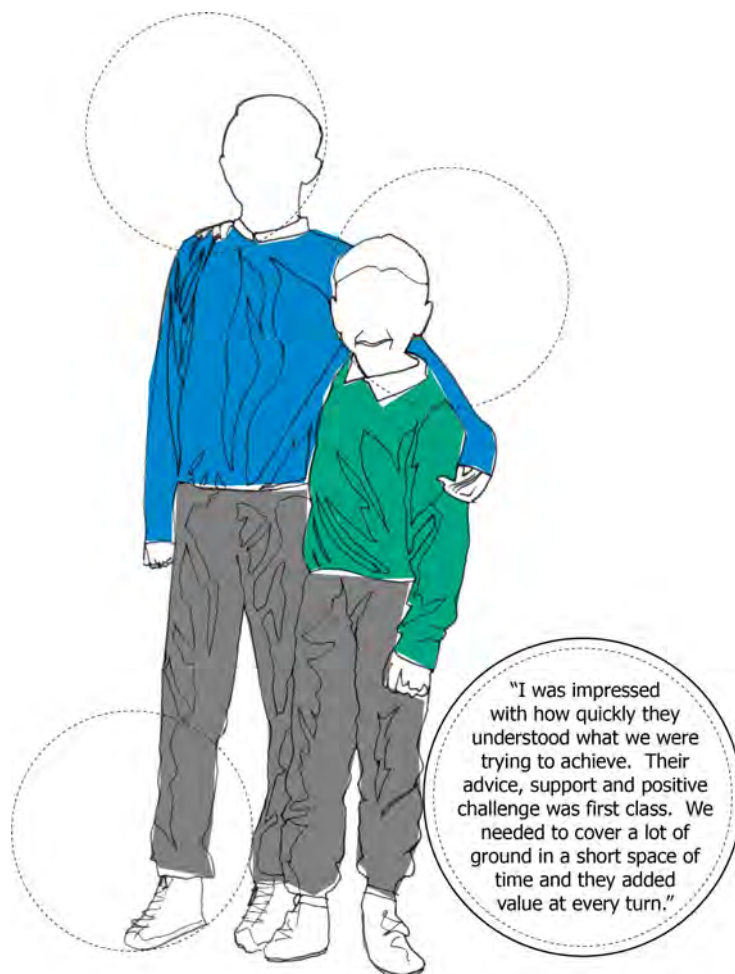


# Architecture & Design Scotland

Ailtearachd is Dealbhadh na h-Alba



## *Annual Report and Financial Statements* for Year ended 31 March 2017

Laid before the Scottish Parliament on 18 December 2017. Reference SG/2017/284

**Architecture and Design Scotland**

**Company Limited by Guarantee**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2017**

**Company Registration Number SC267870**

**ARCHITECTURE AND DESIGN SCOTLAND  
COMPANY LIMITED BY GUARANTEE  
YEAR ENDED 31 MARCH 2017**

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**ARCHITECTURE AND DESIGN SCOTLAND  
COMPANY LIMITED BY GUARANTEE  
OFFICERS AND PROFESSIONAL ADVISERS  
YEAR ENDED 31 MARCH 2017**

**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  
  
Level 2  
The Lighthouse  
11 Mitchell Lane  
Glasgow  
G1 3NU

**Registered Office**                      9 Bakehouse Close  
146 Canongate  
Edinburgh  
EH8 8DD

**Auditor**                                      Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

**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 2017**

**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 25.

**Overview of 2016/17**

Our role is to help create a Scotland where a well-designed built environment supports sustainable, resilient communities. We work towards this by providing advice, building capacity and promoting the benefits of good design.

In 2016/17 we delivered a programme that included advice to clients, funders and regulators; input to the development of national policy; a series of exhibitions and events to celebrate Scotland's Year of Innovation, Architecture and Design and support for practitioners. In addition, we developed a new **Corporate Strategy for 2017-2020** and made changes to the way we work to better understand the impact of what we do.

We provided **design advice** on over 50 projects and buildings, in the public and private sector. This included providing advice to 10 new healthcare projects to develop design briefs, while facilitating 15 workshops. In total we supported 22 projects, representing circa £840 million investment in the health care estate in Scotland. We provided advice on refurbishment, new development and strategic investment in Scotland's learning estate, as well as on major housing developments and urban regeneration. We provided advice to support local authorities and developers in the briefing stages of developments. To support developments in the learning estate we worked with 19 local authorities, 47 schools and contributed to a range of conferences on education and innovative settings for education.

To share the learning from our work, we undertook a range of projects to **build capacity** within our sector. In 2016/17 we delivered four **Place Based Briefing** projects in partnership with Scottish Futures Trust and Scotland's Towns Partnership.

We continued to support **Local Design Panels** to support the development of local capacity to deliver design advice.

We continued to support the networks, which enable practitioners to share practice and discuss common issues. We facilitated two meetings of the **Local Authority Urban Design Forum** and shared the learning from these via a newsletter. We held two events for the **Public Sector Clients' Forum** and circulated learning from these. Through our **Material Considerations: Library of Sustainable Building Materials** we provided information and training on a range of materials and techniques and delivered a series of CPD and learning opportunities. Working with partners, we continued to develop, test and promote the **Place Standard tool** – which aims to help assess places in an accessible and consistent way.

We led research to consider the impact of National Planning Framework 3 on placemaking, drawing on the place standard approach, the report on which has now been submitted to the Scottish Government. We also supported seven local authorities through the **Stalled Spaces Scotland** programme and prepared a toolkit to support communities across Scotland take on their own stalled spaces.

We continued to **promote** the value of architecture and design through a range of activities, including a programme of communications through our website, social media and regular e-newsletters. In 2016/17 we published over twenty newsletters updating our followers about our work and events. Our Say Hello to Architecture programme received significant **media coverage** throughout the year, including broadcast, online and print.

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

**STRATEGIC REPORT**

**YEAR ENDED 31 MARCH 2017**

2016 was **Scotland's Year of Innovation, Architecture and Design** and also saw the first Festival of Architecture to celebrate the centenary of the Royal Incorporation of Architects in Scotland. Our contribution to the year was the Say Hello to Architecture Programme, which aimed to take architecture to new audiences at home and abroad. As part of this we led the development of Scotland's contribution to the 2016 International Architecture Exhibition in Venice (La Biennale) - **Prospect North**. Developed by emerging practice Lateral North, the exhibition ran for a month at the Biennale, before returning to three Scottish venues, Oban, Glasgow and Dundee, with additional touring to the Arctic Circle conference in Iceland and the Festival of Politics in Edinburgh. We supported over **160 local events**, and toured an exhibition of the **Best of the Best of Scottish Architecture** to twelve venues.

We highlighted the talent of Scotland's student architects through our **Annual A&DS and RIAS Student Awards for Architecture**, and we were the Scottish host for the Austrian exhibition **Getting Things Done** – an exhibition of design and architecture from Voralberg, Austria.

You can find more information about our work on [www.ads.org.uk](http://www.ads.org.uk).

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

**STRATEGIC REPORT  
YEAR ENDED 31 MARCH 2017**

**Performance Analysis**

**Financial Management**

The grant allocation for 2016/17 comprised a revised grant-in-aid provision of £1,764,230 (2016: £1,859,285). Revenue for the year was supplemented with other income of £38,054 (2016: £45,177)

Prudent financial management throughout the year ensured our financial outturn is within the budget allocated by Scottish Ministers for the year to 31 March 2017. 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 six 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 pages 7-8.

**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. Architecture and Design Scotland 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 Architecture and Design Scotland. In 2016/17 we received and responded to one Freedom of Information request.

**Data Loss**

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

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

**STRATEGIC REPORT**

**YEAR ENDED 31 MARCH 2017**

**Future Developments**

2017/18 will be the first year of our new Corporate Strategy which was developed following a consultation process in 2016/17. It sets out three objectives for our work, which are to ensure that more people in Scotland:-

- Are involved in decisions that affect their places;
- Benefit from well-designed buildings, places and spaces;
- See how good design adds value to their lives.

We have chosen to focus our work over this period in four areas and will bring forward a range of activities to achieve our objectives. The four focus areas are:-

- Delivery of inclusive growth through more and better housing;
- Creating better schools, hospitals and other public investment;
- Improving the design quality of infrastructure and public space;
- Increasing the emphasis on community empowerment.

Our activities for 2017/18 are outlined in our Business Plan, available to download from our website.

**Financial Overview**

The results for the year to 31 March 2017 are contained in the attached Financial Statements, prepared in accordance with the 2016/17 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 2016/17 comprised a grant-in-aid provision of £1,764,230.

**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 Strategic Risk Register. This Register is prepared by the Chief Executive, reviewed monthly by the Management Team and presented to the Audit Committee and Board every three 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.



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

**STRATEGIC REPORT**

**YEAR ENDED 31 MARCH 2017**

**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 £18,616 (2016: £60,521), which is transferred to reserves.

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 surplus of £193,977 as at 31 March 2017 (2016: £175,361). This represents the timing of work performed by Architecture and Design Scotland which cuts over multiple financial years. SG are fully aware and supportive.

The Directors are satisfied with the results for the year.

**Going Concern**

As at 31 March 2017, Architecture and Design Scotland's balance sheet had net assets of £193,977 (2016: £175,361). 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.

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

**STRATEGIC REPORT**

**YEAR ENDED 31 MARCH 2017**

## **Sustainability Report**

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

Architecture and Design Scotland recognises the importance of environmental issues and sustainability and therefore endeavours to consider these matters in all of our business decisions. Architecture and Design Scotland 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”. Architecture and Design Scotland endeavours to consider these matters in all of our business decisions.

Architecture and Design Scotland 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 Architecture and Design Scotland, thus the data in this report in relation to buildings only relates to the Edinburgh office at Bakehouse Close.

### **Summary of Performance 2016/17**

During the last twelve 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.

<b>Area</b>	<b>Actual Performance 2016/17</b>	<b>Actual Performance 2015/16</b>
<b>Total energy consumption</b>	84,391 kWh	77,739 kWh
<b>Total energy expenditure</b>	£4,135	£4,494
<b>Recycling expenditure</b>	£669	£678
<b>Total waste expenditure</b>	£1,180	£941
<b>Water consumption</b>	240 m <sup>3</sup>	293 m <sup>3</sup>
<b>Water expenditure</b>	£267	£326

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

**STRATEGIC REPORT**

**YEAR ENDED 31 MARCH 2017**

**Sustainability Report 2016/17**

		<b>2016/17</b>	<b>2015/16</b>
<b>Energy consumption (kWh)</b>	<b>Electricity non renewable</b>	20,622 kWh	21,788 kWh
	<b>Electricity renewable</b>	0	0
	<b>Gas</b>	63,769 kWh	55,951 kWh
	<b>LPG</b>	0	0
	<b>Other (Gas-oil)</b>	0	0
<b>Financial indicators (£)</b>	<b>Expenditure on energy</b>	£4,135	£4,494
	<b>Expenditure on business travel - official travel and fleet costs</b>	£20,254	£20,255

**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**

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

**Summary of Future Strategy**

Architecture and Design Scotland is committed to reducing its impact on the environment in line with the Scottish Government's sustainability strategy.

By order of the Board

J MacDonald  
Chief Executive/Accountable Officer

Approved on 11 September 2017

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

**ACCOUNTABILITY REPORT**

**YEAR ENDED 31 MARCH 2017**

**ACCOUNTABILITY REPORT**

**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.

**Directors' Report**

**Introduction**

The Directors present their Report and the Financial Statements of the company for the year ended 31 March 2017.

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.

In accordance with section 414(c)(11) of the Companies Act 2006, A&DS has chosen to include the Review of Business Performance in the Strategic Report which would otherwise be included in the Director's Report.

**Organisational Excellence**

We want to deliver the best possible service to our 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 (Architecture & Design Scotland) 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 Architecture and Design Scotland. 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 and Design Scotland is Fiona Hyslop MSP, Cabinet Secretary for Culture, Tourism and External Affairs.

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

**ACCOUNTABILITY REPORT  
YEAR ENDED 31 MARCH 2017**

**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:-

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 2017.

**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**

Architecture and Design Scotland 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, Director of Place and the Corporate Services Manager. 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.

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

**ACCOUNTABILITY REPORT  
YEAR ENDED 31 MARCH 2017**

**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 Architecture and Design Scotland.

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.

The Audit Committee approved a revised Risk Policy in November 2016 which included updates on risk appetite, assurance definitions and inherent and residual risk. A strategic risk register was also introduced in November 2016 which is revised quarterly and noted by the Board at their quarterly 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 the Companies Act 2006 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 Audit Scotland to undertake the audit for the year ended 31 March 2017.

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.

By order of the Board

J MacDonald  
Chief Executive/Accountable Officer

Approved on 11 September 2017

K Anderson  
Chair

Approved on 11 September 2017

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

**ACCOUNTABILITY REPORT**

**YEAR ENDED 31 MARCH 2017**

**Statement of Accountable Officer's Responsibilities**

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.

**Disclosure of Relevant Audit Information**

As Accountable Officer, I am not aware of any relevant audit information of which our auditors are unaware. I have taken all necessary steps to ensure that I myself am aware of any relevant audit information and to establish that the auditors are also aware of this information.

**Accounts Direction**

The accounts have been prepared in accordance with a direction given by the Scottish Ministers in pursuance of the Public Finance and Accountability (Scotland) Act 2000. This direction is shown as an appendix to the accounts. As the Accountable Officer, I confirm that the Annual Report and Financial Statements as a whole is fair balanced and understandable. I take personal responsibility for the Annual Report and Financial Statements and the judgements required for determining that it is fair balanced and understandable.

**ARCHITECTURE AND DESIGN SCOTLAND  
COMPANY LIMITED BY GUARANTEE  
ACCOUNTABILITY REPORT  
YEAR ENDED 31 MARCH 2017**

## **Governance Statement**

### **Introduction**

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

The statement, for which I am personally responsible, covers the accounting period 2016/17 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.



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

**ACCOUNTABILITY REPORT**

**YEAR ENDED 31 MARCH 2017**

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;
- 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;

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

**ACCOUNTABILITY REPORT**

**YEAR ENDED 31 MARCH 2017**

- 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 Financial Statements and be responsible for ensuring that proper records are kept relating to the Financial Statements and that the Financial Statements are properly prepared and presented in accordance with any directions issued by the Scottish Ministers;
- sign a Statement of Accountable Officer's Responsibilities, for inclusion in the Annual Report and Financial Statements;
- prepare a Governance Statement regarding Architecture and Design Scotland's system of internal control, for inclusion in the Annual Report and Financial Statements;
- 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 2016 to March 2017) the Board met eleven times, of these five 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 four times.

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

- approved the Annual Report and Financial Statements for 2015/16;
- reviewed the 2015/16 Business Plan;
- approved the Business Plan for 2017/18;
- approved the budget for 2017/18;
- approved the Corporate Strategy for 2017-2020;
- approved an action plan for reviewing our HR provisions;
- approved the implementation of balanced scorecards;
- approved the implementation of evaluation methods;
- formed a Succession Planning Committee for future Board recruitment;
- approved updates to the Risk Management Policy;
- approved amendments to the Risk Registers including a high level Strategic Risk Register.

The Management Team met eleven 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, eg on procurement and project management.

**ARCHITECTURE AND DESIGN SCOTLAND  
COMPANY LIMITED BY GUARANTEE  
ACCOUNTABILITY REPORT  
YEAR ENDED 31 MARCH 2017**

**Assessment of Risk Management**

Management of risk continued to develop effectively. The Risk Registers provided the basis for a uniform approach to risk management across the organisation supported by routine reporting and review.

**Data Security Issues**

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

**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  
11 September 2017

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

**ACCOUNTABILITY REPORT**

**YEAR ENDED 31 MARCH 2017**

**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 Architecture and Design Scotland 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 Architecture and Design Scotland 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 Architecture and Design Scotland 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 three months with the majority being one 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 2016/17.

**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.

Architecture and Design Scotland 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**

**ACCOUNTABILITY REPORT**

**YEAR ENDED 31 MARCH 2017**

**Pensions**

Pension benefits are provided through the Civil Service Pension arrangements. The current scheme Alpha, which replaced Nuvos in April 2016, is a career average scheme. Longer serving employees may be in the statutory based defined benefit scheme Premium, which is a final salary scheme. The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions 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 were set as follows for April 2016 – March 2017:-

<b>Annual pensionable earnings</b> (full-time equivalent basis)	<b>2016/17 contribution rate before tax relief</b>
Up to £21,210	4.60%
£21,211 - £48,471	5.45%
£48,472 - £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](http://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.

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

**Information Subject to Audit**

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.

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

**ACCOUNTABILITY REPORT**

**YEAR ENDED 31 MARCH 2017**

Remuneration of the Chair and non-executive Directors for the year to 31 March 2017 was as follows:-

	2016/17		2015/16	
	Salary Band	Total	Salary Band	Total
Name	£'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 and Management Team for the year to 31 March 2017 was as follows:-

	2016/17			2015/16		
	Salary Band	Pension Benefit	Total	Salary Band	Pension Benefit	Total
Name	£'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
Jim MacDonald (CEO)	70-75	35-40	105-110	65-70	35-40	105-110
Diarmaid Lawlor	50-55	20-25	75-80	50-55	20-25	75-80
Heather Chapple	45-50	25-30	75-80	45-50	20-25	70-75
Lynne Lineen (part time: 2.5 days per week)	25-30	10-15	35-40	25-30	10-15	35-40
Sue Reynolds (commenced employment on 12 September 2016)	15-20	5-10	20-25	-	-	-

Note:-

1. Salary is gross salary only.
2. Performance related pay: The Chief Executive received an increase of £1,761 in pay during the 2016/17 year which was not performance related.
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 2016/17.
4. There are no bonus payments, car allowances or other benefits paid
5. There are no allowances.
6. The total emoluments, including pension benefit of all Board Members and the Chief Executive for the year to 31 March 2017 were £143,920 (2016: £141,785).

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.

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

**ACCOUNTABILITY REPORT**

**YEAR ENDED 31 MARCH 2017**

The banded remuneration of the highest paid employee (Chief Executive) in the financial year 2016/17 was £70,000 - £75,000 (2016: £65,000-£70,000). This was 1.72 times (2016: 2.15 times) the median remuneration of the workforce, which was £42,220 (2016: £31,340).

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.

	2016/17	2015/16
Range of Staff Remuneration : Minimum	£10,610	£9,803
Maximum	£55,275	£54,458

Note:-

1. Salary is gross salary only.
2. Performance related pay: none in 2016/17.
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 2016/17.
4. There are no allowances.

**Pension Benefits**

Pension Benefits of the Management Team for the year to 31 March 2017 was as follows:-

	Accrued Pension at pension age as at 31 March 2017	Increase in pension net of inflation at pension age	Cash Equivalent Transfer Value		
			At 31 March 2017	At 31 March 2016	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	455	415	20
Diarmaid Lawlor	10-15	0-2.5	110	95	8
Heather Chapple	5-10	0-2.5	134	113	14
Lynne Lineen (part time: 2.5 days per week)	0-5	0-2.5	45	37	6
Sue Reynolds (commenced employment on 12 September 2016)	0-5	0-2.5	5	0	4

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.

At the direction of Government Actuaries, a market adjustment factor has not been applied in calculating the cash equivalent transfer values at 31 March 2017, consequently affecting the representation of the real increase or decrease in CETV.

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

**ACCOUNTABILITY REPORT  
YEAR ENDED 31 MARCH 2017**

**Staff Report**

**Employees**

Our employees are dedicated to ensuring Architecture and Design Scotland 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 2017 is as follows:-

	<b>Male</b>	<b>Female</b>
Directors	8	2
Senior Managers	1	0
Employees	9	14

Staff costs comprise of:-

	<b>2017 £</b>	Restated 2016 £
Salaries	<b>872,202</b>	949,356
National Insurance	<b>75,484</b>	66,316
Pension costs	<b>152,932</b>	174,707
<b>Total employment costs</b>	<b>1,100,618</b>	1,190,379

**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 2017 1.90% (2016: 2.88%) of working time was lost due to staff sickness absence. This figure excludes any long term absences.

**Employee Involvement and Communication**

Architecture and Design Scotland 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.



**ARCHITECTURE AND DESIGN SCOTLAND  
COMPANY LIMITED BY GUARANTEE  
ACCOUNTABILITY REPORT  
YEAR ENDED 31 MARCH 2017**

**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.

Signed by order of the Directors

J MacDonald  
Chief Executive/Accountable Officer  
11 September 2017

**ARCHITECTURE AND DESIGN SCOTLAND  
COMPANY LIMITED BY GUARANTEE  
INDEPENDENT AUDITOR'S REPORT  
YEAR ENDED 31 MARCH 2017**

**INDEPENDENT AUDITOR'S REPORT**

**Independent auditor's report to the members of Architecture and Design Scotland, the Auditor General for Scotland and the Scottish Parliament.**

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

**Report on the audit of the financial statements**

**Opinion on financial statements**

I have audited the financial statements in the annual report and accounts of Architecture and Design Scotland for the year ended 31 March 2017 under the Companies Act 2006 (Scottish public sector companies to be audited by the Auditor General for Scotland) Order 2008. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a statement of accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2016/17 Government Financial Reporting Manual (the 2016/17 FReM).

In my opinion the accompanying financial statements:-

- give a true and fair view in accordance with the directions made under the Public Finance and Accountability (Scotland) Act 2000 of the state of affairs of the company as at 31 March 2017 and of the 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 2016/17 FReM; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers.

**Basis of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). 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 am independent of the company 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 Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Responsibilities of the Directors' and Accountable Officer for the financial statements**

As explained more fully in the Statement of the Directors' and Accountable Officer's Responsibilities, the Directors and Accountable Officer are 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 Directors and Accountable Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**ARCHITECTURE AND DESIGN SCOTLAND  
COMPANY LIMITED BY GUARANTEE  
INDEPENDENT AUDITOR'S REPORT  
YEAR ENDED 31 MARCH 2017**

**Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. 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 company 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.

My objectives are to achieve 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&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Other information in the annual report and accounts**

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

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

**Report on regularity of expenditure and income**

**Opinion on regularity**

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

**Responsibilities for regularity**

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

**Report on other requirements**

**Opinions on other prescribed matters**

I am required by the Auditor General for Scotland to express an opinion on the following matters.

In my opinion, the auditable part of the Remuneration and Staff Report has been properly prepared in accordance with the Companies Act 2006 and directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers.

**ARCHITECTURE AND DESIGN SCOTLAND  
COMPANY LIMITED BY GUARANTEE  
INDEPENDENT AUDITOR'S REPORT  
YEAR ENDED 31 MARCH 2017**

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

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and these reports have been prepared in accordance with the Companies Act 2006 and directions made under the Public Finance and Accountability (Scotland) Act 2000 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 Companies Act 2006 and directions made under the Public Finance and Accountability (Scotland) Act 2000 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 auditable part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Carole Grant  
Senior Audit Manager  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

September 2017

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

**FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2017**

**FINANCIAL STATEMENTS**

**Statement of Comprehensive Income**

	Note	<b>2017 £</b>	Restated 2016 £
Revenue	3	<b>1,802,284</b>	1,904,462
Staff costs	4	<b>(1,100,618)</b>	(1,190,379)
Other expenditure	5	<b>(683,050)</b>	(653,562)
<b>Operating surplus</b>		<b>18,616</b>	60,521
Finance cost		-	-
<b>Surplus before tax</b>		<b>18,616</b>	60,521
Taxation		-	-
<b>Surplus for the year</b>		<b>18,616</b>	60,521

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

**FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2017**

**Statement of Financial Position**

		<b>31 March 2017 £</b>	Restated 31 March 2016 £	Restated 1 April 2015 £
	Note			
<b>Non-current assets</b>				
Furniture, fittings and computer equipment	6	<b>25,905</b>	20,768	26,108
<b>Total non-current assets</b>		<b>25,905</b>	20,768	26,108
<b>Current assets</b>				
Trade and other receivables	7	<b>138,062</b>	175,365	133,161
Cash and cash equivalents	8	<b>226,353</b>	237,774	183,976
<b>Total current assets</b>		<b>364,415</b>	413,139	317,137
<b>Total assets</b>		<b>390,320</b>	433,907	343,245
<b>Current liabilities</b>				
Trade and other payables	9	<b>(135,022)</b>	(215,606)	(185,465)
<b>Total current liabilities</b>		<b>(135,022)</b>	(215,606)	(185,465)
<b>Non-current assets less net current liabilities</b>		<b>255,298</b>	218,301	157,780
<b>Non-current liabilities</b>				
Provisions	12	<b>(61,321)</b>	(42,940)	(42,940)
<b>Total non-current liabilities</b>		<b>(61,321)</b>	(42,940)	(42,940)
<b>Assets less liabilities</b>		<b>193,977</b>	175,361	114,840
Represented by:				
<b>General Reserve</b>		<b>193,977</b>	175,361	114,840
		<b>193,977</b>	175,361	114,840

These Financial Statements were approved by the Directors and authorised for issue on 11 September 2017 and are signed on their behalf by

J MacDonald  
Chief Executive/Accountable Officer

K Anderson  
Chair

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

**FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2017**

**Statement of Cash flows**

	Note	2017 £	Restated 2016 £
<b>Cash flows from operating activities</b>			
Net surplus		<b>18,616</b>	60,521
Adjustments for non-cash items			
Depreciation of furniture, fittings and computer equipment	6	<b>14,700</b>	18,784
Loss on disposal of fixed assets		<b>248</b>	-
Movement in provision		<b>18,381</b>	-
Movements in working capital			
(Increase)/decrease in trade receivables and other current assets		<b>37,304</b>	(42,202)
Increase/(decrease) in trade payables and other current liabilities		<b>(80,583)</b>	30,139
<b>Net cash inflow from operating activities</b>		<b>8,665</b>	(67,242)
<b>Cash flows from investing activities</b>			
Purchase of furniture, fittings and computer equipment	6	<b>(20,085)</b>	(13,444)
<b>Net cash outflow from investing activities</b>		<b>(20,085)</b>	(13,444)
<b>Cash flows from financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents in the year</b>		<b>(11,421)</b>	53,798
<b>Cash and cash equivalents at the beginning of the year</b>	8	<b>237,774</b>	183,976
<b>Cash and cash equivalents at the end of the year</b>	8	<b>226,353</b>	237,774

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

**FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2017**

**Statement of Changes in Taxpayers' Equity**

	<b>General reserve £</b>
<b>Restated Balance at 1 April 2015</b>	<b>114,840</b>
<hr/>	
<b>Changes in reserves</b>	
Restated retained surplus for 2016	<b>60,521</b>
<b><i>Total recognised surplus for 2016</i></b>	<b>60,521</b>
<b>Balance at 31 March 2016</b>	<b>175,361</b>
<hr/>	
Retained surplus for 2017	<b>18,616</b>
<b><i>Total recognised surplus for 2017</i></b>	<b>18,616</b>
<b>Balance at 31 March 2017</b>	<b>193,977</b>
<hr/>	



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

**FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2017**

**Notes to the Financial Statements**

**1. Statement of Accounting Policies**

These Financial Statements have been prepared in accordance with the 2016/17 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, Architecture and Design Scotland 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 Architecture and Design Scotland is required in order to carry out a function which its owners have asked it to perform. On that basis, Architecture and Design Scotland 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 2017 and the Board do not consider that any such standard will have a material impact on the Financial Statements going forward.

**a. Basis of Accounting**

These Financial Statements have been prepared under the historical cost convention.

In common with similar public bodies, the future of Architecture and Design Scotland's liabilities will be met by future grant funding to be approved annually by the Scottish Government. The approval of amounts for 2017/18 has already been given and there is no reason to believe that future approvals will not be forthcoming. Accordingly, it is considered appropriate to adopt a going concern basis for the preparation of these Financial Statements.

**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.

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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.

**e. 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.

**f. 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.

**g. 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 – ten years;
- computer equipment – three years; and
- depreciation methods - useful lives and residual values are reassessed at each financial year end.

**h. 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.

**i. Cash and Cash Equivalents**

Cash and cash equivalents includes bank deposits with commercial banks and cash in hand.

**j. 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.

**k. Grants Received**

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.

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**i. 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.

**m. 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.

**n. 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.

**o. 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.

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.

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**2. Prior Year Adjustments**

The Financial Statements have been restated to incorporate the following prior year adjustments:

	<b>Audited Accounts 2015/16</b>	<b>Deferred Income Adjustment</b>	<b>Holiday Pay Accrual Adjustment</b>	<b>Accrued Income Adjustment</b>	<b>Restated Amount 2015/16</b>
	£	£	£	£	£
<b>2015/16 SCIE</b>					
Revenue	1,849,305	55,156			1,904,461
Staff costs	-1,188,879		-1,500		-1,190,379
<b>Operating Surplus</b>	<b>6,865</b>	<b>55,156</b>	<b>-1,500</b>	<b>-</b>	<b>60,521</b>
<b>SOPF at 1 April 2016</b>					
Trade and other payables	-320,179	174,713	-40,000		-185,466
<b>Assets less liabilities</b>	<b>-19,874</b>	<b>174,713</b>	<b>-40,000</b>	<b>-</b>	<b>114,839</b>
<b>SOPF at 31 March 2016</b>					
Trade and other receivables	120,365			55,000	175,365
Trade and other payables	-348,975	229,869	-41,500	-55,000	-215,606
<b>Assets less liabilities</b>	<b>-13,008</b>	<b>229,869</b>	<b>-41,500</b>	<b>-</b>	<b>175,361</b>

Deferred Income - for several years Architecture & Design Scotland have deferred the balance in one of their bank accounts at 31 March. This is now not considered appropriate and is not in line with IAS18.

Holiday Pay Accrual - the cost of a holiday pay accrual has not previously been reflected in the Financial Statements.

Accrued Income adjustment - in 2015/16 £55,000 of accrued income was incorrectly offset against deferred income in the year. This resulted in both accrued and deferred income being understated in 2015/16.

The impact of the adjustments to the prior period is that surplus has moved from £6,865 to £60,521, and assets less liabilities has moved from net liabilities of £13,008 to net assets of £175,361.

The impact of these financial adjustments on the surplus at 31 March 2016 has been processed through the Statement of Cash Flows and the Statement of Changes in Taxpayers' Equity.

**3. Revenue**

	<b>2017 £</b>	2016 £
Grant-in-aid	<b>1,764,230</b>	1,859,285
Other income	<b>38,054</b>	45,177
	<b>1,802,284</b>	1,904,462

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**4. Staff Numbers and Related Costs**

Directors' emoluments and further detailed information relating to staff costs is disclosed within the Remuneration and Staff Report on pages 17-22.

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 Financial Statements of the Cabinet Office:- Civil Superannuation [www.civilservicepensionscheme.org.uk](http://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 2016/17, employer's contributions of £148,807 (2016: £170,042) were payable to the PCSPS at one of four rates in the range 20.0% (2016: 20.0%) to 24.5% (2016: 24.5%) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions usually every four years following a full scheme valuation. From 1 April 2017, 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 2016/17 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:-

	<b>2017</b>	2016
Directors (9 employed for 2 days per month, 1 for 4 days per month)	<b>10</b>	10
Permanent employees (Full time equivalent)	<b>23</b>	24
	<b>33</b>	34

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**5. Other expenditure**

	<b>2017</b>	2016
	<b>£</b>	£
Legal and professional fees	<b>23,742</b>	14,763
Rentals under operating leases	<b>126,698</b>	138,617
Other establishment expenses	<b>43,713</b>	48,188
Publications	<b>22,896</b>	13,912
Travel, subsistence and motor expenses	<b>39,242</b>	40,632
Advertising and sponsorship	<b>637</b>	681
Recruitment costs	<b>1,316</b>	1,740
Research costs	<b>45,940</b>	25,095
Exhibition costs	<b>187,096</b>	193,584
Accountancy fees	<b>12,310</b>	5,000
Other running costs	<b>164,512</b>	152,566
<i>Non-cash items:-</i>		
Depreciation	<b>14,700</b>	18,784
Loss on disposal of fixed assets	<b>248</b>	-
<b>Total</b>	<b>683,050</b>	653,562

Included within the above expenditure, the company purchased the following services from its auditor, Audit Scotland (2016: KPMG LLP):-

	<b>2017</b>	2016
	<b>£</b>	£
Audit services	<b>7,860</b>	8,810
Other services	-	-
	<b>7,860</b>	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.

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**6. Furniture, Fittings and Computer Equipment**

	Furniture and fittings £	Computer equipment £	Total £
<b>Cost or valuation</b>			
<b>At 1 April 2016</b>	<b>117,419</b>	<b>113,185</b>	<b>230,604</b>
Additions	1,732	18,353	20,085
Disposals	(2,193)	(42,007)	(44,200)
<b>At 31 March 2017</b>	<b>116,958</b>	<b>89,531</b>	<b>206,489</b>
<b>Depreciation</b>			
<b>At 1 April 2016</b>	<b>102,922</b>	<b>106,914</b>	<b>209,836</b>
Charged in year	3,901	10,799	14,700
Released on disposal	(2,186)	(41,766)	(43,952)
<b>At 31 March 2017</b>	<b>104,637</b>	<b>75,947</b>	<b>180,584</b>
<b>Net book value at 31 March 2017</b>	<b>12,321</b>	<b>13,584</b>	<b>25,905</b>
<b>Prior Year</b>			
	Furniture and fittings £	Computer equipment £	Total £
<b>Cost or valuation</b>			
At 1 April 2015	<b>107,884</b>	<b>123,564</b>	<b>231,448</b>
Additions	9,535	3,909	13,444
Disposals	-	(14,288)	(14,288)
<b>At 31 March 2016</b>	<b>117,419</b>	<b>113,185</b>	<b>230,604</b>
<b>Depreciation</b>			
At 1 April 2015	<b>91,859</b>	<b>113,481</b>	<b>205,340</b>
Charged in year	11,063	7,721	18,784
Released on disposal	-	(14,288)	(14,288)
<b>At 31 March 2016</b>	<b>102,922</b>	<b>106,914</b>	<b>209,836</b>
<b>Net book value at 31 March 2016</b>	<b>14,497</b>	<b>6,271</b>	<b>20,768</b>

Non-current assets are held at fair value. Depreciated historic cost has been used as a proxy for fair value due to the low and short life of assets held.

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**7. Trade and Other Receivables**

	2017 £	2016 £
<b>Amounts falling due within one year:-</b>		
Trade receivables	17,500	1,869
Prepayments and accrued income	120,562	173,496
	138,062	175,365

Payment terms for trade receivables vary but are generally fourteen days from invoice date. The invoices in relation to the trade receivables noted above of £17,500 (2016: £1,869) are dated within three months of the year end date. As such, the trade receivables are not considered to be overdue for payment as at 31 March 2017 and have not therefore been impaired.

	2017 £	2016 £
<b>Intra-government receivables and other current assets:</b>		
Bodies external to government	120,562	175,365
<b>Total receivables and other current assets</b>	<b>120,562</b>	<b>175,365</b>

**8. Cash and Cash Equivalents**

	2017 £	2016 £
<b>Balance at 1 April 2016</b>	<b>237,774</b>	183,976
Net change in cash and cash equivalent balances	(11,421)	53,798
<b>Balance at 31 March 2017</b>	<b>226,353</b>	237,774

The following balances at 31 March 2017 were held at:-

Commercial banks and cash in hand	226,353	237,774
<b>Balance at 31 March 2017</b>	<b>226,353</b>	237,774

**9. Trade Payables and Other Current Liabilities**

	2017 £	2016 £
<b>Amounts falling due within one year:-</b>		
Trade payables	14,083	82,726
Accruals and deferred income	120,939	132,880
	135,022	215,606

	2017 £	2016 £
<b>Intra-government trade payables and other liabilities:</b>		
Local Authorities	-	-
Central Government	40,000	54,188
Bodies external to government	95,022	161,418
<b>Total trade payables and other current liabilities</b>	<b>135,022</b>	215,606



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**10. Capital Commitments**

The company had £nil material capital commitments at 31 March 2017 (2016: £nil).

**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.

	<b>2017</b>	2016
	<b>£</b>	<b>£</b>
<b>Obligations under operating leases comprise:-</b>		
Buildings:-		
Expiry after 1 year but not more than 5 years (The Lighthouse – Glasgow)	<b>40,404</b>	60,606
Expiry after 1 year but not more than 5 years (Bakehouse Close – Edinburgh)	<b>104,000</b>	156,000
	<b>144,404</b>	216,606

The company does not sub-lease its properties 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 2016	Increase in year	Released to Income & Expenditure	Utilised	At 31 Mar 2017
	£	£	£	£	£
Dilapidations and other legal proceedings	42,940	18,381	0	0	<b>61,321</b>

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

**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 2017 (2016: £nil).

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**15. Related Party Transactions**

During the year, grant-in-aid of £1,764,230 (2016: £1,859,285) 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.

**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.

**17. Segmental Reporting**

Architecture and Design Scotland is considered to have just one operating segment and therefore no segmental information is produced.

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**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 handwritten signature in black ink, appearing to read 'Ishu A. Brown', written over a horizontal line.

A member of the staff of the Scottish Ministers

Dated 20 September 2006