

# **sportscotland Lottery Fund**

## **Annual Report and Accounts for the year ended 31<sup>st</sup> March 2007**

Statement of Account Prepared Pursuant to Section 35  
of the National Lottery etc Act 1993

Ordered by the House of Commons to be printed  
15 October 2007

Laid before the Scottish Parliament by the Scottish Ministers  
October 2007

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# sportscotland

## Lottery Fund

### Statement of Account Prepared Pursuant to Section 35 of the National Lottery etc Act 1993

## Report of the Council

### Foreword

- 1 The Scottish Sports Council was established by Royal Charter in 1972 for the purposes, inter alia, “of fostering the knowledge and practice of sport and physical recreation among the public at large and the provision of facilities therefor”. On 1 July 1999 the Scottish Sports Council adopted the trading name of **sportscotland**, the name which is used throughout this report to account for the whole of 2006/07.

### National Lottery Fund

- 2 Under the *National Lottery etc Act 1993*, **sportscotland** was appointed to distribute National Lottery Funds for expenditure on or connected with sport in Scotland, in accordance with the powers set out in its Royal Charter.
- 3 Under the directions given by the Scottish Ministers all distributing bodies must prepare separate statements of accounts relating to the disbursement of Lottery monies.

### Results

- 4 The accounts relate to the year ended 31 March 2007 and are prepared in a form directed by the Scottish Ministers in accordance with section 35 of Part II of the National Lottery etc. Act 1993. The table below shows the total funds held under the stewardship of the National Lottery Distribution Fund (NLDF) and the commitments made on these funds.

	<b>2007</b>	<b>2006</b>
	<b>£000's</b>	<b>£000's</b>
Total Fund	51,311	54,713
Awards Committed, Offered and Accepted	16,686	26,007
Awards Committed and Offered; Not Accepted	85	200
Unallocated Balance before National and Regional Sports Facilities Strategy (NRSFS) commitments	34,540	28,506

Over the duration of the **sportscotland** Corporate Plan 2007-11, agreed by Scottish Ministers, the forecast Lottery income is £67,620k which is £6,000k less than the forecasts made two years ago. However, **sportscotland** will continue to deliver high quality outcomes with the unallocated balance at 31 March 2007 along with the income received over the next four years. The resource allocation of the £34,540k balance as at 31 March 2007, together with the

*The notes on pages 21 to 38 form part of these accounts*

forecast £67,620k income, in delivering the Corporate Plan 2007-11 is as follows:-

	<b>£000's</b>
NRSFS	20,888
Scottish/Area Institutes of Sport	18,575
Athlete Support/Performance Staffing	15,520
Strong <b>sportscotland</b>	14,300
Building for Sport	9,000
Sports Partnerships/Player Improvement	7,200
Coaching	5,000
Awards for All	4,000
Community Regeneration	4,000
	<hr/>
	98,483

As a result of these plans and projections, and their associated overheads, the unallocated balance at 31 March 2011 is projected to be only £157k.

During the year to 31 March 2007, £21,898k (2005/06 £23,524k) was called down from the NLDF towards the payment of approved awards and the administration of the National Lottery Fund. Administration costs including depreciation and notional costs for the year totalled £3,673k (2005/06 £3,446k). Under FRS17, the accounting standard which stipulates that an entity must show its pension liability or asset, the **sportscotland** Lottery Fund now shows a pension liability of £1,042k (2005/06 asset of £25k). See Note 15 for full detail.

## Review of Activities

- 5 **sportscotland** is the national agency for sport in Scotland, responsible for investing Exchequer and Lottery revenues for sport and advising the Scottish Executive on policy and strategy. **sportscotland's** activities in this year were guided again by its role in delivering the national strategy for sport: *Sport 21: Shaping Scotland's Future*. An integrated approach to planning and deployment of Exchequer and Lottery resources has been taken so that the two funding streams complement each other and the resources of its key partners. Investment was through six infrastructure networks and seven key investment areas identified in the corporate plan as mechanisms to progress the key goals of Scottish sport across the three interrelated visions of Sport 21. Details on the activities in each of **sportscotland's** investment areas are provided in its Corporate Plan 2003-2007 and our Business Plan 2006/7.
- 6 Applications for Lottery funding were accepted against applicants' business and development plans in the key investment areas of Athlete Support, Building for Sport, Club Development, Coaching, Community Regeneration, Elite Coach

Development, Organisational Development, Performance Staffing, Player Improvement and Volunteer Development.

- 7 Funding for the Scottish and Area Institute Network continued, and a thorough review of past investment in the Scottish Institute for Sport was conducted. Athlete Support funding contributed to a further 40 medals from 8 medalists on the world stage in this year, bringing the total four year cumulative count to 237 medals from 104 medallists.
- 8 Further examples of this investment include among the 15 awards under the Building for Sport programme, a grass pitch at Skeabost on Skye, tennis court upgrades in Dundee and Strathgryffe, and a number of new and upgraded changings provision throughout Scotland.
- 9 From the regional and national facility programmes, awards included a strength and conditioning centre at University of Dundee, improving the facilities available to support performance development.
- 10 In the area of Club Development, 221 Awards for All were made to small clubs and organisations throughout the nation. Four 3-year demonstration projects were started with the governing bodies of Curling, Cycling and Sailing and North Ayrshire local authority on how to strengthen their clubs.
- 11 Twelve governing bodies of sport received funding to produce coaching workforce development plans. Investment in Player Improvement included the piloting of two regional sports partnerships to develop a model for regional infrastructure. Four new full-time coaches were recruited in governing bodies using awards for Performance Staffing.
- 12 Under the investment area of Community Regeneration, lottery funding has also benefitted some of Scotland's most deprived communities through awards to projects including Learning to Swim in Perth & Kinross and the Coach Leader Education and Development Programme in South Ayrshire.
- 13 Investment in six regional volunteer development officers was continued and evaluated.
- 14 In making these awards **sportscotland** continued to work in partnership with the key stakeholders of Scottish sport. The decline in Lottery revenues has meant that more time and effort has been put into understanding partners' aspirations and priorities so that the investment strategy will maximise the overall impact of awards.
- 15 As the preparation of the new strategy for Scottish sport by the Scottish Executive was concluded, **sportscotland** commenced a review and produced a consultation document on a new Lottery strategy for 2007-2011.

## Fixed Assets

- 16 During the year to 31 March 2007 a total of £2k (2005/06 £107k) has been spent on acquiring fixed assets for **sportscotland** Lottery Fund activities.

## Retained Reserves

- 17 Accumulated funds totalling £40,611k (2005/06 £35,874k) were held on the balance sheet at the end of the year.

## Future Developments

- 18 Through the policies, actions and investment priorities in its new Corporate Plan 2007 – 2011 **sportscotland** will continue to support the Scottish Executive in the implementation of the revised national strategy for sport, *Reaching Higher*. It identifies the four national priorities (well trained people, strong organisations, quality facilities and providing the pathway) that will serve as the building blocks to achieve the outcomes of increasing participation and improving performance.
- 19 Examples of investment to support these building blocks will include the implementation of the Coaching Scotland strategy as the UK Coaching Certificate is developed and implemented in Scotland, leading to improvement in coach education. Investment will support the development needs of coaches identified through coaching workforce development plans completed on behalf of governing bodies of sport.
- 20 The Community Regeneration programme will be reviewed to ensure that focused investment in Scotland's most deprived communities can be provided. Funding for the Awards for All programme will continue, providing direct awards for community sport and clubs.
- 21 Investment will be made in the performance plans of Scottish governing bodies of sport, providing funds for athlete support, competition and training programmes. This investment will support the preparation of Scotland's athletes for performance on the world stage, including the Olympic, Paralympic and Commonwealth Games. The Scottish Institute of Sport and the Area Institutes will continue to receive funding and will be further developed.
- 22 Through the Building for Sport programme investment will be made in new facilities in areas of under-provision. Development of a network of training and competition facilities in consultation with Scottish governing bodies of sport will be supported to improve access to appropriate facilities for players at all levels.

## Payment of Creditors

- 23 In line with Treasury guidance the **sportscotland** Lottery Fund has a policy to pay all invoices not in dispute within 30 days or according to the agreed contractual terms if otherwise specified. The Lottery Fund aims to pay 100% of invoices, including disputed invoices once the dispute has been settled, on time in these terms.
- 24 During the year ended 31 March 2007 the Lottery Fund paid 100% of all invoices received within the terms of its payment policy.
- 25 The **sportscotland** Lottery Fund observes the principals of the Better Payment Practice Code.

## Risk Management

- 26 The system of internal control within **sportscotland** is based on an ongoing process designed to identify the principal risks to the achievement of **sportscotland** policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.
- 27 Senior management risk reviews continue on a six-monthly cycle during which business objectives and risks, together with strategies for each of the significant risks, are identified.
- 28 Based on the above, some of the main risks are identified below:-

- The new Scottish Executive engaging in a review of NDPBs, including **sportscotland**, which could result in sport being administered as a department of Scottish executive
- Limited Lottery resources are/become insufficient to deliver core activities.
- The inability to deliver sufficient National Strategy for Sport outcomes to the satisfaction of Scottish executive.

## Auditors

- 29 The accounts are audited by auditors appointed by the Auditor General for Scotland. For the year 2006/07 the appointed auditors were Scott–Moncrieff.
- 30 The Accountable Officer has taken steps to identify all relevant audit information and has made the auditors aware of such information. During 2006/07, no non-audit fees were paid to Scott-Moncrieff

## Equal Opportunity in Employment and Disabled Employees

- 31 **sportscotland** is committed to the promotion of policies for equal opportunities and to non-discrimination on the grounds of disability.

## Employee Involvement

- 32 **sportscotland** involves employees in decisions which may affect their welfare, through its Joint Consultative Committee, which brings together representatives from Management and Trade Unions.

## Relocation

- 33 The Minister for Tourism, Culture and Sport announced on 18 May 2006 that Scottish Ministers had concluded that **sportscotland**'s headquarters should be relocated to the new National Indoor Sports Arena in the east end of Glasgow once that facility is completed, such completion being due in the Spring of 2011. **sportscotland** is currently assessing the implications of this announcement and, as requested by the Minister, will be put into place a Project Implementation Plan with detailed proposals for relocation.

## Events Since the Balance Sheet Date

- 34 On 5 May 2007 the Scottish National party (SNP) was elected as the minority government in the Scottish Parliament.
- 35 The new Scottish Executive has given a commitment to examine the future role of Non Departmental Government Bodies (NDPBs) including **sportscotland**.
- 36 At the time of publishing these accounts it is not clear what the outcome of any review will be.

## Members

The Members of the **sportscotland** Council at 31 March 2007, all of whom have been Members throughout the year, with the exception of those indicated otherwise, are listed below:

Julia Bracewell OBE**	(Chair)
Ritchie Campbell* (**)	-(Until 13 December 2006)
Ian Mason**	(Until 13 December 2006)
Wai-yin Hatton*	
Dr Linda Leighton-Beck	
Fraser Wishart	(Until 28 February 2007)
Atholl Duncan**	
Steven Grimmond*	
Stephen Wright*	
Ian Beattie*	(Since 26 April 2006)
Carolan Dobson	(Since 26 April 2006)
Kim McAully	(Since 26 April 2006)
John Fraser	(Since 28 February 2007)
Graeme Marchbank	(Since 28 February 2007)
David Sole*	(Since 28 February 2007)

\* Member of the Audit Committee

\*\* Member of the Remuneration Committee

  
J Bracewell OBE  
Chair  
27 June 2007

  
S Harris  
Accountable Officer  
27 June 2007

## Corporate Governance

The Members of Council acknowledge the importance of the Combined Code, as issued in revised form in 2003 by the Financial Reporting Council, and have put in place a framework for corporate governance, which Council believes, is appropriate for **sportscotland** and its Group companies.

**sportscotland** is not required to comply with the provisions of the Combined Code, but makes the following voluntary disclosures as a requirement of the FReM:-

### The Council

The Council comprises twelve non executive members of which one is appointed as Chair (non executive). All of the twelve non executive members are considered by **sportscotland** to be independent in character and judgement, having no material relationship with the business. Council members are appointed by the Scottish Minister following a recruitment process managed by the Scottish Executive appointments being for an initial period of four years. Re-appointment for a further term (usually four years) is at the discretion of the Scottish Minister under advice of the Chair of **sportscotland**.

The attendance of the twelve non executive members during the 6 meetings of 2006/07 are:-

J H Bracewell	(6 of 6)	
TR Campbell	(3 of 5)	(To Dec 2006)
S Wright	(6 of 6)	
W-Y Hatton	(1 of 6)	
I Beattie	(5 of 6)	
S Grimmond	(3 of 6)	
C Dobson	(6 of 6)	
Dr L Leighton-Beck	(6 of 6)	
A Duncan	(5 of 6)	
I Mason	(4 of 5)	(To Dec 2006)
F Wishart	(2 of 6)	(To Feb 2007)
K McAully	(6 of 6)	
D Sole	(1 of 1)	(From Feb 2007)
J Fraser	(1 of 1)	(From Feb 2007)
G Marchbank	(1 of 1)	(From Feb 2007)

### How the Council Operates

The Council meets every two months and is responsible for the strategy, performance and the framework of internal control. The Council has a formal schedule of matters specifically reserved to it for decision. These include the approval of the annual business plan, annual financial statements, annual budget and other policies. All members receive an induction on joining the council. A combination of tailored Council and committee agenda items and other Council activities assist the members in continually updating their skills as well as knowledge and familiarity with the business required to fulfil their role both on the Council and on Council committees.

Responsibility for the day-to-day operational management of the **sportscotland** Group is delegated to the Chief Executive and his executive directors. To enable the council to discharge its duties, all council members receive appropriate and timely information. The council papers are distributed by the Executive office at least one week before council meetings.

## **Council Member Committees**

The Council's standing committees have written terms of reference clearly setting out their authority and duties.

### **Group Audit Committee**

Membership of the Group audit committee consists of five non executive Council members and one non executive director of the Scottish Institute of Sport. The membership during the 2006/07 financial year is detailed below with their attendance record for the five meetings that took place.

The Group audit committee considers the appointment and fees of the external auditors and discusses the scope of the audit and its findings. It also considers the appointment and fees of the internal auditors and discusses the planned timetable of activity and its findings. The committee is responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual financial statements. The committee is currently chaired by I Beattie who succeeded TR Campbell on his retirement in December 2006.

I Beattie	(5 of 5)	(Chair from January 2007)
S Wright	(4 of 5)	
W-Yin Hatton	(1 of 5)	
S Grimmond	(2 of 5)	
R Macfarlane	(3 of 5)	
T R Campbell	(3 of 3)	(Member & Chair to December 2006)
D Sole		(Appointed February 2007)

### **Internal Control**

The Council Members acknowledge that they are responsible for the Group's system of internal controls and for reviewing the effectiveness of those controls. The Council Members have delegated the detailed design of the system of internal control to the executive directors of the business who review the internal control framework on an ongoing basis.

Procedures have been developed to safeguard assets against unauthorised use or disposition and to maintain proper accounting records to provide reliable financial information both for internal use and for publication. In accordance with the guidance of the Turnbull Committee on internal control, the procedures are regularly reviewed in the light of an ongoing process to identify, evaluate and manage the significant risks faced by the business. The process has been in place for the full year under review and up to the date of the approval of the annual report and financial statements. The procedures are designed to manage rather than eliminate risk and can only provide reasonable and not absolute assurance against material misstatement or loss.

## Remuneration Report

The **sportscotland** Lottery Fund operates a full Performance and Development Appraisal system to determine the individual rewards paid to all employees within the Lottery Fund along with senior managers and directors. All pay awards continue to require ministerial approval.

The salary and pension entitlements of the most senior members of the **sportscotland** Lottery Fund are as follows:

Name		Salary £000's	Benefits £000's	Pension Increase at 60 £000's	Total Accrued Pension at 60 £000's
I D Robertson	2007	59	-	1	10
	2006	58	-	1	10
S G Harris	2007	71	-	1	14
	2006	72	-	5	13
C Pearson	2007	48	1	1	10
	2006	47	1	1	10
S Paulding	2007	42	1	1	1
	2006	42	1	1	1
M Murray	2007	41	1	1	8
J Bracewell	2007	33	-	None Payable	
	2006	21	-	None Payable	

All salaries shown are the full cost (100%) to the **sportscotland** group. All salaries are split between the **sportscotland** Lottery Fund and **sportscotland** through a quarterly process that assesses every employee and their split of work between the two companies. The split for the **sportscotland** Lottery Fund during 2006/07 was 44% (2005/06 46%) with the balance, 56% (2005/06 54%), going to **sportscotland**.

Benefits in kind relate to the provision of a car for which individual employees are required to make a contribution to cover the cost of personal use.

The Chair, Julia Bracewell, is remunerated through **sportscotland** and no recharges to the **sportscotland** Lottery Fund take place therein.

No remuneration is paid to Council Members, but recovery can be claimed for travel and other approved expenses.

The Lottery operates a car leasing scheme for essential users. Payments made during 2006/07 were £82k (2005/06 £74k).

Cash Equivalent Transfer Values (CETV) have not been obtained from SPPA for senior members of staff and are therefore not disclosed.

### **Remuneration Committee**

The Remuneration Committee considers and approves the remuneration and benefits of the Chief Executive Officer. The committee met once, on 16 May 2006, during 2006/07, and it was chaired by J Bracewell. Membership of the Remuneration Committee during 2006/07 comprised :-

J Bracewell  
T Campbell (To December 2006)  
A Duncan  
I Mason (To December 2006)



S Harris  
Chief Executive  
27 June 2007

## Statement of sportscotland and Chief Executive's Responsibilities

Under Section 35(2) - (3) of the *National Lottery etc Act 1993*, **sportscotland** is required to prepare a statement of accounts in the form and on the basis directed by the Scottish Ministers with the consent of the Secretary of State for the Department of Culture, Media and Sport. The accounts are prepared on an accruals basis and must give a true and fair view of the **sportscotland** Lottery Fund's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the **sportscotland** Lottery Fund is required to:

Observe the accounts direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.

Make judgements and estimates on a reasonable basis.

State whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements.

Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the **sportscotland** Lottery Fund will continue in operation.

The Accountable Officer for the Scottish Education Department has designated the Chief Executive of **sportscotland** as Accountable Officer for the **sportscotland** Lottery Fund. His relevant responsibilities as Accountable Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Memorandum to Accountable Officers of other Public Bodies issued by the Scottish Executive.



S Harris  
Chief Executive  
27 June 2007

## Statement on the Systems of Internal Control

As Accountable Officer, I have responsibility for maintaining a sound system of internal control which supports the delivery of **sportscotland** policies, aims and objectives, as set by the Scottish Executive Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me. Accordingly, I can confirm that adequate arrangements for detecting and responding to inefficiency, conflict of interest and fraud and minimising losses of Lottery Grants were in place throughout the 06/07 year.

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of **sportscotland** policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The procedures have been in place throughout 2006/07 and have been reviewed during the year with a view to establishing their effectiveness and improving their robustness.

Senior Management risk-management reviews, during which we identified our objectives and risks and determined a control strategy for each of the significant risks, continue on a six monthly cycle. Further risk management has been incorporated more fully into our corporate planning and decision-making process.

In addition to the actions mentioned above, in the coming year we plan to continue:

- Reviewing the system of key performance and risk indicators.
- Maintaining the organisation-wide risk register.
- Reviewing reports from the Internal Auditors on internal control activities and updating/implementing change as appropriate.

The Audit Committee receives periodic reports from the Internal Auditors concerning internal control, and these are reported to the Board. We also require regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.

Best Value continues to be a focus in all areas of work within **sportscotland** and the continued communication of this principle supports all staff in its delivery.

More generally, the organisation is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this and other areas.

Throughout 2006/07, **sportscotland's** Freedom of Information systems were fully operational and all requests received were completed within the statutory timescales.

**sportscotland** continues to work alongside the Scottish Executive, on the Efficient Government agenda. Productive time savings, reinvested into front line services is a key element of **sportscotland's** process, agreed by Scottish Executive for delivering on efficient government.

**sportscotland** utilise a professional firm of accountants, PricewaterhouseCoopers LLP, as our internal auditors, who operate to standards defined in the *Government Internal Audit Manual*. They submit regular reports, which include an independent opinion on the adequacy and effectiveness of **sportscotland** systems of internal control together with recommendations for improvement.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and of the executive managers within **sportscotland** who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors, Scott-Moncrieff and Audit Scotland, in their management letters and other reports.

A handwritten signature in black ink, appearing to read 'S Harris', written over a grid pattern.

S Harris  
Chief Executive  
27 June 2007

## **Independent auditors' report to the members of the Scottish Sports Council Lottery Fund, the Auditor General for Scotland and the Scottish Parliament**

We have audited the financial statements of the Scottish Sports Council Lottery Fund for the year ended 31 March 2007 under the National Lottery etc Act 1993. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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 123 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 the Scottish Sports Council, Chief Executive and auditors**

The board and the Chief Executive are responsible for preparing the annual report and the financial statements in accordance with the National Lottery etc Act 1993 and directions made thereunder by the Scottish Ministers. The Chief Executive is also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of Accountable Officer's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

We report our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery etc Act 1993 and directions made thereunder by the Scottish Ministers. We also report whether in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. We also report if, in our opinion, the Foreword is not consistent with the financial statements, if the body has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

We review whether the Statement on Internal Control reflects the body's compliance with the Scottish Executive's guidance. We report if, in our opinion, it does not comply with the guidance or if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the body's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Foreword to the accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Basis of audit opinion**

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the board and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## **Opinion**

### *Financial statements*

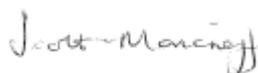
In our opinion

the financial statements give a true and fair view, in accordance with National Lottery etc Act 1993 and directions made thereunder by the Scottish Ministers, of the state of affairs of the body as at 31 March 2007 and of its net operating cost, total recognised gains and losses and cash flows for the year then ended; and

the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery etc Act 1993 and directions made thereunder by the Scottish Ministers.

### *Regularity*

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



**Scott-Moncrieff**  
Chartered Accountants  
Registered Auditors

17 Melville Street  
Edinburgh  
EH3 7PH

28th June 2007

**sportscotland**  
**National Lottery Fund**

**Income and expenditure account  
for the year ended 31 March 2007**

	Notes	2007 £000	2007 £000	2006 £000	2006 £000
<b>Income</b>					
National Lottery Fund proceeds	2.1		18,494		21,245
Interest receivable			122		140
Other operating income	2.2		924		170
			<u>19,540</u>		<u>21,555</u>
<b>Expenditure</b>					
Grants paid and committed during the year	3.1		6,110		5,243
Net grant commitments	3.3		4,474		6,318
Staff costs:					
direct	4	2,041		2,006	
indirect	4	<u>0</u>		<u>0</u>	
			2,041		2,006
Depreciation	5 & 7		53		41
Other operating charges:					
direct	5	1,579		1,456	
indirect	5	<u>0</u>		<u>0</u>	
			1,579		1,456
			<u>14,257</u>		<u>15,064</u>
Operating surplus before tax			5,283		6,491
Notional costs			112		59
Other finance income	15		59		6
Corporation tax	6		<u>(26)</u>		<u>(24)</u>
Increase in fund			<u>5,428</u>		<u>6,532</u>

All the results of the Fund relate to continuing activities

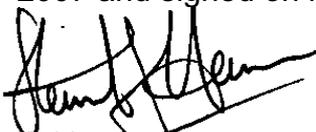
**Statement of total recognised gains and losses  
for the year ended 31 March 2007**

Increase in fund	5,428	6,532
Pension Fund Actuarial Gain/(Loss)	<u>(1,218)</u>	<u>142</u>
Total Increase in funds	<u>4,210</u>	<u>6,674</u>

**sportscotland**  
**Lottery Fund**  
**Balance sheet at 31 March 2007**

	Notes	2007 £000	2007 £000	2006 £000
<b>Fixed assets</b>				
Tangible assets	7		100	157
<b>Current assets</b>				
Investments – balance held in NLDF	8		51,311	54,713
Debtors	9		680	20
Bank and cash-in-hand			2,293	4,011
			54,284	58,744
<b>Creditors:</b> amounts falling due within one year	10		12,664	22,979
<b>Net current assets</b>			41,620	35,765
Pension Provision	11		67	73
<b>Net assets excluding pension liability</b>			41,653	35,849
Pension asset/(liability)	15		(1,042)	25
<b>Net assets including pension liability</b>			40,611	35,874
<b>Represented by</b>				
Provisions	11		4,128	3,124
Revaluation reserve	14		13	13
General fund excluding pension reserve	12	37,512		32,712
Pension reserve	15	(1,042)		25
General fund including pension reserve			36,470	32,737
			40,611	35,874

The accounts were approved by Council, and authorised for issue, on 27 June 2007 and signed on its behalf by:

  
 S Harris

Chief Executive  
 27 June 2007

  
 J Bracewell OBE

Chair  
 27 June 2007

# sportscotland

## Lottery Fund

### Cash flow statement for the year ended 31 March 2007

	Notes	2007 £000	2006 £000
Net cash inflow/(outflow) from operating activities	(a)	(1,812)	868
Returns on investments and servicing of finance	(b)	122	140
Taxation	(b)/6	(26)	(19)
Capital expenditure and financial investment	(b)/7	<u>(2)</u>	<u>(107)</u>
Increase in cash during the year	(c)	<u>(1,718)</u>	<u>882</u>

#### (a) Reconciliation of operating deficit to net cash outflow from operating activities

	2007 £000	2006 £000
Operating surplus after taxation and interest	5,428	6,532
Add: taxation charge	26	24
Other Finance Costs	(59)	(6)
Decrease in FRS 17 staff costs	(93)	(2)
Less: bank interest receivable	<u>(122)</u>	<u>(140)</u>
Operating surplus	5,180	6,408
Depreciation charges	53	41
Revaluation write off	6	16
Loss on disposal	0	0
Decrease in investments	3,077	2,279
(Increase)/Decrease in debtors	(660)	30
Increase/(Decrease) in creditors	(10,315)	2,234
Increase/(Decrease) in provisions for hard commitments	<u>847</u>	<u>(10,140)</u>
Net cash inflow/(outflow) from operating activities	<u>(1,812)</u>	<u>868</u>

## (b) Gross cash flows

	<b>2007</b> £000	<b>2006</b> £000
<b>Returns on investments and servicing of finance</b>		
Interest received	122	140
<b>Taxation</b>		
Corporation tax paid	23	18
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	2	107
Proceeds from disposal of fixed assets	0	0
	<u>2</u>	<u>107</u>

## (c) Analysis of changes in cash during the year

	<b>2007</b> £000	<b>2006</b> £000
Cash and bank balance at 1 April	4,011	3,129
Net cash inflow	<u>(1,718)</u>	<u>882</u>
Cash and bank balance at 31 March	<u>2,293</u>	<u>4,011</u>

**sportscotland**  
**Lottery Fund**

**Reconciliation of movement of funds  
for the year ended 31 March 2007**

	<b>Balances held in NLDF £000</b>	<b>Balances at SLF £000</b>	<b>2007 Total £000</b>	<b>2006 Total £000</b>
Opening balances	54,714	(22,002)	32,712	26,188
National Lottery Fund proceeds	18,494	0	18,494	21,245
Drawn down in year by SLF	(21,897)	21,897	0	0
Interest on cash balances	0	122	122	140
Income from <b>sportscotland</b>	0	0	0	0
Other operating income	0	924	924	170
Grants paid	0	(6,110)	(6,110)	(5,243)
Net grant commitment	0	(4,474)	(4,474)	(6,318)
Expenditure	0	(4,155)	(4,155)	(3,470)
	<u>51,311</u>	<u>(13,798)</u>	<u>37,513</u>	<u>32,712</u>

# **sportscotland**

## **Lottery Fund**

### **Notes to the accounts for the year ended 31 March 2007**

#### **1 Accounting policies**

##### **1.1 Basis of accounting**

These financial statements are prepared under the historical cost convention as modified by the revaluation of fixed assets. The financial statements have been prepared in accordance with applicable accounting standards, the Companies Act 1985, the National Lottery etc Act 1993, and the Government Financial Reporting Manual, in so far as they relate to the **sportscotland** Lottery Fund, and the requirements of the Accounts Direction issued by Scottish Ministers.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below.

As required by Scottish Ministers, the **sportscotland** Lottery Fund is not required to include a note showing historical cost profits and losses as described by FRS 3 "Reporting Financial Performance.

Comparative figures shown are for the year to 31 March 2006.

##### **Going Concern**

The financial statements are prepared on the going concern basis which provides that the organisation will continue in operational existence for the foreseeable future.

##### **1.2 Accruals convention**

All income and expenditure is taken into account in the financial year to which it relates.

As required by the Scottish Ministers, a distinction is made in respect of the **sportscotland** Lottery Fund awards between hard and soft commitments.

##### **Hard commitments**

A hard commitment is analogous to a commitment arising from a legally binding contract, carrying with it an obligation on the distributor to pay the agreed Lottery grant provided only that all the conditions of the grant are met, and that the National lottery continues to operate. For the purposes of recording a charge in the Income and Expenditure Account, a hard commitment arises when a firm offer of a grant from the National Lottery proceeds has been made by **sportscotland** and accepted in

writing by the recipient. A firm offer will only be made if there is a reasonable expectation that conditions attached to the offer will be met. A provision for hard grant commitments is shown on the Balance Sheet and is written down as the commitment matures.

### **Soft Commitments**

These will occur when there is agreement in principle by **sportscotland** to fund a scheme. Once a formal offer and acceptance of the terms and conditions of the grant have been concluded will this become a hard commitment. The total of soft commitments are shown in a note to the Balance Sheet. Changes in soft to hard commitments which arise after the accounting year end and before the publication of the Accounts will not be adjusting events in terms of FRS21 “Events after the balance sheet date”.

### **De-commitments**

Should a hard commitment fail to become a cash payment within the expected timeframe, and there is little possibility of it crystallising, **sportscotland** may withdraw the offer formally in writing. A reverse entry to the commitment is then made in the Income and Expenditure Account.

## **1.3 Tangible fixed assets and depreciation**

Fixed assets are valued by reference to their current replacement costs. The basis of this revaluation is through indices found in *Price Index Numbers for Current Cost Accounting* published by the Office for National Statistics at 31 December 2006. Any type of asset purchased with a value of £500 or more is capitalised. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the revalued amount, less estimated residual value of each asset evenly over its expected useful life, as follows:

Fixtures	5 years
Equipment	4 years
Computer equipment	4 years

The accounting treatment of indexation is based on the reason for the change in value. Where management believes this reason to be the consumption of economic benefits, the effect of the indexation charge is accounted for in the Income and Expenditure Account. Increases and decreases in the value of fixed assets due to market fluctuations are accounted for through the statement of total recognised gains and losses in the revaluation reserve.

Depreciation is only provided for in the year of acquisition if the asset is purchased prior to 30 September. No depreciation is provided in the year in which an asset is disposed.

## **1.4 National Lottery Distribution Fund**

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of these balances attributable to the **sportscotland**

Lottery Fund is as shown in the accounts and, at the balance sheet date, has been certified on an interim basis by the Secretary of State for National Heritage as being available for distribution by the body in respect of current and future commitments. This balance is shown as an investment on the balance sheet and is stated at the lower of cost or market value. The balance in the accounts is based on an Interim Statement of balance produced by the Department of Culture, Media and Sport (DCMS) which is subject to completion of the Statement of Assurance of Payments due to the National Lottery Distribution Fund for 2006/07 by the National Lottery Commission and the completion of the audit of the National Lottery Distribution Fund accounts for 2006/07 by the National Audit Office with an adjustment for the final balance being reflected in subsequent financial statements.

The annual proceeds available from the National Lottery Distribution Fund have been treated as income within these financial statements.

### 1.5 Taxation

Taxation has been provided for by the **sportscotland** Lottery Fund. The Fund is liable to corporation tax on the bank interest received. The small companies rate of corporation tax applies to the taxable profits.

### 1.6 Post retirement benefits

All members of staff have the option of joining the Strathclyde pension Fund (SPF). Existing employees are entitled to maintain their membership of the Scottish Teachers Superannuation Scheme (the STSS).

#### STSS

The **sportscotland** Lottery Fund participates in the STSS pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of **sportscotland**. The **sportscotland** Lottery Fund is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

#### SPF

The SPF is a pension scheme providing benefits based on final pensionable pay. The assets and liabilities of the scheme are held separately from those of the **sportscotland** Lottery Fund. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of recognised gains and losses, actuarial gains and losses. See Note 15.

## 1.7 Leases

Rentals paid under operating leases are charged to the income and expenditure account in the year to which the invoice relates.

## 1.8 Notional costs

In line with HM Treasury Fees and Charges Guide the **sportscotland** Lottery Fund includes notional costs for cost of capital.

As the financing structure of **sportscotland** does not include specific interest bearing debt, and to ensure that the income and expenditure account bears an appropriate charge for the use of capital in the year, a notional interest charge of 3.5% is included. This charge is based only upon the **sportscotland** Lottery Fund's own capital.

# 2 Income

## 2.1 Proceeds from the National Lottery

The proceeds from the National Lottery represents the share of net operator proceeds and investment returns allocated to the **sportscotland** Lottery Fund during the year.

## 2.2 Other operating income comprises:

	<b>2007</b> £000	<b>2006</b> £000
Repayment of grant	915	163
Miscellaneous income	9	7
	<hr/> 924	<hr/> 170

### 3 Grants paid and net grant commitment

	<b>2007</b> £000	<b>2006</b> £000
<b>3.1 Annual grants paid and committed during the year</b>		
Capital and Revenue	6,110	5,243
	<b>2007</b> £000	<b>2006</b> £000
<b>3.2 Grants paid during year</b>		
Paid and committed during year	6,110	5,243
Committed in previous years	13,800	14,103
	<u>19,910</u>	<u>19,346</u>
	<b>2007</b> £000	<b>2006</b> £000
<b>3.3 Net grant commitments</b>		
Hard commitments made during year	15,431	13,354
Less: amounts paid and committed during year	(6,110)	(5,243)
Less: amounts de-committed during year	(4,847)	(1,793)
<b>Net grant commitment at 31 March</b>	<u>4,474</u>	<u>6,318</u>
	<b>2007</b> £000	<b>2006</b> £000
<b>3.4 Net grant commitments split</b>		
Capital programmes	(1,062)	5,544
Revenue	5,536	774
	<u>4,474</u>	<u>6,318</u>
	<b>2007</b> £000	<b>2006</b> £000
<b>3.5 Grants paid during the year by programme</b>		
<b>3.5.1 Capital Facilities</b>		
National	136	187
Regional	18	180
Local	367	54
Swimming Pools	1,154	2,064
Safety at Sports Grounds	0	0
Football Academies	170	219
Community Facilities	1,278	757
Training & Competition Facilities	1,499	0
Sports Facilities Programme	1,851	3,205
	<u>6,473</u>	<u>6,666</u>

	<b>2007</b> £000	<b>2006</b> £000
<b>3.5.2 Revenue Funding</b>		
Talented Athletes (Athlete Support)	1,954	2,441
Commonwealth Games		
Enhancement Funding	69	60
Major Events	0	20
UK WCPP	0	0
SIP & Community Regeneration	1,484	840
Junior Groups	0	68
Awards for All	1,000	1,077
National Coach Support	1,342	632
Coach Development	0	783
School Sports Co-ordinators	0	0
TOP Programme	582	253
Organisational Development	274	232
Volunteer Development	99	63
Coaching	213	210
Player Improvement	1,138	647
Club Development	108	156
Scottish Institute & Area Institutes	5,174	5,198
	<u>13,437</u>	<u>12,680</u>
<b>Total grants paid during the year</b>	<u>19,910</u>	<u>19,346</u>

## 4 Employees

	<b>2007</b> £000	<b>2006</b> £000
<b>4.1 Total staff costs comprise:</b>		
Wages and salaries	1,759	1,649
Social security costs	131	130
Other pension costs	151	227
Aggregate staff costs	<u>2,041</u>	<u>2,006</u>

All employment contracts are within **sportscotland** and the relevant amounts charged to Lottery. During the year 2004/05, Lottery employment costs became part of the **sportscotland** integrated budget process, which aligns all relevant costs to the overall **sportscotland** corporate objectives.

	<b>2007</b>	<b>2006</b>
<b>4.2 The average monthly number of employees during the year was:</b>	<u>60</u>	<u>61</u>

## 5 Other operating charges

The operating result is after charging:

	<b>2007</b>	<b>2006</b>
	£000	£000
Administration expenses	1,276	1,207
Travel and subsistence	74	72
Auditors' remuneration – External	20	19
Internal	11	10
Operating rentals	80	74
Loss on disposal of assets	0	0
Revaluation write off	6	15
Notional costs	112	59
Depreciation	53	41
	<u>1,632</u>	<u>1,497</u>

## 6 Corporation tax

	<b>2007</b>	<b>2006</b>
	£000	£000
Corporation tax	23	24
Under tax provision	3	0
	<u>26</u>	<u>24</u>

## 7 Tangible fixed assets

	<b>Total</b>	<b>Fixtures and Fittings</b>	<b>Equip- ment</b>
	£000	£000	£000
Cost at 1 April 2006	397	95	302
Revaluation at 31 March 2007	(7)	0	(7)
Additions to 31 March 2007	2	0	2
Disposals to 31 March 2007	(6)	0	(6)
Cost at 31 March 2007	<u>386</u>	<u>95</u>	<u>291</u>
Aggregate depreciation at 1 April 2006	240	95	145
Revalued aggr depr at 31 March 2007	(2)	0	(2)
Charge for the year	53	0	53
Disposals to 31 March 2007	(5)	0	(5)
Aggregate depreciation at 31 March 2007	<u>286</u>	<u>95</u>	<u>191</u>
Net Book Value at 31 March 2007	<u>100</u>	<u>0</u>	<u>100</u>
Net Book Value at 31 March 2006	<u>157</u>	<u>0</u>	<u>157</u>

## 8 Investments

	<b>2007</b> £000	<b>2006</b> £000
National Lottery Distribution Fund	<u>51,311</u>	<u>54,713</u>

As at 31 March 2007 the fund has been shown at market value. If it had been included at cost value, based on an interim valuation from the NLDF, the figure would have been £51,654k.

The final audited balance for the value of investments as at 31 March 2007 and 31 March 2006 are unavailable. The final audited balance for the value of investments as at 31 March has been obtained from NLDF and is outlined below:

The balances are based on the distribution of National Lottery Funds set out in the National Lottery Act 1998.

	<b>Interim Valuation</b> £000	<b>Final Valuation</b> £000
National Lottery Distribution Fund	<u>56,992</u>	<u>57,207</u>

## 9 Debtors

	<b>2007</b> £000	<b>2006</b> £000
Trade debtors	7	6
Other debtors	672	0
Prepayments and accrued income	1	14
	<u>680</u>	<u>20</u>

## 10 Creditors: amounts falling due within one year

	<b>2007</b> £000	<b>2006</b> £000
Trade creditors	0	0
Corporation tax	23	24
Hard commitments payable within one year	12,491	22,800
Other creditors	0	52
Accruals and deferred income	150	103
	<u>12,664</u>	<u>22,979</u>

## 11 Provisions

	<b>2007</b> £000	<b>2007</b> £000	<b>2006</b> £000
<b>Capital</b>			
Balance as at 1 April		16,704	17,592

Amounts committed during the year		1,235	5,911
Total hard commitments		17,939	23,503
Amounts paid during the year	6,308		
Amounts paid and committed during the year	165		
Amounts de-committed during the year	2,132	8,605	6,799
Hard capital commitments at 31 March		9,334	16,704

	<b>2007</b> £000	<b>2007</b> £000	<b>2006</b> £000
<b>Revenue</b>			
Balance as at 1 April		9,308	16,205
Amounts committed during the year		14,196	7,442
Total hard commitments		23,504	23,647
Amounts paid during the year	7,492		
Amounts paid and committed during the year	5,945		
Amounts de-committed during the year	2,715		
		16,152	14,339
Hard revenue commitments at 31 March		7,352	9,308
Total hard commitments at 31 March		16,686	26,012

At 31 March 2007 a total of £12,492k (2005/06 £22,800k) is payable within one year and disclosed in Note 10. This is after charging £6k for the retirement provision below. A further £4,128k (2005/06 £3,124k) is payable within two to five years and shown on the face of the accounts under Provisions.

### Pension Provision

A provision was created in 2001/02 for the early retirement of a member of staff. This is based on the annual value of payments incurred by **sportscotland** Lottery Fund and an estimate of life expectancy based on the national average.

	<b>2007</b> £000	<b>2006</b> £000
Opening balance at 1 April	73	73
Additional provisions during the year	0	0
Utilised during the year	6	0

	Closing balance at 31 March	67	73
<b>12</b>	<b>General Fund</b>		
		<b>2007</b>	<b>2006</b>
		£000	£000
	<b>Represented by:</b>		
	Balance as at 1 April	32,737	26,063
	Change in fund for the year	5,428	6,532
	Transfer to income & expenditure – pension scheme	(152)	(8)
	Pension Adjustment	(476)	-
	Pension reserve movement	(1,067)	150
	Balance as at 31 March	36,470	32,737
<b>13</b>	<b>Soft capital commitments</b>		
		<b>2007</b>	<b>2006</b>
		£000	£000
	Balance as at 1 April	200	953
	Amounts committed during the year	1,120	5,124
	Total soft commitments	1,320	6,077
	Amounts transferred to hard commitments	1,235	
	Amount de-committed during the year	0	
		1,235	5,877
	Soft commitments at 31 March	85	200
<b>14</b>	<b>Revaluation reserve</b>		
		<b>2007</b>	<b>2006</b>
		£000	£000
	Balance as at 1 April	13	13
	Revaluation movement on cost at 31 March	0	0
	Revaluation movement on depreciation at 31 March	0	0
	Revaluation reserve balance as at 31 March	13	13

## 15 Pension and similar obligations

All members of staff have the option of joining the Strathclyde Pension Fund (SPF). Existing employees are entitled to maintain their membership of the Scottish Teachers Superannuation Scheme (STSS). Both schemes are defined benefit schemes and **sportscotland** contributes 260% and 208% (2005/06 250% and 208%) of employee contributions to the respective schemes. The charge in the financial statements reflects

the costs incurred by **sportscotland** during the year for the STSS £4k (2005/06 £6k) and SPF £147k (2005/06 £221k).

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the projected unit method. The latest actuarial valuation of the SPF scheme was at 31 March 2006. The STSS was last valued at 31 March 1996.

All employment contracts are within **sportscotland** and the relevant amounts charged to Lottery.

The split for the **sportscotland** Lottery Fund during 2006/07 was 43% (2005/06 43%) with the balance, 57% (2005/06 57%), going to **sportscotland**.

Due to the process above the SPF calculation now takes **sportscotland** and the **sportscotland** Lottery Fund as one entity for the purposes of FRS17. Therefore the % split above has been utilised to account for the opening balances and all subsequent pension movements within the Lottery accounts. However, to show the full value of the fund at 31 March 2007, the full assets and liabilities are shown in this note. Correspondingly, the **sportscotland** Group accounts will hold 57% (2005/06 57%) of the pension opening balances and subsequent pension movements, but again will show the full assets/liabilities of the fund.

### **The Scottish Teachers Superannuation Scheme**

The STSS operates on a notionally funded basis. It is a multi – employer scheme and it is not possible to identify each institution's share of the notional assets and liabilities. Therefore, contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the results for the year is the contribution payable to the scheme for that year.

	<b>STSS</b>
Rate of return of investments in excess of the rate of increase in salaries	2%
Rate of return on investments in excess of above rate	1.5%
Market value of the notional fund at the date of the last valuation	£4,370m
Deficiency on the fund	£230m

The actuarial valuation of the STSS indicates a notional deficiency of £40m which requires a supplementary provision by employers of 0.75% per annum for a period of 40 years. However, the auditors of the scheme stated that they were unable to form a view on the accuracy of the liabilities included within those accounts.

### **The Strathclyde Pension Fund (SPF)**

The company operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 31 March 2007 by a qualified independent actuary. The major assumptions used by the actuary were:

	<b>31 March 2007</b>	<b>31 March 2006</b>	<b>31 March 2005</b>
Rate of increase in salaries	4.7%	4.6%	4.4%
Rate of increase in pensions in payment and deferred pensions	3.2%	3.1%	2.9%
Discount rate applied to scheme liabilities	5.4%	6.0%	6.5%
Inflation assumption	3.2%	3.1%	2.9%

## Scheme assets

The assets in the scheme and the expected rate of return were:

	Long term rate of return 31 March 2007	Value at 31 March 2007	Long term rate of return 31 March 2006	Value at 31 March 2006	Long term rate of return 31 March 2005	Value at 31 March 2005
		£000		£000		£000
Equities	7.8%	12,453	7.4%	11,648	7.7%	8,331
Government securities	4.9%	2,080	4.6%	1,573	4.8%	1,507
Property	5.8%	1,692	5.5%	1,392	5.7%	1,080
Cash	4.9%	743	4.6%	706	4.8%	358
Total	7.1%	16,968	6.8%	15,319	7.0%	11,277
Present value of scheme liabilities		19,076		15,261		11,568
Present value of unfunded liabilities		316		0		0
Surplus/(Deficit) in the scheme		(2,424)		58		(291)
Related deferred tax asset		0		0		0
Net pension asset/(liability)		(2,424)		58		(291)

## Analysis of amount recognised in statement of total recognised gains and losses

	2007	2006	2005
Actual return less expected return on scheme assets	13	2,389	372
Experience gains and losses arising on scheme liabilities	(1)	(43)	(29)
Changes in assumptions underlying the present value of scheme liabilities	(2,845)	(2,015)	-
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	(2,833)	331	343

### Analysis of amount charged to operating deficit

	<b>2007</b>	<b>2006</b>
	£000	£000
Current service cost	559	557
Past service cost	(205)	-
Previously unrecognised surplus deducted from past service cost	-	-
Gains/(losses) on settlements or curtailments	-	-
Previously unrecognised surplus deducted from the settlement or curtailment losses	-	-

### Analysis of amounts included in other finance income/costs

	<b>2007</b>	<b>2006</b>
	£000	£000
Expected return on pension scheme assets	1,063	833
Interest on pension scheme liabilities	<u>(926)</u>	<u>(820)</u>
Net Return	137	13

## Movement in surplus/(deficit) during the year

	<b>2007</b>	<b>2006</b>
	£000	£000
(Deficit) in scheme at beginning of year	58	(291)
Current service cost	(559)	(557)
Contributions paid	548	562
Contributions in respect of unfunded benefits	20	-
Past service cost	205	-
Other finance income/cost	-	-
Net Return on Assets	137	13
Actuarial gain/(loss)	<u>(2,833)</u>	<u>331</u>
(Deficit) in the scheme at end of year	<u>(2,424)</u>	<u>58</u>

## History of experience gains and losses

	<b>Value at 31 March 2007</b>	<b>Value at 31 March 2006</b>	<b>Value at 31 March 2005</b>	<b>Value at 31 March 2004</b>	<b>Value at 31 March 2003</b>
		£000	£000	£000	£000
Difference between the expected and actual return on assets	13	2,389	372	1,356	(2,430)
Value of assets	16,968	15,319	11,277	9,630	7,160
Percentage of assets	0.1%	15.6%	3.3%	14.1%	(33.9)%
Experience gains/(losses) on liabilities	(1)	(43)	(29)	49	(103)
Total present value of liabilities	19,392	15,261	11,568	10,377	9,341
Percentage of the total present value of liabilities	(0.0)%	(0.3)%	(0.3)%	0.5%	(1.1)%
Actuarial gains/losses recognised in STRGL	(2,833)	331	343	1,405	(2,533)
Total present value of liabilities	19,392	15,261	11,568	10,377	9,341
Percentage of the total present value of liabilities	(14.6)%	2.2%	3.0%	13.5%	(27.1)%

## 16 Amounts committed in respect of National Lottery grants

At 31 March 2007 the **sportscotland** Lottery Fund has commitments totalling £9,334k (2005/06 £16,704k) for capital grants.

Conditional on funds being made available by the NLDF there were commitments to pay grants to various bodies and organisations in respect of expenditure on facilities of £1,235k (2005/06 £5,911k). During the year to 31 March 2007, there are further commitments of £85k (2005/06 £200k) for capital awards where offers have been made but which are subject to acceptance of the relevant conditions.

## 17 Related party transactions

The **sportscotland** Lottery Fund is administered by **sportscotland**.

**sportscotland** is regarded as a related party.

During the year the **sportscotland** Lottery Fund had a number of material transactions with **sportscotland**.

All committee members of the **sportscotland** Lottery Fund are members of **sportscotland** and Directors of the **sportscotland** Trust Company.

During the year both the Accountable Officer and Chairman of the **sportscotland** Lottery Fund Committee received remuneration from **sportscotland**.

The **sportscotland** Lottery Fund paid grants to the following bodies which are related parties:

	£000
Awards for All	996
Scottish Institute of Sport	4,100

Members of Council and Lottery committees have a declared interest in the grant awards listed below. The amounts represent both hard and soft commitments:

	£000
T R Campbell – Dunfermline Tennis & Bridge Club	13
I.Mason – Scottish Swimming	494
Perth & Kinross Council	23
S Grimmond – Fife Council	79

The **sportscotland** members and their associated organisations during the year to 31 March 2007 are detailed below:

Julia Bracewell OBE	Scottish Football Partnership Scottish Institute of Sport UK Sport Commonwealth Games (Scotland) Endowment Fund Scottish Physical Recreation Fund
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Ritchie Campbell	European Badminton Union British Badminton Olympic Committee British Olympic Association Dunfermline & Bridge Club Scottish Physical Recreation Fund
Ian Mason	Scottish Swimming Perth & Kinross Council British Swimming High Performance Swimming Ltd
Wai-yin Hatton	Karate Union of Great Britain Ayrshire and Arran NHS Board Ayrshire Special Games Trust Kilmarnock College Ayrshire Chamber of Commerce
Dr Linda Leighton-Beck	Cults Otters ASC NHS Grampian University of Aberdeen
Fraser Wishart	Scottish Professional Footballers Association Scottish Football Partnership
Atholl Duncan	Watsonian Rugby Club Hibernian FC
Steven Grimmond	Fife Council
Stephen Wright	Fair Pley Ltd Hitsport Ltd
Ian Beattie	Scottish Athletics Central Athletic Club Strathearn Harriers
Carolann Dobson	RYA Scotland
John Fraser	None
Kim McAully	Angus Council
Graeme Marchbank	Diageo PLC
David Sole	Whitehead Mann Ltd

A list of individual awards made to governing bodies and amounts paid to individual sports is contained in the Annual Report.

## 18 Operating Leases

At 31 March 2007 the **sportscotland** Lottery Fund had annual commitments under non-cancellable operating leases for the following year as detailed below:

	<b>2007</b> £000	<b>2006</b> £000
Plant & Machinery		
Expiry within one year	<u>0</u>	<u>0</u>
Expiry within two to five years	<u>0</u>	<u>0</u>
Other		
Expiry within one year	<u>7</u>	<u>17</u>
Expiry within two to five years	<u>138</u>	<u>122</u>

## 19 Losses

The **sportscotland** Lottery Fund had no write-offs during the year.



## SPORTSCOTLAND

### DIRECTION BY THE SCOTTISH MINISTERS

- 1 The Scottish Ministers, in pursuance of Section 35 of Part II of the National Lottery etc. Act 1993, hereby give the following direction.
- 2 The statement of accounts which, it is the duty of **sportscotland** to prepare in respect of its **National Lottery distribution activities** 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 (FReM) 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 Clarification of the additional disclosure requirements are set out in Schedule 1 attached.
- 5 The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:
  - 5.1 Fixed assets at their value to the business by reference to current costs; and
  - 5.2 Stocks valued at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.
- 6 This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 12 March 2001 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 31 March 2006

## SCHEDULE 1

### ADDITIONAL DISCLOSURE REQUIREMENTS

1. This schedule details the non-standard accounting policies, any special treatment needed, and any additional disclosure requirements as agreed by the Scottish Ministers and **sportscotland**, in respect of its National Lottery Fund distribution activities.
2. The **Income and Expenditure Account** shall show inter alia:
  - a. the total amount of Lottery proceeds receivable;
  - b. any other income (detailed between bank interest, recoveries of grant and other income);
  - c. the total amount of new Lottery grants paid in the period (i.e. amounts paid in respect of projects which have been approved during the year);
  - d. the change in the provision for net grant commitments;
  - e. the total expenses incurred by the body in respect of its National Lottery distribution activities, separately identifying direct costs and costs initially incurred elsewhere in the organisation and apportioned to the National Lottery distribution activity. The calculation of the costs to **sportscotland**'s National Lottery activities will be on a full cost recovery basis and should cover all costs that are directly and demonstrably related to Lottery activities.
3. The **Balance Sheet** shall show, inter alia:
  - a. under the heading "Current assets": shown as an investment the balance held on behalf of the body at the National Lottery Distribution Fund;
  - b. under the heading "Represented by":
    - i) the provision for grants committed on a hard basis and falling due for payment after more than one year; (see note 6 below on commitments)
    - ii) the balance on the Income and Expenditure Account.
4. The **Notes to the Accounts** shall, inter alia, include:
  - a. a statement of the accounting policies. This must include a statement explaining the nature of the balances held on the body's behalf in the National Lottery Distribution Fund as follows:

"Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media & Sport. However, the share of these balances attributable to **sportscotland** is as shown in the Accounts and, at the Balance Sheet date has been certified by the Secretary of State for Culture, Media & Sport as being available for distribution by the body in respect of current and future commitments.";
  - b. an analysis of the income and expenditure relating to the Lottery;

- c. an analysis of the “other operating charges” over appropriate subject headings (write-offs, audit fee, leasing charges, travel, subsistence and hospitality (costs for staff and body members should be separately identified));
  - e. the amounts “committed in respect of capital expenditure for administrative purposes”, and “amounts authorised in respect of capital expenditure for administrative purposes but not contracted”;
  - f. the amounts committed in respect of National Lottery grants split between hard and soft commitments identifying the amount falling due (see note 5 below). Where these commitments exceed available resources shown on the Balance Sheet, there should also be a note explaining the rationale for the over-commitment in terms of the benchmark being applied and the assumptions behind it, taking into account any advice received from the Scottish Ministers as appropriate.
5. The nature of the Distributing Bodies' Lottery activities means that they will be making commitments for future expenditure which will need to be shown in the annual financial statements. Commitments should be categorised and shown as follows:

6. **Soft Commitments**

These will occur when there is agreement in principle by **sportscotland** to fund a scheme. Once a formal offer and acceptance of the terms and conditions of the grant has been concluded this will become a hard commitment. The total of soft commitments will be shown in a note to the Balance Sheet. Changes in soft to hard commitments which arise after the accounting year end and before publication of the Accounts will not be adjusting events in terms of FRS 21 (Events after the balance sheet date). A tabulation should accompany the Notes to the Accounts and show:

- i) Soft commitments brought forward;
- ii) Soft commitments transferred to hard commitments;
- iii) Soft de-commitments;
- iv) Soft commitments made;
- v) Balance of soft commitments outstanding carried forward.

a) **Hard Commitments**

A hard commitment is analogous to a commitment arising from a legally binding contract, carrying with it an obligation on the distributor to pay the agreed Lottery grant provided only that all the conditions of grant are met, and that the National Lottery continues to operate. For the purposes of recording a charge in the Income and Expenditure Account, a hard commitment arises when a firm offer of a grant from the National Lottery proceeds has been made by **sportscotland** and accepted in writing by the recipient. A firm offer will only be made if there is a reasonable expectation that conditions attached to the offer will be met. A provision for grant commitments should be shown on the Balance Sheet and would be written down as the commitments mature. As part of the notes to the Balance Sheet a tabulation illustrating the changes in hard commitments should be shown as follows:

- i) Hard commitments brought forward;

- ii) Hard commitments met in the last year;
- iii) Hard de-commitments (withdrawal of an offer);
- iv) Hard commitments made;
- v) Balance of hard commitments outstanding carried forward;
- vi) A breakdown of the provision for the grant commitments should be reported separately for each year up to and including 5 years and for over 5 years.

b) **De-commitments**

i) Soft Commitments

If a soft commitment fails to become hard for any reason and there is no prospect of a formal offer letter being issued and accepted then the soft commitment should be deleted from **sportscotland's** records. It will be shown in the table accompanying the notes to the Balance Sheet in the soft de-commitments line.

ii) Hard Commitments

Should a hard commitment fail to become a cash payment within the expected time frame, and there is little possibility of it crystallising, **sportscotland** may withdraw the offer formally in writing. A reverse entry to the commitment should then be made in the Income and Expenditure Account. The table in the Notes to the Accounts will correspondingly be reduced.

c) **Repayments**

The circumstances of a grant repayment are as described in the Statement of Financial Requirements. A repayment will not affect commitment unless the payment is part of a phased scheme for which commitments for later phases have been included in the Balance Sheet. A repayment will be reflected as an adjustment in the Income and Expenditure Account. If a repayment occurs after the year end but before the Accounts have been signed by **sportscotland's** Accountable Officer and is material (5% of the total grants paid in the year or £1m which ever is the lower,) it will be necessary to treat the repayment as an adjusting event in terms of FRS 21.









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