



Architecture & Design Scotland

Ailtearachd is Dealbhadh na h-Alba

Annual Report and Financial Statements for year ended 31 March 2016

*Laid before the Scottish Parliament on 16 December 2016
Reference: SG/2016/255*

Architecture & Design Scotland

Company Limited by Guarantee

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

Company Registration Number SC267870

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

YEAR ENDED 31 MARCH 2016

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**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 31 MARCH 2016**

OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors K Anderson (The Chair)
S Beattie
A Burrell
D Chisholm
M Crookston
S Evans
G Hill
J Hughes
G Ross (Deputy Chair)
A Sim

Company Secretary J MacDonald

Business Addresses 9 Bakehouse Close
146 Canongate
Edinburgh
EH8 8DD

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The Lighthouse
11 Mitchell Lane
Glasgow
G1 3NU

Registered Office 9 Bakehouse Close
146 Canongate
Edinburgh
EH8 8DD

Auditor KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

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

Solicitors Anderson Strathern
1 Rutland Court
Edinburgh
EH3 8EY

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

STRATEGIC REPORT

YEAR ENDED 31 MARCH 2016

STRATEGIC REPORT

This report has been presented in accordance with the requirements of Section 414 of the Companies Act 2006. The company's independent auditor is required by law to report on whether the information given in the strategic report is consistent with the financial statements. The auditor's opinion is included in the auditor's report on pages 23 to 24.

Overview

At the end of 2013-14, following extensive consultation with our stakeholders and the public, we launched a new Corporate Strategy for 2014-17. In our Corporate Strategy we set out six key objectives:-

- We will help create better buildings, streets and sustainable places in Scotland;
- We will encourage more people to get involved in making sustainable places;
- We will increase the understanding of architecture and design in the planning system;
- We will promote Scottish architecture and design nationally and internationally;
- We will provide leadership for our sector;
- We will deliver high-quality services which are continually improving.

Throughout 2015-16 we undertook a range of activities to meet those objectives and our programme for the year included the delivery of a series of exhibitions and events, the provision of advice to clients, funders and regulators, contributions to the development of national policy and continued support for practitioners in a range of ways.

In 2015 we celebrated our 10th birthday and marked this with a series of talks and events under the banner **DECADE**. Based on 10 of the most significant issues of the past decade we collaborated with over 100 organisations and reached over 350 delegates. Each event took an issue, considered how it had developed over the previous 10 years and imagined what the next 10 years might hold. We captured all of this in a collection of essays by the speakers and others which has been printed and is also available online.

To finish the year of celebrations we held a **Parliamentary Reception**, hosted by Patricia Ferguson MSP, in November with over 100 guests including MSPs, former and current staff and board members and other interested parties from the built environment sector.

Building on our successful Design Skills Symposia, we co-hosted the **Place Challenge 2015: Town Centre Living** with Angus Council in Arbroath in October 2015. It brought together over 100 delegates over two days at Hospitalfield Arts, to explore new approaches to town centre living. A number of outputs and publications have been produced following the event and were published on our website in early 2016.

We contributed to the development of the **Place Standard** with Scottish Government and NHS Health Scotland colleagues which launched in late 2015. Our role in its development was to help consult on testing, developing and drafting the Place Standard. Throughout the year we have been integrating the Place Standards in aspects of our ongoing work.

Sustainability continues to be a central part of our activity. In 2015-16 we held 14 CPD events on traditional construction and timber. The events – hosted in Edinburgh and Glasgow - reached over 150 attendees and we also held 11 school and college workshops, reaching a further 186 attendees. Our library of sustainable materials continues to be a focal point for our work and we published five new materials library case studies and a longer case study on sustainability.

Our **Design Forum** helps deliver better buildings and places by offering informed advice on the design quality of development proposals. In 2015-16 the Design Forum process engaged with 15 major projects from nine different local authorities. The projects ranged from a major infrastructure project to a town expansion site of 1,500 houses, a primary school and workplaces. 100% of the participants asked agreed that the workshops secured better outcomes for building users and affected communities.

**ARCHITECTURE AND DESIGN SCOTLAND
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YEAR ENDED 31 MARCH 2016

In 2015-16 we hosted **14 exhibitions** in The Lighthouse including A&DS RIAS Student Awards; Scenic Routes; Island; Scotland + Venice; Ninewells Hospital Garden Room competition; Springburn Winter Gardens; New Northern Frontiers; MyParkScotland; Chalk Talk; SEDA Awards; Timber Awards; My Place Awards; and As Found: Lost Practice. We spent a significant part of 2015-16 planning our activities for the 2016 Year of Innovation, Architecture and Design and the Festival of Architecture. Architecture and Design Scotland's contribution to the 2016 activities is Say Hello to Architecture made up of three strands – Local Events, Best of the Best and Scotland + Venice. The **Say Hello to Architecture** programme was launched in March 2016, runs throughout the year and aims to increase community engagement with architecture across Scotland.

We continued to support the **Stalled Spaces Scotland** programme, where seven local authorities have received funding, with funding provided to 45 local projects. We are creating a range of case studies on the completed projects to allow for further learning.

We continued to provide Design Assessment for **healthcare developments**. In 2015-16 we supported 22 projects from Orkney through to the Borders, totalling over £375 million of investment. We held 40 engagements, including support for the development of briefs for a national chronic pain management clinic and a community hospital in Skye. When the users of the service were surveyed 90% of respondents said they 'feel more able to develop better facilities'.

We continued to work with those charged with providing the best **spaces for learners** and the delivery of the Curriculum for Excellence. We developed a place based briefing service to work with learners, teachers and industry partners to develop future estates strategies for the college sector. We also led significant work on participation in schools looking at re-purposing schools for modern learning. We supported the delivery of the Learning Estate Conference, with Director and Head of Service level participation for every local authority in Scotland, and we provided a range of outputs following this event.

In 2015-16 we introduced a new **corporate identity**, including a new logo, and rolled this out across our materials. We also redeveloped our website, in response to the needs of our users, and we expanded our digital marketing strategy to keep our audiences and stakeholders up to date about our work.

We continued to support the **Local Authority Urban Design Forum** and we developed a new **Public Sector Client Forum** to support learning across a range of sectors.

Further information about all our work, in the form of articles, videos and copies of publications, is available on www.ads.org.uk.

Over the last year we have taken time to think about what we do and how we do it. Having done so, we will continue to promote the benefits of good design through a programme of advice and outreach but the way we do this is set to change significantly.

Focussed on the alignment of our advisory, learning and promotional work, we hope these changes will increase our reach and deliver greater impacts from what we do.

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

**PERFORMANCE ANALYSIS
YEAR ENDED 31 MARCH 2016**

Performance Analysis

Financial Management

Our grant funding was fully expended in the year within the parameters set by the Scottish Government.

Procurement

We have policies and procedures in place for the procurement of all goods and services. We review our policy and procedures regularly to ensure that the policy and procedures respond to user feedback, changes in legislation, Government requirements and wider corporate policy.

Our procurement policy has 6 key priorities:-

- Support for our core business;
- Compliance with legislation;
- Transparency, fairness and accountability;
- Achieving value for money;
- Raising the level of procurement knowledge, skills and expertise;
- Maximising access to Collaborative Contracts available via the contracts strategy directory.

The Environment

We are working to support the Scottish Government in its environmental objectives by developing new methods of delivering our services which embrace the use of technology and as a result will help to reduce our carbon footprint.

Further information is available within the Sustainability Report section on page 7.

Social and Community Relations

We value positive social and community relations and work to foster these in a range of ways, including providing placements for school pupils and working with other businesses located close to our offices in the Canongate. A&DS regularly hosts other agency and community events in our premises free of charge.

Freedom of Information

The Freedom of Information (Scotland) Act, which came into full force in January 2005, means members of the public can make a request to see information held by A&DS. In 2015-16 we received and responded to five Freedom of Information requests.

Data Loss

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

Future Developments

Future work for Architecture and Design Scotland will support the strategic objectives outlined in our Corporate Strategy (2014-17) and will focus particularly on delivery of our objectives.

Our activities for 2016-17 are outlined in our Business Plan, available to download from our website.

In 2016 we celebrate the centenary of the architecture profession in Scotland through a Year of Innovation, Architecture and Design and a nationwide Festival of Architecture.

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

PERFORMANCE ANALYSIS

YEAR ENDED 31 MARCH 2016

The focus of the year provides us with a unique opportunity to showcase the richness of our design talent and highlight how it can transform our lives. From major exhibitions to events in communities across the country, we are planning a year to remember as we aim to engage with more people than ever before in a celebration of all that is good about Scotland's buildings and places. Our work in 2016 will go under the banner of Say Hello to Architecture.

It's a legacy that we hope to continue beyond 2016 to reach new audiences and communities across the country. With our Say Hello to Architecture programme we want to help communities to think about their place and respond to it in an enjoyable way. Throughout 2016-17 we will take every opportunity through our work to highlight the benefits of good design and architecture and support those tasked with creating our places.

We will continue to provide expert design advice to significant public and private projects at an early stage in their development. We will also support Health Boards to establish project specific design standards to improve the quality of health buildings and benefit to local communities. We will work with educational authorities to support the development of learning places that support the Curriculum for Excellence, and we will continue to support the Local Authority Urban Design Forum (LAUDF) which helps build capacity amongst local authority design officers across Scotland.

Financial Overview

The results for the year to 31 March 2016 are contained in the attached financial statements, prepared in accordance with the 2015-16 Government Financial Reporting Manual (FReM) and in the form directed by the Scottish Ministers, taking cognisance of the Scottish Public Finance Manual.

The FReM requires that the Company should comply with the Companies Act, but, as a Non Departmental Public Body, also follow the principles in the FReM (for example, in preparing a remuneration report) where these go beyond the Companies Act. The accounting policies explain the basis on which the financial statements are prepared and transactions are recognised.

The resource budget allocation for 2015-16 comprised a grant-in-aid provision of £1,859,285.

Risk and Uncertainty

We recognise the importance of effective risk management and work hard to identify and manage risks to our business. The principal means by which we do this is through our Corporate Risk Register. This Register is prepared by the Chief Executive, reviewed monthly by the Management Team and presented to the Audit Committee every three months and to the Board every six months.

Key risks currently identified include:-

- Reduction in funding and/or stakeholder support;
- Loss of key staff/skills;
- Loss of business continuity;
- Legal challenge;
- Fraud or embezzlement; and
- Failure to deliver best value.

Results

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements. The company's main income is grant-in-aid from the Scottish Government. The surplus for the year on Ordinary Activities after Tax was £6,865 (2015: surplus £11,197), which is transferred to reserves.

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PERFORMANCE ANALYSIS

YEAR ENDED 31 MARCH 2016

The company aims to be in a break-even position at each year end on a cash income/spend basis. The financial statements are prepared on an accruals basis in accordance with accounting standards. Since the company commenced trading it has generated an accumulated deficit of £13,008 as at 31 March 2016 (accumulated deficit of £19,874 as at 31 March 2015).

The Directors are satisfied with the results for the year.

Going Concern

As at 31 March 2016, Architecture and Design Scotland's balance sheet had net liabilities of £13,008 (2015: net liabilities of £19,874). The Directors are confident that the relationship with the Scottish Government is such that the company will have sufficient funding for the foreseeable future. Accordingly, it is appropriate to prepare the financial statements on a going concern basis.

Supplier Payment Policy

It is our policy to agree terms of payment when orders for goods and services are placed and to adhere to these arrangements. In addition, where possible, it is our policy to comply with the Scottish Government's Prompt Payment Commitment of making payment of authorised invoices within 10 days.

By order of the Board

J MacDonald
Chief Executive/Accountable Officer

Approved on 3 October 2016

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2016

Sustainability Report

The Scottish Government expects all public bodies in Scotland, including Non Departmental Public Bodies such as A&DS, to report on sustainability alongside their Annual Reports and Accounts. The information provided below conforms to the public sector sustainability reporting guidance produced by the Scottish Government. Although this is non-mandatory, A&DS will strive to meet this expectation over the coming years.

A&DS recognises the importance of environmental issues and sustainability and therefore endeavours to consider these matters in all of our business decisions. A&DS recognises the importance of sustainability, supporting the national outcomes to "value and enjoy our built and natural environment and protect it and enhance it for future generations" and to "reduce the local and global environmental impact of our consumption and production". A&DS endeavours to consider these matters in all of our business decisions.

A&DS occupies offices in Edinburgh and Glasgow. The office in Glasgow is situated in The Lighthouse building and is occupied on a serviced accommodation basis from Glasgow City Council (GCC). As The Lighthouse building is part of a larger estate owned by GCC, it has not been possible to disaggregate the data for sustainability reporting within A&DS. Thus the data in this report in relation to buildings only relates to the Edinburgh office at Bakehouse Close.

Summary of Performance: 2015-16

During the last 12 months we have continued to use the systems set up in 2012-13 to collect information which will allow us to measure and benchmark current performance in terms of energy usage and business travel. This will assist us in setting targets and monitoring greenhouse gas emissions and costs over the forthcoming years.

Office Supplies and Publications

We already actively encourage electronic communication in place of paper. Where a hard copy is required, we use recycled stationery and print double sided to decrease paper usage. The majority of output in terms of reports and publications are produced in soft copy only with our website being the main distribution channel. A bi-monthly electronic newsletter keeps our supporters up to date with our activities.

Travel - Business Travel and Commuting

All employees are encouraged to reduce the carbon footprint by Green Travel such as utilising the Bike to Work Scheme and travelling by public transport. Flexible working hours allow staff to fit travel around train and bus times.

Area	Actual Performance 2015-16	Actual Performance 2014-15
Total energy consumption	77,739 kWh	79,715 kWh
Total energy expenditure	£4,494	£5,046
Recycling Expenditure	£678	£502
Total waste expenditure	£941	£1,000
Water consumption	293 m ³	413 m ³
Water expenditure	£326	£461

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2016

Sustainability Report: 2015-16

		2015-16	2014-15
Energy consumption (kWh)	Electricity non renewable	21,788 kWh	22,585 kWh
	Electricity Renewable	0	0
	Gas	55,951 kWh	57,130 kWh
	LPG	0	0
	Other (Gas-oil)	0	0
Financial indicators (£)	Expenditure on Energy	£4,494	£5,046
	Expenditure on business travel - official travel and fleet costs	£20,255	£23,170

Waste

Paper, cardboard, cans, plastics and glass waste is sent for recycling. Special arrangements are made to recycle any obsolete computer equipment and furniture.

Sustainable Procurement

A&DS uses Scottish Government procurement framework contracts. The SG framework is committed to sustainable procurement and the sustainability strategy. A&DS pays climate change levies to EDF Energy for electricity and to Total Gas & Power for gas.

Summary of Future Strategy

A&DS is committed to reducing its impact on the environment in line with the Scottish Government's sustainability strategy.

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2016

Corporate Governance Report

The requirements of the Directors' Report are set out in Chapter 5 of Part 15 of the Companies Act 2006 and Schedule 7 of SI 2008 No 410, and in the Remuneration Report, as set out in Chapter 6 of the Companies Act 2006 and SI 2013 No 1981.

The Directors' Report

Introduction

The Directors present their report and the financial statements of the company for the year ended 31 March 2016.

Architecture and Design Scotland is an Executive Non Departmental Public Body (NDPB) sponsored directly by the Scottish Government, whose purpose is to champion good architecture, design and planning in the built environment. The financial statements have been prepared in a form directed by the Scottish Ministers in accordance with the Government Financial Reporting Manual (FRoM) and fulfil the requirements of the Companies Act 2006.

Organisational Excellence

We want to deliver the best possible service to our customers/stakeholders.

We achieve this by understanding our strengths, by having strong leadership and motivated employees, by having confidence in our ability and by ensuring we have the correct systems and processes in place.

Company Status

Architecture and Design Scotland is a company limited by guarantee and registered in Scotland - Company Registration Number SC267870. The sole members are the Scottish Ministers. Architecture and Design Scotland (A&DS) is an Executive Non Departmental Public Body, operated through a limited company structure.

Scottish Ministers appoint the Chair, Chief Executive and non-executive Directors of Architecture and Design Scotland.

The Board is responsible for the overall direction and strategy of A&DS. There is a formal policy of delegated authority, which includes matters specifically reserved to the Board for decision. All non-executive Directors are independent.

Ministerial Responsibility

The Minister with responsibility for Architecture & Design Scotland is Fiona Hyslop MSP, Cabinet Secretary for Culture, Tourism and External Affairs.

Directors and Their Interests

The non-executive Directors of the company who held office during the period and to the date of signing of these financial statements were as follows:-

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

**THE DIRECTORS' REPORT
YEAR ENDED 31 MARCH 2016**

K Anderson (The Chair)
S Beattie
A Burrell
D Chisholm
M Crookston
S Evans
G Hill
J Hughes
G Ross (Deputy Chair)
A Sim

There were no resignations during the year to 31 March 2016.

Relevant Directors' Interests

Details of Directors' interests are given in **Note 15 Related Parties**. No board members held any significant interests that conflicted with their responsibilities.

The Board, chaired by Karen Anderson, met 11 times during the year.

Conflicts of Interest Procedures

A&DS has developed procedures to deal with potential conflicts of interest and provided training for Directors. The procedures include each Board Member providing a Register of Interests on appointment, and advising of updates as and when they occur. In addition Declarations of Interest is a standard item on the Agenda for all Board Meetings.

Management Team

The Management Team currently comprises the Chief Executive, Director of Operations, Director of Design and Director of Place. This group is responsible for supporting the day to day running of the organisation.

Specifically the Management Team is responsible for:-

- signing off project plans for activities within the approved Business Plan;
- agreeing amendments to the allocation of operational budgets; and
- initiating new projects outwith the approved Business Plan.

Currently, these roles and responsibilities are supported by the Management Statement and Financial Memorandum (2008) and a Scheme of Delegated Responsibility (2012). In addition, the Board is supported by three sub-committees, namely Audit Committee, Communications Group and Planning & Consultations Group. Each of these works to terms of reference approved by the Board.

The business is framed by a three year Corporate Strategy supported by annual Business Plans, progress against which is reported to the Board. These reports separately describe the business undertaken as set out in the Business Plan and, in parallel, the management and expenditure of budgets.

In addition, a corporate risk register is established and reported to the Audit Committee quarterly.

Audit Committee

The Audit Committee oversees the strategic process for risk management, internal control, corporate governance and statutory financial obligations. The committee is chaired by an independent non-executive Director and is comprised of up to four, and at least three, non-executive Directors of A&DS.

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2016

The committee meets quarterly and works to terms of reference written by the Board setting out its authority. Internal and external auditors are invited along to the Audit Committee meetings.

Political and Charitable Donations

The company made no political or charitable donations during the year.

Taxation Status

As an Executive NDPB sponsored directly by the Scottish Government, the Directors are of the opinion that the company's activities do not constitute a trade for Corporation Tax purposes and therefore consider that the company will not be subject to Corporation Tax.

Auditor and Disclosure of Information to Auditor

As a non-profit making public sector company, which appears to the Scottish Ministers in terms of section 483(2) of that Act to carry out functions of a public nature, under The Companies Act 2006 (Scottish public sector companies to be audited by the Auditor General for Scotland) Order 2009, the Scottish Ministers have determined that the financial statements of the company shall be audited by the Auditor General for Scotland. The Auditor General for Scotland has appointed KPMG LLP to undertake the audit for the year ended 31 March 2016.

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each Director has taken all steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

**THE STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES
YEAR ENDED 31 MARCH 2016**

**The Statement of Directors' and Accountable Officer's Responsibilities
in Respect of the Annual Report and Financial Statements**

The Directors and Accountable Officer are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. As required by the Accounts Direction applicable for the year issued by the Scottish Ministers they are required to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of its surplus or deficit for that period. In preparing the financial statements, the Directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU and the Accounts Direction applicable to the year issued by the Scottish Ministers; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006 and the Accounts Direction applicable to the year issued by the Scottish Ministers. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

THE GOVERNANCE STATEMENT

YEAR ENDED 31 MARCH 2016

The Governance Statement

Introduction

This statement has been prepared by me as Accountable Officer for Architecture and Design Scotland as part of the annual accounts required under the terms of the Scottish Public Finance Manual (SPFM).

The statement, for which I am personally responsible, covers the accounting period 2015-16 and additionally the period up to the date of signature. It sets out Architecture and Design Scotland's governance procedures and how it implements these. The statement is informed by work undertaken throughout the period relating to performance and risk management and, on this basis, provides useful information relating to the organisation's approach to risk and its responses to identified and emerging risks.

Scope

Effective governance is about more than clarity of role and process, important though both of these are. To be truly effective a governance framework must support the business in question and those responsible for delivering it. In addition, it must encourage accountability and promote a positive culture where everyone in the organisation is empowered.

This statement therefore outlines both the procedural aspects of our governance and the methods by which these operate.

In particular, the statement:-

- sets out the governance framework of Architecture and Design Scotland;
- explains the operation of the framework during the period in question;
- provides an assessment of our corporate governance and its compliance with generally accepted best practice principles and relevant guidance;
- offers an assessment of our risk management arrangements; and
- details any significant lapses of data security.

Preparation

The preparation of the statement has been informed by the work of our Audit Committee on the risk management, performance reporting and internal controls; the opinion of internal audit on the quality of the systems of governance, management and risk management; feedback from staff about the business, its use of resources and the extent to which budgets and performance targets have been met.

The Governance Framework of Architecture and Design Scotland

Architecture and Design Scotland is an Executive Non-Departmental Public Body of the Scottish Government and is a company limited by guarantee under the Companies Act 2006. Its remit and responsibility is set out by the Management Statement prepared by the Scottish Government's Planning and Architecture Division. This statement effectively sets out the scope of our activities on behalf of Scottish Ministers.

The organisation's work is overseen by a Board appointed by the Scottish Ministers. The Board is currently made up of a Chair, Deputy Chair and eight ordinary Board members. The Board's role is to ensure that Architecture and Design Scotland fulfils the aims and objectives set by the Scottish Ministers and to promote the efficient and effective use of staff and other resources.

Specifically, the Board:-

- sets the overall strategic direction of Architecture and Design Scotland within the policy, planning and resources framework determined by the Scottish Ministers;

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

THE GOVERNANCE STATEMENT

YEAR ENDED 31 MARCH 2016

- ensures that any statutory or administrative requirements for the use of public funds falling within the stewardship of Architecture and Design Scotland are complied with;
- demonstrates high standards of corporate governance at all times;
- provides commitment and leadership in the development and promotion of Best Value principles throughout the organisation; and
- appoints, with the Scottish Ministers' approval, a Chief Executive to Architecture and Design Scotland and, in consultation with the sponsor Directorate, set performance objectives and remuneration terms linked to these objectives for the Chief Executive which give due weight both to the proper management and use of public monies and to the delivery of outcomes in line with Scottish Ministers' priorities.

The Chief Executive is the designated Accountable Officer and is personally responsible for safeguarding the public funds for which he/she has charge, ensuring propriety and regularity in the handling of those public funds and managing the day-to-day operations and management of Architecture and Design Scotland.

Specifically, the Chief Executive as Accountable Officer is required to:-

- establish Architecture and Design Scotland's corporate and business plans in the light of the Scottish Ministers' wider strategic aims;
- establish a robust performance management framework which supports the achievement of Architecture and Design Scotland's aims and objectives as set out in those plans;
- ensure full performance reporting to the Board, the sponsor Directorate and the wider public;
- inform the sponsor Directorate of Architecture and Design Scotland's progress in helping to achieve the Scottish Ministers' policy objectives and in demonstrating how resources are being used to achieve those objectives;
- ensure that timely forecasts and monitoring information on performance and finance are provided to the sponsor Directorate and that any issues are notified to the sponsor Directorate in a timely fashion;
- advise the Board on the discharge of its responsibilities;
- advise the Board on Architecture and Design Scotland's performance compared with its aims and objectives;
- ensure that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions;
- take action if the Board, or the Chair, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration or efficiency or effectiveness;
- ensure that a system of risk management is embedded in the organisation;
- ensure that an effective system of programme and project management and contract management is maintained;
- ensure that the funds made available to Architecture and Design Scotland are used for the purpose intended by the Parliament, and that such monies, together with Architecture and Design Scotland's assets, equipment and staff, are used economically, efficiently and effectively;
- ensure that adequate internal management and financial controls are maintained by Architecture and Design Scotland, including effective measures against fraud and theft;
- maintain a comprehensive system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations;
- ensure that effective human resource management policies are maintained and that strategic human resource planning is related to Architecture and Design Scotland's objectives;
- sign the accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Scottish Ministers;

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

THE GOVERNANCE STATEMENT

YEAR ENDED 31 MARCH 2016

- sign a Statement of Accountable Officer's responsibilities, for inclusion in the annual report and accounts;
- prepare a Governance Statement regarding Architecture and Design Scotland's system of internal control, for inclusion in the annual report and accounts;
- sign a Certificate of Assurance on the maintenance and review of Architecture and Design Scotland's internal control systems;
- ensure that an effective complaints procedure is in place including, where applicable, reference to the Scottish Public Services Ombudsman and made widely known; and
- give evidence when summoned before Committees of the Scottish Parliament on the use and stewardship of public funds by Architecture and Design Scotland.

The Operation of the Framework

During the period in question (April 2015 to March 2016) the Board met 11 times, of these 5 were formal meetings where papers were presented and decisions reached, while the remainder was a mixture of strategy discussions and visits to relevant practice across Scotland. The Audit Committee met 4 times.

Notably during this time the Board and its Sub-Committees:-

- approved the Annual Report and Accounts for 2014-15;
- noted reports on the implementation of the Business Plan for 2015-16;
- approved the Business Plan for 2016-17;
- approved the re-adoption of the Model Publication Scheme;
- agreed to the proposed new role profiles as part of the Change Process;
- approved new procedures for Lone Working within the Health & Safety Policy;
- approved updated Terms of Reference for the Audit Committee and Communications Group;
- reviewed the Audit Committee functions;
- approved the recommendations of the Accommodation Review.

The Management Team met 11 times during the same period.

Assessment of Corporate Governance

Based on a review of best practice and feedback from Board and staff, I am satisfied that our corporate governance arrangements are satisfactory. The roles of key elements (Board, CEO, Management Team) are clear and understood. Decision making within the organisation is clearly set out and supported by guidance on e.g. procurement and project management.

Assessment of Risk Management

Management of risk continued to develop effectively. A Corporate Risk Register provided the basis for a uniform approach to risk management across the organisation supported by routine reporting and review. Training for staff which was delivered in March 2013 was used to refine the approach to risk management within individual programmes.

Data Security Issues

During the year in question, there were no significant data security issues encountered.

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

THE GOVERNANCE STATEMENT

YEAR ENDED 31 MARCH 2016

Conclusions

Architecture and Design Scotland's governance arrangements have been developed significantly during the period in question. Building on work undertaken in previous periods, improvements have been made to the management and reporting of risk, the management of our finances and the control and reporting of our business. In addition, there has been a streamlining of the corporate structures that exist to support the day to day running of the organisation.

On this basis, I am satisfied that the governance of the organisation is adequately addressed through the implementation of the framework described and that it is operating satisfactorily.

J MacDonald
Chief Executive/Accountable Officer

3 October 2016

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

REMUNERATION REPORT

YEAR ENDED 31 MARCH 2016

Remuneration and Staff Report

Remuneration Report

This report has been prepared in light of the relevant guidance set out in the Financial Reporting Manual prepared by the Treasury.

Chair and Non-Executive Directors

The Chair and Board Members (Directors) of A&DS are public appointments made by Scottish Ministers under the procedures set by the Office of the Commissioner for Public Appointments. The appointments were for a period of four or five years from 1 April 2014. The remuneration of Directors, and any agreed annual increase, is set by the Scottish Ministers and is not pensionable.

Chief Executive

The salary of the Company Secretary/Chief Executive is set by Scottish Ministers and any increase is dependent upon performance which is assessed by the Chair of A&DS using a system of annual appraisal. Any salary increase must be agreed by Scottish Ministers. This post is pensionable under Civil Service pension arrangements.

Service Contracts

All appointments to A&DS are based upon merit and on the basis of fair and open competition. Permanent members of staff are party to contracts of employment which have been developed in line with best practice. Notice periods are a maximum of 3 months with the majority being 1 month. No contract provides for additional sums payable in the event of termination of employment other than would normally be expected to be included in line with best practice. Any increase is dependent upon performance which is assessed using a system of annual appraisal.

There are no early termination payment clauses within the contracts.

There were no severances in the year 2015-16.

Remuneration and Appointments

Due to the company's NDPB status, remuneration is reviewed annually through an exercise carried out with the Scottish Government Finance and Pay Policy Unit; this is in accordance with government guidelines with regard to public sector pay. No benefits in kind were paid to the Chair or non-executive Directors.

Appointments are carried out in line with employment legislation, with the exception of the Chief Executive and non-executive Directors' positions, which are carried out within the guidelines for senior public sector appointments process.

Salary and Allowances

Salary includes gross salary but not employer's pension contributions. There were no payments in respect of performance pay or bonuses during the year.

A&DS offers employees the opportunity to participate in salary sacrifice schemes such as the Bike to Work Scheme, Childcare Vouchers Scheme and Travel Season Ticket loans.

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

REMUNERATION REPORT

YEAR ENDED 31 MARCH 2016

Pensions

Pension benefits are provided through the Civil Service Pension arrangements. Employees may be in one of the statutory based defined benefit schemes either *Classic*, *Classic Plus* and *Premium* which are final salary schemes or *Alpha* the current scheme, which replaced *Nuvos* in April 2015, a career average scheme. The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under *Classic*, *Classic Plus*, *Premium* and *Alpha* are increased annually in line with changes in the Consumer Prices Index. Staff can currently choose between membership of *Alpha* or joining a stakeholder arrangement with an employer contribution (partnership pension account).

Employee contributions are set as follows for April 2015 – March 2016:-

The contribution rates for members of **Classic** were as follows:-

Annual pensionable earnings (full-time equivalent basis)	2015-16 contribution rate before tax relief
Up to £15,000	3.00%
£15,001 - £21,000	4.60%
£21,001 - £47,000	5.45%
£47,001 - £150,000	7.35%
Over £150,001	8.05%

The contribution rates for members of **Premium, Nuvos, Classic Plus, Nuvos** and **Alpha** were as follows:-

Annual pensionable earnings (full-time equivalent basis)	2015-16 contribution rate before tax relief
Up to £21,000	4.60%
£21,001 - £47,000	5.45%
£47,001 - £150,000	7.35%
Over £150,001	8.05%

Further details about the Civil Service Pension arrangements can be found at www.civilservicepensionscheme.org.uk

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; 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 CETV figures and the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost.

Real increase in CETV reflects the increase effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme) and uses common market valuation factors for the start and end of the period.

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

REMUNERATION REPORT

YEAR ENDED 31 MARCH 2016

CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Information Subject to Audit

Beyond the requirements of the FReM, the following sections of this report are presented for audit - remuneration, pension, salary and allowance, benefits in kind, cash equivalent transfer values and compensation for loss of office and pension payment.

Remuneration of the Chair and non-executive Directors for the year to 31 March 2016 was as follows:-

	2015-16			2014-15		
	Salary Band	Bonus Payments & Benefits in Kind	Total	Salary Band	Bonus Payments & Benefits in Kind	Total
Name	£'000	£'000	£'000	£'000	£'000	£'000
	In bands of £5k		In bands of £5k	In bands of £5k		In bands of £5k
K Anderson (The Chair)	5-10	-	5-10	5-10	-	5-10
S Beattie	0-5	-	0-5	0-5	-	0-5
A Burrell	0-5	-	0-5	0-5	-	0-5
D Chisholm	0-5	-	0-5	0-5	-	0-5
M Crookston	0-5	-	0-5	0-5	-	0-5
S Evans	0-5	-	0-5	0-5	-	0-5
G Hill	0-5	-	0-5	0-5	-	0-5
J Hughes	0-5	-	0-5	0-5	-	0-5
G Ross (Deputy Chair)	0-5	-	0-5	0-5	-	0-5
A Sim	0-5	-	0-5	0-5	-	0-5

Remuneration of the Chief Executive (J MacDonald) for the year to 31 March 2016 was as follows:-

2015-16				2014-15			
Salary Band	Bonus Payments Car allowance & other benefits	Pension Benefit	Total	Salary Band	Bonus Payments Car allowance & other benefits	Pension Benefit	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
In bands of £5k	In bands of £5k	In bands of £5k	In bands of £5k	In bands of £5k	In bands of £5k	In bands of £5k	In bands of £5k
65-70	0	25-30	95-100	65-70	0	20-25	90-95

Note:-

- Salary is gross salary only.
- Performance related pay: The Chief Executive received an increase of £1,717 in pay during the 2015-16 year which was performance related.
- Benefits in kind: The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. There were none in 2015-16.
- There are no allowances.
- The Directors, having considered the requirements of HM Treasury's Financial Reporting Manual and, in particular, the way in which the interpretation of the Companies Act applies in a public sector context and the responsibilities of managers within the Company, consider that only the remuneration of the Chief Executive falls to be disclosed.
- The total emoluments, including pension benefit of all Board Members and the Chief Executive for the year to 31 March 2016 were £141,784 (2015: £136,601).

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

REMUNERATION REPORT

YEAR ENDED 31 MARCH 2016

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.

The banded remuneration of the highest paid employee (Chief Executive) in the financial year 2015-16 was £65,000 - £70,000 (2015: £65,000-£70,000). This was 2.15 times (2015: 1.75 times) the median remuneration of the workforce, which was £31,340 (2015: £38,574).

In 2015-16, no employees (2015: no employees) received remuneration in excess of the Chief Executive. Actual remuneration ranged from £3,214 to £69,432 (2015: £5,998 to £67,729).

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

	2015-16	2014-15
Band of Highest Paid Employee's Total Remuneration (£'000)	65-70	65-70
Median Total Remuneration (£)	£31,340	38,574
Ratio	2.15:1	1.75:1

The banded remuneration of the highest paid Director for the year to 31 March 2016 was £5,000 - £10,000 (2015: £5,000-£10,000), being 0.24 times (2015: 0.19 times) the median remuneration of the workforce, as shown below:-

	2015-16	2014-15
Band of Highest Paid Director's Total Remuneration (£'000)	5-10	5-10
Median Total Remuneration (£)	£31,340	38,574
Ratio	0.24:1	0.19:1

Note:-

1. Salary is gross salary only.
2. Performance related pay: none in 2015-16.
3. Benefits in kind: The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. There were none in 2015-16.
4. There are no allowances.

Pension Benefits

Pension Benefits of the Chief Executive for the year to 31 March 2016 was as follows:-

	Accrued Pension at age 60 as at 31 March 2016	Increase in pension net of inflation at age 60	Cash Equivalent Transfer Value		
			At 31 March 2016	At 31 March 2015	Real increase/ (decrease) in CETV
	£'000	£'000	£'000	£'000	£'000
	In bands of £5k	In bands of £2.5k			
J MacDonald	25-30	0-2.5	415	358	57

The accrued pension is inclusive of the lump sum payment that the member may elect to draw from their accrued pension entitlement. Members may elect to take a maximum of 25% of their accrued pension as a lump sum payment. This will subsequently reduce their future pension entitlement.

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

REMUNERATION REPORT

YEAR ENDED 31 MARCH 2016

At the direction of Government Actuaries, a market adjustment factor has not been applied in calculating the cash equivalent transfer values at 31 March 2016, consequently affecting the representation of the real increase or decrease in CETV.

Signed by order of the Directors

J MacDonald
Chief Executive/Accountable Officer

3 October 2016

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

STAFF REPORT

YEAR ENDED 31 MARCH 2016

Staff Report

Employees

Our employees are dedicated to ensuring A&DS undertakes its role effectively and creatively.

We provide all employees with opportunities for advancement regardless of their age, sex, marital status, disability, race, ethnic origin, sexual orientation or religious beliefs. We also share information about company progress, achievement of objectives and developments affecting employees.

The gender balance of employees at 31 March 2016 is as follows:-

	Male	Female
Directors	8	2
Senior Managers	1	0
Employees	9	15

Employment of Disabled Persons

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retain them and adjustments made to work and or facilities where reasonably practicable and as appropriate in order that their employment with the company can continue.

It is the policy of the company that training, career development and promotion opportunities should be available to all employees.

Sickness Absence

In the year to 31 March 2016 2.88% (2015: 1.94%) of working time was lost due to staff sickness absence.

Employee Involvement and Communication

A&DS recognises that good communication is a key issue and is achieved through weekly updates by the Chief Executive and the cascade of briefings from management meetings to all staff.

Diversity and Equality

We are committed to ensure diversity and equality for all employees and to have appropriate policies in place.

We are striving to achieve a 50/50 quota of gender balance on our Board by 2020.

Independent Auditor's Report to the Members of the Board of Architecture and Design Scotland, the Auditor General for Scotland and the Scottish Parliament

We have audited the financial statements of Architecture and Design Scotland for the year ended 31 March 2016 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2015-16 Government Financial Reporting Manual (the 2015-16 FReM).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Directors, Accountable Officer and Auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the body and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:-

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2016 and of its retained net surplus for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015-16 FReM; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and directions made there under by the Scottish Ministers.

Opinion on regularity

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

Independent Auditor's Report to the Members of the Board of Architecture and Design Scotland, the Auditor General for Scotland and the Scottish Parliament (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:-

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and directions made thereunder by the Scottish Ministers; and
- the information given in the Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Andrew Shaw (for and on behalf of KPMG LLP)
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

17 October 2016

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2016**

FINANCIAL STATEMENTS

Statement of Comprehensive Income

	Note	2016 £	2015 £
Revenue	3	1,849,305	1,990,654
Staff costs	4	(1,188,879)	(1,174,709)
Other expenditure	5	(653,561)	(804,748)
Operating surplus		6,865	11,197
Finance cost	5	-	-
Surplus before tax		6,865	11,197
Taxation		-	-
Surplus for the year		6,865	11,197

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 29 to 37 form part of these financial statements.

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE
STATEMENT OF FINANCIAL POSITION
YEAR ENDED 31 MARCH 2016**

Statement of Financial Position

	Note	2016 £	2015 £
Non-current assets			
Furniture, fittings and computer equipment	6	20,768	26,108
Total non-current assets		20,768	26,108
Current assets:-			
Trade and other receivables	7	120,365	133,161
Cash and cash equivalents	8	237,774	183,976
Total current assets		358,139	317,137
Total assets		378,907	343,245
Current liabilities:-			
Trade and other payables	9	(348,975)	(320,179)
Total current liabilities		(348,975)	(320,179)
Non-current assets less net current liabilities		29,932	23,066
Non-current liabilities			
Provisions	12	(42,940)	(42,940)
Total non-current liabilities		(42,940)	(42,940)
Assets less liabilities		(13,008)	(19,874)
Reserves			
General reserve		(13,008)	(19,874)
		(13,008)	(19,874)

These financial statements were approved by the Directors and authorised for issue on 3 October 2016 and are signed on their behalf by

K Anderson
Chair

The notes on pages 29 to 37 form part of these financial statements.

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE
STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
YEAR ENDED 31 MARCH 2016**

Statement of Changes in Taxpayers' Equity

	General reserve £
Balance at 31 March 2014	(31,071)
Changes in reserves	
Retained surplus	11,197
<i>Total recognised deficit for 2015</i>	11,197
Balance at 31 March 2015	(19,874)
Retained surplus	6,865
<i>Total recognised surplus for 2016</i>	6,865
Balance at 31 March 2016	(13,008)

The notes on pages 29 to 37 form part of these financial statements.

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2016

Statement of Cash Flows

	Note	2016 £	2015 £
Cash flows from operating activities			
Net surplus		6,865	11,197
<i>Adjustments for non-cash items</i>			
Depreciation of furniture, fittings and computer equipment	6	18,784	22,824
Provision for dilapidations		-	42,940
<i>Movements in working capital</i>			
(Increase)/decrease in trade receivables and other current assets		12,796	(40,575)
Increase/(decrease) in trade payables and other current liabilities		28,797	(5,098)
Net cash inflow from operating activities		67,242	31,288
Cash flows from investing activities			
Purchase of furniture, fittings and computer equipment	6	(13,444)	(10,524)
Net cash outflow from investing activities		(13,444)	(10,524)
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents in the year		53,798	20,764
Cash and cash equivalents at the beginning of the year	8	183,976	163,212
Cash and cash equivalents at the end of the year	8	237,774	183,976

The notes on pages 29 to 37 form part of these financial statements.

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2016

Notes to the Financial Statements

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2015-16 FReM issued by HM Treasury. The accounting policies contained in the FReM apply IFRS as adopted by the European Union and the Companies Act 2006 and as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Architecture and Design Scotland for the purpose of giving a true and fair view has been selected. The particular policies adopted by Architecture and Design Scotland are described below. They have been applied consistently in dealing with items that are considered material to the financial statements.

The FReM states that non-departmental public bodies should account for grant-in-aid as a movement in reserves rather than income. However, the Group has concluded that under the Companies Act it is appropriate to continue to account for grant-in-aid as income, on the basis that grant-in-aid received by the Group is required in order to carry out a function which its owners have asked it to perform. On that basis, the Group considers grant-in-aid to be an exchange transaction and, as such, requires to be accounted for in the income statement.

The company has not adopted any standard that has not become effective as at 31 March 2016 and the Directors do not consider that any such standard will have a material impact on the financial statements going forward.

a. Accounting Convention

These accounts have been prepared under the historical cost convention.

b. Newly Adopted IFRS

In these financial statements, there are no adopted IFRSs which are effective for the first time which have had a material effect on the financial statements therefore there has been no restatement of comparatives.

c. Adopted IFRS not yet applied

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

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customs

IFRS 16 Leases

d. Income and Expenditure

Income represents both grant-in-aid from the Scottish Government and other income, principally comprising income from work performed during the year for NHS Scotland/Health, Schools Directorate and the Scottish Government's Urban Regeneration Unit. Income is recognised in the period to which it relates and when expenditure associated with that income has been incurred by the company.

The majority of operating expenditure is shown gross of VAT as the company is not able to recover VAT on expenditure incurred in relation to grant-in-aid projects.

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2016

e. Business Combinations

The company purchased a part of the business and assets of The Lighthouse Trust during 2009. Income and expenditure in relation to the part of The Lighthouse Trust acquired was included within the income statement from the date when control of that part of the Trust passed to Architecture and Design Scotland.

f. Taxation

As an Executive NDPB sponsored directly by the Scottish Government, the Directors are of the opinion that the company's activities do not constitute a trade for Corporation Tax purposes and therefore consider that the company will not be subject to Corporation Tax.

g. Furniture, Fittings and Computer Equipment

Furniture, fittings and computer equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying value of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

h. Depreciation

Depreciation is provided on furniture, fittings and computer equipment on a straight line basis at rates sufficient to write down their cost, less their estimated residual value, over their estimated useful lives. The depreciation periods for the categories of assets are as follows:-

- furniture and fittings – 10 years;
- computer equipment – 3-10 years; and
- depreciation methods, useful lives and residual values are reassessed at each financial year end.

i. Trade and Other Receivables

Trade and other receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established. A provision for impairment of trade receivables is established when there is objective evidence that the company may not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement immediately. Subsequent to initial recognition, receivables are stated at cost less provision for impairment.

j. Cash and Cash Equivalents

Cash and cash equivalents consist of bank balances with banks which have an insignificant risk of changes in value.

k. Trade and Other Payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2016

l. Grants Received

Government grants in respect of capital expenditure are credited to a deferred income account. The grant is released as income to the income statement in line with the expected useful life of those assets. Grants of a revenue nature are credited to the income statement in the same period as the related expenditure is incurred. Grant income received in advance of the year in which the related expenditure is incurred is recorded as deferred income at the year-end date, within trade payables and other current liabilities.

m. Pensions

Employees of the company are covered by the provisions of the Principal Civil Service Pension Scheme which are described in note 4. Full superannuation costs are an expense of the company at rates determined by HM Treasury.

n. Financial Instruments

Financial instruments include cash and bank balances, receivables and payables. Financial instruments are recognised in the statement of financial position when the company has become a party to the contractual provisions of the instrument.

o. Leases

The company has no finance lease commitments.

Rentals payable in respect of operating leases are charged to the income statement on a straight line basis over the term of the lease – these are detailed under Note 11.

p. Provisions

The company recognises provisions when: the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resource will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using the discount rate prescribed by HM Treasury.

Dilapidations

Provision for the costs of dilapidations on the expiry of premises' leases, which are of uncertain timing or amount at the balance sheet date, are provided on the basis of the best estimate using independent professional assessments.

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2016

2. Segmental Reporting

All income is provided by the Scottish Government, either directly through grant-in-aid or indirectly through Scottish Government programme work. Results are reported to the Board on this basis.

	Revenue	Expenditure	Net result
<u>Programme</u>	£	£	£
Corporate	702,531	709,516	(6,985)
Design Forum	217,384	209,653	7,731
Health	120,400	120,350	50
Urbanism	153,119	153,736	(617)
Schools	175,000	175,391	(391)
Access	259,294	214,313	44,981
Sust	169,473	170,349	(876)
Corporate Projects	136,500	173,564	(37,064)
	1,933,701	1,926,872	6,829
Statutory financial statements adjustment	(84,396)	(84,432)	36
	1,849,305	1,842,440	6,865

During the year A&DS monitors revenue and expenditure based on actual and committed expenditure. At the year end there are a number of adjustments to present the financial results on a statutory basis.

3. Revenue

	2016 £	2015 £
Grant-in-aid	1,859,285	1,736,942
Other income	(9,980)	253,712
	1,849,305	1,990,654

4. Staff Numbers and Related Costs

Staff costs comprise of:-

	2016 £	2015 £
Wages and salaries	947,856	934,566
Social security costs	66,316	70,478
Pension costs	174,707	169,665
Total employment costs	1,188,879	1,174,709

Directors' emoluments in the year amounted to £45,240 (2015: £45,240) as disclosed within the Remuneration Report on page 17.

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2016

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. Architecture and Design Scotland makes contributions to PCSPS on behalf of employees but is unable to identify its share of the underlying assets and liabilities of the scheme. The contributions to the scheme have therefore been accounted for as if it were a defined contribution scheme and are charged to the income statement in the year in which they become payable. The scheme actuary last valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office:- Civil Superannuation www.civilservicepensionscheme.org.uk

As the scheme is unfunded, although the actuary can determine a notional surplus or deficit within the whole scheme based on the Superannuation Contributions Adjusted for Past Experience approach, there is no actual deficit or surplus for the scheme as a whole. As such no disclosure about the deficit or surplus or the implications thereof has been made in the financial statements as normally required under IAS 19.

In 2015-16, employer's contributions of £170,042 (2015: £165,697) were payable to the PCSPS at one of 4 rates in the range 20.0% (2015: 16.7%) to 24.5% (2015: 24.3%) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions usually every 4 years following a full scheme valuation. From 1 April 2016, the rates will be in the range 20.0% to 24.5%. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Average Number of Persons Employed

The average number of persons employed during the year was as follows:-

	2016	2015
Directors (9 employed for 2 days per month, 1 for 4 days per month)	10	10
Permanent employees (Full time equivalent)	24	25
	34	35

5. Other expenditure

	2016	2015
	£	£
Legal and professional fees	14,763	20,843
Rentals under operating leases	138,617	140,078
Other establishment expenses	48,188	76,431
Publications	13,912	11,645
Travel, subsistence and motor expenses	40,632	45,904
Advertising and sponsorship	681	20,882
Recruitment costs	1,740	1,245
Research costs	25,095	39,297
Exhibition costs	193,584	212,594
Accountancy fees	5,000	1,530
Other running costs	152,565	211,475
<i>Non-cash items:-</i>		
Depreciation	18,784	22,824
Total	653,561	804,748

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2016

The company incurred finance charges on leased assets of £nil (2015: £nil) in the year. During the year the company purchased the following services from its auditor, KPMG LLP:-

	2016	2015
	£	£
Audit services	8,810	8,810
Other services	-	-
	8,810	8,810

The majority of operating expenditure is shown gross of VAT as the company is not able to recover VAT on expenditure incurred in relation to grant-in-aid projects.

6. Furniture, Fittings and Computer Equipment

	Furniture and fittings	Computer equipment	Total
	£	£	£
Cost or valuation			
At 1 April 2014	107,362	113,562	220,924
Additions	522	10,002	10,524
At 31 March 2015	107,884	123,564	231,448
Additions	9,535	3,909	13,444
Disposals	-	(14,288)	(14,288)
At 31 March 2016	117,419	113,185	230,604
Depreciation			
At 1 April 2014	81,113	101,403	182,516
Charged in year	10,746	12,078	22,824
Released on disposal	-	-	-
At 31 March 2015	91,859	113,481	205,340
Charged in year	11,063	7,721	18,784
Released on disposal	-	(14,288)	(14,288)
At 31 March 2016	102,922	106,914	209,836
Net book value at 31 March 2016	14,497	6,271	20,768
Net book value at 31 March 2015	16,025	10,083	26,108

7. Trade Receivables and Other Current Assets

	2016	2015
	£	£
Amounts falling due within one year:-		
Trade receivables	1,869	-
Prepayments and accrued income	118,496	133,161
	120,365	133,161

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2016

Payment terms for trade receivables vary but are generally 14 days from invoice date. The invoices in relation to the trade receivables noted above of £1,869 (2015: £Nil) are dated within 3 months of the year end date. As such, the trade receivables are not considered to be overdue for payment as at 31 March 2016 and have not therefore been impaired.

	2016	2015
	£	£
Intra-government receivables and other current assets:		
Bodies external to government	118,496	133,161
Total receivables and other current assets	118,496	133,161

8. Cash and Cash Equivalents

	2016	2015
	£	£
Balance at 1 April 2015	183,976	163,212
Net change in cash and cash equivalent balances	53,798	20,764
Balance at 31 March 2016	237,774	183,976
The following balances at 31 March 2016 were held at:-		
Commercial banks and cash in hand	237,774	183,976
Balance at 31 March 2016	237,774	183,976

9. Trade Payables and Other Liabilities

	2016	2015
	£	£
Amounts falling due within one year:-		
Trade payables	82,726	107,606
Accruals and deferred income	266,249	212,573
	348,975	320,179

	2016	2015
	£	£
Intra-government trade payables and other liabilities:		
Local Authorities	-	35,489
Central Government	-	1,800
Bodies external to government	348,975	282,890
Total trade payables and other current liabilities	348,975	320,179

10. Capital Commitments

The company had £nil material capital commitments at 31 March 2016 (2015: £nil).

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2016

11. Commitments Under Leases

Operating Leases

The Edinburgh premises which the company operates from is occupied under an operating lease which expires on 30 April 2019. The Glasgow premises which the company operates from is occupied under a Management Agreement which expires on 31 March 2019. The total of future minimum lease payments following the year of these financial statements is given in the table below, analysed according to the period in which the lease expires.

	2016	2015
	£	£
Obligations under operating leases comprise:-		
Buildings:-		
Expiry after 1 year but not more than 5 years (The Lighthouse – Glasgow)	60,606	90,000
Expiry after 1 year but not more than 5 years (Bakehouse Close – Edinburgh)	156,000	50,000
	216,606	140,000

The company does not sub-lease its property or other assets held under operating lease agreements and is not exposed to any material contingent rent payments.

12. Provisions for Liabilities and Charges

	At 1 Apr 2015	Increase in year	Released to Income & Expenditure	Utilised	At 31 Mar 2016
	£	£	£	£	£
Dilapidations	42,940	0	0	0	42,940

The dilapidations provision relates to the costs, over the period of the lease, to return leased premises to their original condition, per the lease agreement.

13. Financial Instruments

The company's activities and the way government bodies are funded means that Architecture and Design Scotland is not exposed to the degree of financial risk faced by other non-public sector bodies.

Accordingly, the company makes little use of financial instruments other than an operational bank account and so its exposure to price risk, credit risk, liquidity risk and cash flow risk is minimal.

The Directors consider that the carrying value of the company's trade receivables and payables approximates to their fair value as all trade receivables and payables are recoverable/payable in the short term.

14. Contingent Liabilities

The company had £nil material contingent liabilities at 31 March 2016 (2015: £nil).

15. Related-Party Transactions

During the year, grant-in-aid of £1,859,285 (2015: £1,736,942) was granted by the Scottish Ministers to Architecture and Design Scotland. The Scottish Ministers are the sole member of the company.

All related party transactions are conducted on an arm's length basis.

There were no other related party transactions during the year.

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2016**

16. Post Balance Sheet Events

There are no material post balance sheet events at either year end that require to be adjusted or disclosed in the financial statements.

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE
DIRECTION BY THE SCOTTISH MINISTERS
YEAR ENDED 31 MARCH 2016**

Direction by the Scottish Ministers



**ARCHITECTURE AND DESIGN SCOTLAND
DIRECTION BY THE SCOTTISH MINISTERS**

1. The Scottish Ministers, in pursuance of Section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts.



A member of the staff of the Scottish Ministers

Dated 20 September 2006

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE
MANAGEMENT INFORMATION
YEAR ENDED 31 MARCH 2016**

Management Information

The following pages do not form part of the statutory financial statements which are the subject of the independent auditor's report on pages 23 to 24.

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

MANAGEMENT INFORMATION

YEAR ENDED 31 MARCH 2016

	2016	2015
	£	£
Turnover		
Grant-in-aid	1,859,285	1,736,942
Other income	(9,980)	253,712
	<hr/> 1,849,305	<hr/> 1,990,654
 Overheads		
Administrative expenses	(1,842,440)	(1,979,457)
	<hr/> 6,865	<hr/> 11,197
 Other charges		
Notional cost of capital	-	-
	<hr/> 6,865	<hr/> 11,197
Hire purchase and finance lease charges	-	-
	<hr/> 6,865	<hr/> 11,197
Surplus on ordinary activities	<hr/> 6,865	<hr/> 11,197

**ARCHITECTURE AND DESIGN SCOTLAND
COMPANY LIMITED BY GUARANTEE**

MANAGEMENT INFORMATION

YEAR ENDED 31 MARCH 2016

	2016		2015	
	£	£	£	£
Administrative expenses				
Wages and salaries	1,014,172		1,005,044	
Pension contributions	174,707		169,665	
		1,188,879		1,174,709
Establishment expenses				
Rent	138,617		140,078	
Rates and water	23,954		22,290	
Light and heat	4,642		5,330	
Insurance	671		(1,126)	
Repairs and maintenance	18,921		49,937	
		186,805		216,509
General expenses				
Travel, subsistence and motor expenses	40,632		45,904	
Telephone	5,178		4,905	
Office expenses	756		652	
Printing, stationery and postage	5,752		4,059	
Consumables	42,040		53,800	
Staff training	38,458		29,366	
Hospitality	482		1,297	
Subscriptions and donations	8,607		8,470	
Research costs	25,095		39,297	
Publications	13,912		11,645	
Advertising and sponsorship	681		20,882	
Exhibition costs	193,584		212,594	
Recruitment costs	1,740		1,245	
General expenses	42,482		38,086	
Legal and professional fees	14,763		20,843	
Accountancy fees	5,000		1,530	
Grants issued	0		62,030	
Auditor's remuneration	8,810		8,810	
Depreciation	18,784		22,824	
		466,756		588,239
		1,842,440		1,979,457

Cover image:

A visitor to the Oban Festival of Architecture experiences architecture through Virtual Reality in the Prospect North exhibition, held at the Rockfield Centre, Oban in August 2016.
Photo by Rhona Dougall, Oban Community Trust.

Find out more on www.ads.org.uk

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