-
Expected closing position	11,754	11,402	352
Remeasurements			
- Change in demographic assumptions	-	(76)	76
- Change in financial assumptions	-	(4,496)	4,496
- Other experience	-	576	(576)
- Return on assets excluding amounts included in net interest	(571)	-	(571)
- De-recognition of assets under IFRIC 14*	(3,536)	-	(3,536)
Total remeasurements recognised	(4,107)	(3,996)	(111)
Fair value of plan assets	11,183	-	11,183
Present value of funded obligations	-	7,406	(7,406)
Present value of unfunded obligations	-	-	-
De-recognition of assets under IFRIC 14*	(3,536)	-	(3,536)
Closing Position as at 31 March 2023	7,647	7,406	241

* IAS 19 limits the amount of a surplus arising from a defined benefit plan that an entity can recognise as an asset and IFRIC 14 clarifies how those requirements are applied. Following discussions with the actuary, Creative Scotland's asset ceiling was stated to be £241,000. As such, the closing position of £3.8 million was adjusted down by £3.5 million.

Period ended 31 March 2022	Assets	Obligations	Net (liability)/ asset
	£'000s	£'000s	£'000s
Fair value of employee assets	10,789	-	10,789
Present value of funded liabilities	-	11,513	(11,513)
Present value of unfunded liabilities	-	-	-
Opening Position as at 31 March 2021	10,789	11,513	(724)
Service cost			
- Current service cost	-	327	(327)
- Past service cost	-	-	-
- Effect of settlements	-	-	-
Total service costs	-	327	(327)
Net interest			
- Interest income on plan assets	215	-	215
- Interest cost on defined benefit obligation	-	232	(232)
Total net interest	215	232	(17)
Total defined benefit cost recognised	215	559	(344)
Cashflows			
- Planned participants' contributions	46	46	-
- Employer contributions	109	-	109
- Contributions in respect of unfunded benefits	-	-	-
- Benefits paid	(224)	(224)	-
- Unfunded benefits paid	-	-	-
Expected closing position	10,935	11,894	(959)
Remeasurements			
- Change in demographic assumptions	-	(69)	69
- Change in financial assumptions	-	(830)	830
- Other experience	-	22	(22)
- Return on assets excluding amounts included in net interest	612	-	612
Total remeasurements recognised	612	(877)	1,489
Fair value of plan assets	11,547	-	11,547
Present value of funded obligations	-	11,017	(11,017)
Present value of unfunded obligations	-	-	-
Closing Position as at 31 March 2022	11,547	11,017	530

Period Ended	31 March 2023	31 March 2022
Assumptions	% p.a.	% p.a.
Financial assumptions		
Pension Increase Rate (CPI)	2.95%	3.20%
Salary Increase Rate	3.65%	3.90%
Discount Rate	4.75%	2.70%
Mortality		
	Males	Females
Current Pensioners	19.3 years	22.2 years
Future Pensioners	20.5 years	24.2 years

Historic Mortality

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

- Future pensioners- CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long-term rate of 1.5% p.a.
- Current Pensioners- CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long-term rate of 1.5% p.a.

Assets

Asset Category	Quoted prices in active markets £'000s	Quoted prices not in active markets £'000s	Total £'000s	Percentage of Total Assets %
Equity Securities				
Consumer	500.3	1.4	501.7	4%
Manufacturing	607.5	16.1	623.6	6%
Energy and Utilities	56.0	-	56.0	1%
Financial Institutions	237.2	0.8	238.0	2%
Health and Care	397.1	0.7	397.8	4%
Information Technology	385.6	1.1	386.7	3%
Debt Securities	-	-	-	0%
Private Equity	-	2,748.7	2,748.7	25%
Real Estate				
UK Property	-	922.0	922.0	8%
Investment funds and unit trusts				
Equities	48.2	3,657.7	3,705.9	33%
Bonds	-	1,289.7	1,289.7	12%
Commodities	-	4.4	4.4	0%
Infrastructure	-	71.8	71.8	1%
Other	-	24.8	24.8	0%
Derivatives				
Other	-	-	-	0%
Cash and Cash Equivalents	154.7	57.2	211.9	2%
Total	2,387	8,796	11,183	100%

Projected defined benefit cost for the period to 31 March 2024

	Assets	Obligations	Net (liability)/ asset
	£'000s	£'000s	£'000s
Service cost	-	147	(147)
Interest income on plan assets	531	-	531
Interest cost on defined benefit obligation	-	352	(352)
Total included in the Group SoCNE	531	499	32

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 2023, 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

Change in assumptions at 31 March 2023:	Approximate increase to Employer Obligation	Approximate monetary amount (£000)
0.1 % decrease in Real Discount Rate	2%	149
1 year increase in member life expectancy	4%	296
0.1% increase in Salary Increase Rate	0%	15
0.1% increase in Pension Increase Rate (CPI)	2%	135

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 2020 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 2023) is shown below:

	Arts Council Retirement Plan (1994) - Total	Creative Scotland members- total number and (% of Plan)
Total members	2,682	201 (7.49%)

19 Provisions

	2023 Dilapidations £'000s	2023 Pension Deficit £'000s	2023 Total £'000s	2022 Total £'000
1 April	272	-	272	687
Arising in the year	-	800	800	-
Utilised in the year	-	-	-	(415)
Reversal	-	-	-	-
31 March	<u>272</u>	<u>800</u>	<u>1,072</u>	<u>272</u>
Of which:				
Due within one year	167	91	258	167
Due greater than one year	105	709	814	105
	<u>272</u>	<u>800</u>	<u>1,072</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 2023. During the year, Creative Scotland invoiced the National Lottery Distribution Fund for £3.9 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. During the year, Creative Scotland provided the company with a grant of £350,000 (2021/22: £350,000) for the purposes of developing a film studio at 31 Bath Road, Leith in Edinburgh. There is an intragroup balance of £50,000 from Creative Scotland to Shorestage Limited as at 31 March 2023.

The following related party transactions were incurred during 2022/23 in relation to board members of Creative Scotland.

Board member	Related party	Awards made 2022/23
David Strachan*	Dunedin Consort Trust (Director)	£100,000 Regular Funding
David Strachan	Tern Television (shareholder in holding company Zinc Media and freelancer)	£100,000 Broadcast Content Fund 2 awards (£75,000 and £49,875) BBC Strategic Partnerships £1,000 Channel 4 Strategic Partnerships
Duncan Cockburn	Aberdeen Performing Arts (Director)	£333,333 Regular Funding
Carol Main	Live Music Now Scotland (Director)	£100,000 Open Fund for Organisations £30,000 YMI Access Fund

Board member	Related party	Awards made 2022/23
Yahya Barry	Glasgow Film Theatre (Trustee)	£633,333 Regular Funding £35,000 Film Hub Scotland

* Mr Strachan resigned from this post with effect from May 2023

22 Subsidiary undertakings

Creative Scotland has invested £1 in ordinary share capital in Shorestage Limited as at 31 March 2023. Related party disclosures are disclosed in Note 21.

23 Contingent Liabilities

The valuation of defined benefit and unfunded liabilities at 31 March 2023, 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 2023, Creative Scotland is unable to reliably quantify an associated contingent liability.

24 Post Balance Sheet Events

There were no post balance sheet events.

Accounts Direction



**CREATIVE SCOTLAND
DIRECTION BY THE SCOTTISH MINISTERS**

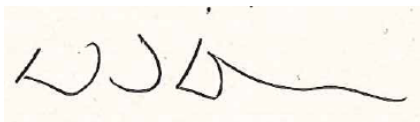
The Scottish Ministers, in pursuance of section 13(1) of Schedule 9 of the Public Services Reform (Scotland) Act 2010 hereby give the following direction.

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