

# **sportscotland** **Lottery Fund**

Annual Report and Accounts  
for the year ended 31<sup>st</sup> March 2008



# **sportscotland Lottery Fund**

## Annual Report and Accounts for the year ended 31<sup>st</sup> March 2008

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

Ordered by the House of Commons to be printed  
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Laid before the Scottish Parliament by the Scottish Ministers  
October 2008

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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 2007/08.

#### 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 2008 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>2008</b>	<b>2007</b>
	<b>£000's</b>	<b>£000's</b>
Total Fund	48,175	51,311
Awards Committed, Offered and Accepted	27,913	16,686
Awards Committed and Offered; Not Accepted	33	285
Commitment higher than income through Corporate Plan process 2008 to 2011	9,561	0
Unallocated Balance to be utilised during 2008-2014 for the benefit of sport leading up to the Commonwealth Games in 2014	10,668	34,540

During the year to 31 March 2008, £20,724k (2006/07 £21,898k) 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 £3,429k (2006/07 £3,673k). A provision for the cost of relocating **sportscotland** Lottery staff to Glasgow is now included at a cost of £1,256k.

### **Restatement of 2007 Figures**

A change in accounting policy has meant that the share of the **sportscotland** Group pension asset/liability, calculated under the accounting standard FRS17, is no longer shown in full in the Lottery Accounts. However, the share of the group asset in 2008 that we consider would be due to the **sportscotland** lottery fund is £210k and has been shown in other debtors. Details of the calculation are shown in note 1.6 to the accounts.

## **Review of Activities**

- 5 **sportscotland** is the National Agency for sport in Scotland, responsible for investing Exchequer and Lottery revenues for sport. **sportscotland**'s activities in this year were aligned to its given role in delivering the National Strategy for sport *Reaching Higher: Building on the Success of Sport 21*. Following the publication of this Strategy, and the confirmation by the new Scottish Government that it was to be retained as its Strategy, **sportscotland** published a new Lottery Strategy 2007-2011 this year, following public consultation held in the previous year. This Strategy was devised around the contribution that Lottery funds can make towards putting in place the four priority building blocks of *Reaching Higher*, and towards achieving its national outcomes of increased participation and improved performance.
- 6 As the Lottery funds have to be additional to other resources going into Scottish sport, **sportscotland** has continued with an integrated approach to planning and deployment of Exchequer and Lottery resources so that the two funding streams do complement each other, and the resources of its key partners. Investment was through seven priority areas identified in its Corporate Plan as mechanisms to progress the two key outcomes and four building blocks of *Reaching Higher*. Details on the activities in each of **sportscotland**'s priority areas are provided in its Corporate Plan 2007-2011 and Business Plan 2007/08.
- 7 Applications for Lottery funding were accepted against applicants' business and development plans, principally in the priority investment areas of Community Sport, Quality Facilities, Performance Development and Strong Partners. For example within Community Sport, the programme of Community Regeneration included recruiting volunteers to work in clubs, and young people completing sports leadership training in areas of multiple deprivations, contributing to the National Strategy priority of well-trained people.
- 8 Within Quality Facilities, the programme of Building for Sport included investment in indoor athletics in Fife; skiing facilities around Glasgow; sports halls in Paisley, Dalry, Glasgow, and Grantown; swimming pools on Mull and the Orkney Isles; and a variety of playing field and pavilion upgrades across Scotland. This investment contributed to the National Strategy priority of Quality Facilities. Within Strong Partners, investment has continued in two pilot regional infrastructures including regional networks of governing body development staff, contributing to the National Strategy priorities of providing the Player Pathways and Strong Organisations.
- 9 Within Performance Development, the programme of Performance Staffing supported staff across 28 sports and the investment in the Scottish Institute of Sport and Area Institutes supported athletes and support staff across 27 sports. These investments are aimed at the National Strategy key outcome of Improving

*The notes on pages 20 to 33 form part of these accounts*

Performance as well as contributing to the National Strategy priorities of well-trained people and providing the player pathways.

- 10 In making awards for these investments **sportscotland** continued to work in partnership with the key stakeholders of Scottish sport. The decline in Lottery revenues has continued to mean that time and effort has been put into clearly understanding partners' aspirations and priorities, and how these align with the National Strategy, so that the investment will maximise the overall impact on Scottish sport.

## Fixed Assets

- 11 During the year to 31 March 2008 there was no spend (2006/07 £2k) on acquiring fixed assets for **sportscotland** Lottery Fund activities.

## Retained Reserves

- 12 Accumulated funds totalling £43,431k (Restated 2006/07 £40,803k) were held on the balance sheet at the end of the year.

## Future Developments

- 13 Through its policies, actions and investment priorities contained in its revised Corporate Plan 2007-11 **sportscotland** will continue to support the Scottish Government in the implementation of the 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. In doing so, **sportscotland** will align its activities to the Government's five Strategic Objectives.
- 14 **sportscotland's** Corporate Plan will need repeated review as the availability of resources, both Lottery and Exchequer, funding becomes known, or varies. When the 2007-2011 Lottery Strategy was evolved in 2007 it was based on a projected four year income of around £64m. However, the current Corporate Plan is based on a projected income of around 9% less. Despite this declining income, part of a trend since 1998, as the next four to six years in the run-up to the 2012 Olympic and Paralympic Games and 2014 Commonwealth Games, both being hosted in the UK, are critical to the development of Scottish sport, the intention is to invest beyond anticipated income using Lottery funding reserves.
- 15 This intention is being taken in the full knowledge, that **sportscotland** will not have the benefits of Lottery reserves to invest in Scottish sport in the future beyond this critical period. So in the immediate future, there will be limited developments in the type of investment made, and careful analysis of the long-term sustainability of any activity based on this investment.
- 16 Within this context, examples of investment will include local facilities, particularly in areas of under provision, and follow the existing priorities of refurbishing swimming pools; increasing the amount of indoor hall sports provision; and upgrading pitches and changing accommodation. A network of training and competition facilities, developed in consultation with the needs of the governing bodies, will be supported. Further investment will be made in the Scottish Government's National and Regional Facility Strategy. These investments will address the National Strategy priorities of quality facilities and providing the player pathways.
- 17 The National Strategy priority of Well-trained People, for example, will be invested in through continuing to implement the Coaching Scotland strategy,

particularly the implementation of the UK Coaching Certificate programme through 29 governing bodies. Providing tutor training, a coach education programme and supporting the development needs of individual coaches identified by governing body workforce development plans will all be part of this investment.

- 18 Addressing the National Strategy key outcome of increasing participation will be through a review of the Community Regeneration programme to ensure focused investment in Scotland's most deprived communities and continuing the Awards for All programme providing direct awards for local community sport and clubs.
- 19 Investment aimed at achieving the other National Strategy key outcome, of improving performance, will be through the Scottish governing bodies' performance plans. For example, it will include funding for direct athlete support and performance staff. Particular attention will be given to those sports preparing teams to compete in the 2014 Commonwealth games in Glasgow.
- 20 This work will be conducted against a background of relocating the Headquarters of **sportscotland** to Glasgow and evolving a set of regional delivery centres across Scotland, which will require a restructuring of the organisation.

## Payment of Creditors

- 21 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.
- 22 During the year ended 31 March 2008 the Lottery Fund paid 100% of all invoices received within the terms of its payment policy.
- 23 The **sportscotland** Lottery Fund observes the principals of the Better Payment Practice Code.

## Risk Management

- 24 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.
- 25 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.
- 26 Based on the above, some of the main risks are identified below:-
  - 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 Government.

## Auditors

- 27 The accounts are audited by auditors appointed by the Auditor General for Scotland. For the year 2007/08 the appointed auditors were Scott-Moncrieff.

- 28 The Accountable Officer has taken steps to identify all relevant audit information and has made the auditors aware of such information. During 2007/08, no non-audit fees were paid to Scott-Moncrieff.

## Equal Opportunity in Employment and Disabled Employees

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

## Employee Involvement

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

## Members

- 31 The Members of the sportscotland Council at 31 March 2008, all of whom have been Members throughout the year, with the exception of those indicated otherwise, are listed below:

Louise Martin CBE\* (Co-opted 6 February 2008) (Chair from 2 June 2008)  
Julia Bracewell OBE\*\* (Chair until 15 February 2008)  
Wai-yin Hatton  
Dr Linda Leighton-Beck\*\*  
Atholl Duncan\*\*  
Steven Grimmond  
Stephen Wright\*  
Ian Beattie\* (Acting Chair from 16 February 2008 until 1 June 2008)  
Carolann Dobson  
Kim McAully\*  
John Fraser  
Graeme Marchbank\*  
David Sole\*  
Mike Hay MBE (Co-opted 6 February 2008)  
Sir Bill Gammell (Co-opted 6 February 2008)

\* Member of the Audit Committee

\*\* Member of the Remuneration Committee



Louise Martin CBE  
Chair  
24 June 2008



Stewart Harris  
Accountable Officer  
24 June 2008

## Corporate Governance

The Members of Council acknowledge the importance of the Combined Code, as issued in revised form in 2006 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 is established with twelve non executive members, being ministerial appointments, one of which is appointed as Chair (non executive). The Council has the authority to co-opt additional members as may be necessary from time to time to achieve a suitable spread and balance of expertise, co-opted members also serve in a non executive capacity. Three new co-opted members were approved in February 2008 resulting in fifteen members in total serving, at least in part, during this year. All of the fifteen 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 Government 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 fifteen non executive members during the 7 meetings (6 regular and one special) of 2007/08 are:-

J H Bracewell OBE	(6 of 6)	(Chair)	(Until 15 February 2008)
I Beattie	(7 of 7)	(Acting Chair)	(From 16 February 2008)
W-Y Hatton	(3 of 7)		
S Wright	(7 of 7)		
S Grimmond	(6 of 7)		
C Dobson	(5 of 7)		
Dr L Leighton-Beck	(6 of 7)		
A Duncan	(4 of 7)		
K McAully	(7 of 7)		
D Sole	(5 of 7)		
J Fraser	(6 of 7)		
G Marchbank	(5 of 7)		
Louise Martin CBE*	(1 of 1)	(Co-opted 6 February 2008)	
Mike Hay MBE	(1 of 1)	(Co-opted 6 February 2008)	
Sir Bill Gammell	(1 of 1)	(Co-opted 6 February 2008)	

### 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 2007/08 financial year is detailed below with their attendance record for the four 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 S Wright who succeeded I Beattie in February 2008.

I Beattie	(3 of 3)	(Until February 2008)
S Wright	(4 of 4)	Chair from February 2008
W-Yin Hatton	(0 of 2)	(Until June 2007)
S Grimmond	(0 of 2)	(Until June 2007)
K McAully	(1 of 2)	(From June 2007)
G Marchbank	(0 of 2)	(From June 2007)
D Sole	(1 of 3)	(Until June 2007) (then from February 2008)
L Martin	(1 of 1)	(From February 2008)

### **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 Combined Code, 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** Group have been audited and are as follows:

Name		Salary £000's	Benefits £000's	Pension Increase at 60 £000's	Total Accrued Pension at 60 £000's	CETV @ 31 March 08 £000's
S G Harris	<b>2008</b>	78	-	Pension details not obtained from STSS		
	<b>2007</b>	71	-	Pension details not obtained from STSS		
I D Robertson	<b>2008</b>	67	-	3	13	208
	<b>2007</b>	59	-	#	#	#
C Pearson	<b>2008</b>	55	1	4	16	255
	<b>2007</b>	48	1	#	#	#
M Murray	<b>2008</b>	48	1	4	17	277
	<b>2007</b>	41	1	#	#	#
J Bracewell	<b>2008</b>	29	-	None Payable		
	<b>2007</b>	33	-	None Payable		
I Beattie	<b>2008</b>	1	-	None Payable		
	<b>2007</b>	-	-	None Payable		

# - Prior year pension details have not been obtained from the Strathclyde Pension Fund for the above employees.

There are no other members of staff that earn above £50,000 per year.

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 2007/08 was 44% (2006/07 44%) with the balance, 56% (2006/07 56%), 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 former Chair, Julia Bracewell, and the Acting Chair, I Beattie, are 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 2007/08 were £78k (2006/07 £82k).

### **Remuneration Committee**

The Remuneration Committee considers and approves the remuneration and benefits of the Chief Executive Officer. The committee met once during 2007/08, on 10 August 2007, and it was chaired by J Bracewell. The Chair's remuneration is decided by the Scottish Government and thus she has no influence over her own pay award. Membership of the Remuneration Committee during 2007/08 comprised :-

J Bracewell  
A Duncan  
Dr L Leighton-Beck



Stewart Harris  
Chief Executive  
24 June 2008

## Statement of Accountable Officer'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 Health and Wellbeing Directorate 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 Government.



Stewart Harris  
Chief Executive  
24 June 2008

## 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 Government 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 2007/08 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 2007/08 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 I 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 I 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. I 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 2007/08, **sportscotland's** Freedom of Information systems were fully operational and all requests received were completed within the statutory timescales.

**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 'Stewart Harris', with a long horizontal flourish extending to the right.

Stewart Harris  
Chief Executive  
24 June 2008

## **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 2008 under the National Lottery etc Act 1993. These comprise the Income and Expenditure Account and Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. We have also audited the information in the Remuneration Report that is described in that report as having been audited.

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 Statement of Accounts, which includes the Remuneration 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 **sportscotland** and Chief Executive's Responsibilities.

Our responsibility is to audit the financial statements and the part of the Remuneration Report to be audited 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 to you 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 report to you whether, in our opinion, the information which comprises the Report of the Council, included in the Statement of Accounts, is consistent with the financial statements. 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.

In addition, we report to you if, in our opinion, 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 the Systems of Internal Control reflects the body's compliance with the Scottish Government's guidance, and we report if, in our opinion, it does not. We are not required to consider whether this statement covers all risks and controls, or 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 Statement of Accounts and consider whether it is consistent with the audited financial statements. This other information comprises only the Statement of **sportscotland** and Chief Executive's Responsibilities and the unaudited part of the Remuneration Report. 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. Our 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 and the part of the Remuneration Report to be audited. 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 most 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.

## **Opinions**

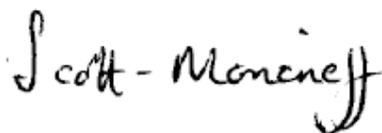
### *Financial statements*

In our opinion

- the financial statements give a true and fair view, in accordance with the 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 2008 and of its increase in fund, total recognised gains and losses and cash flows for the year then ended;
- 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; and
- information which comprises the Report of the Council included with the Statement of Accounts is consistent with the financial statements.

### *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

24 June 2008

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

**Income and expenditure account  
for the year ended 31 March 2008**

	Notes	2008 £000	2008 £000	Restated 2007 £000	Restated 2007 £000
<b>Income</b>					
National Lottery Fund proceeds	2.1		17,589		18,494
Interest receivable			140		122
Other operating income	2.2		99		924
			<u>17,828</u>		<u>19,540</u>
<b>Expenditure</b>					
Grants paid and committed during the year	3.1		7,343		6,110
Net grant commitments	3.3		2,840		4,474
Movement on Share of Pension			(1,080)		870
Staff costs:					
direct	4	2,029		2,134	
indirect	4	<u>0</u>	2,029	<u>0</u>	2,134
Depreciation	5 & 7		45		53
Other operating charges:					
direct	5	1,355		1,579	
indirect	5	<u>0</u>	1,355	<u>0</u>	1,579
Relocation Costs	12		<u>1,256</u>		<u>0</u>
			<u>13,788</u>		<u>15,220</u>
Operating surplus before tax			4,040		4,320
Notional costs			132		112
Corporation tax	6		<u>(30)</u>		<u>(26)</u>
Increase in fund			<u>4,142</u>		<u>4,406</u>

All the results of the Fund relate to continuing activities

**Statement of total recognised gains and losses  
for the year ended 31 March 2008**

Increase in fund	4,142	4,406
Other Movements	<u>0</u>	<u>0</u>
Total Increase in funds	<u>4,142</u>	<u>4,406</u>

**sportscotland**  
**Lottery Fund**  
**Balance sheet at 31 March 2008**

	Notes	2008 £000	2008 £000	Restated 2007 £000
<b>Fixed assets</b>				
Tangible assets	7		49	100
Long Term Debtor	16		210	0
<b>Current assets</b>				
Investments – balance held in NLDF	8		48,175	51,311
Debtors	9		85	680
Bank and cash-in-hand			3,108	2,293
			51,578	54,284
<b>Creditors:</b> amounts falling due within one year	10		6,880	12,664
<b>Net current assets</b>			44,698	41,620
<b>Creditors:</b> amounts falling due outwith one year	16		0	850
Provisions	12		1,316	67
<b>Net assets</b>			43,431	40,803
<b>Represented by</b>				
Grant Commitments	11		2,005	4,128
Revaluation reserve	15		13	13
General fund	13		41,413	36,662
			43,431	40,803

The accounts were approved by Council, and authorised for issue, on 24 June 2008 and signed on its behalf by:



Stewart Harris  
Chief Executive

24 June 2008



Louise Martin CBE  
Chair

24 June 2008

# sportscotland

## Lottery Fund

### Cash flow statement for the year ended 31 March 2008

	Notes	2008 £000	2007 £000
Net cash inflow/(outflow) from operating activities	(a)	701	(1,812)
Returns on investments and servicing of finance	(b)	140	122
Taxation	(b)/6	(26)	(26)
Capital expenditure and financial investment	(b)/7	<u>0</u>	<u>(2)</u>
Increase in cash during the year	(c)	<u>815</u>	<u>(1,718)</u>

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

	2008 £000	Restated 2007 £000
Operating surplus after taxation and interest	4,142	4,406
Add: taxation charge	30	26
Less: bank interest receivable	<u>(140)</u>	<u>(122)</u>
Operating surplus	4,032	4,310
Depreciation charges	45	53
Revaluation write off	5	6
Loss on disposal	0	0
Decrease in investments	3,116	3,077
(Increase)/Decrease in debtors	383	(660)
Increase/(Decrease) in creditors	(5,385)	(9,445)
Increase/(Decrease) in provisions for hard commitments	<u>(1,495)</u>	<u>847</u>
Net cash inflow/(outflow) from operating activities	<u>701</u>	<u>(1,812)</u>

## (b) Gross cash flows

	<b>2008</b> £000	<b>2007</b> £000
<b>Returns on investments and servicing of finance</b>		
Interest received	140	122
<b>Taxation</b>		
Corporation tax paid	26	23
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	0	2
Proceeds from disposal of fixed assets	0	0
	<u>0</u>	<u>2</u>

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

	<b>2008</b> £000	<b>2007</b> £000
Cash and bank balance at 1 April	2,293	4,011
Net cash inflow	<u>815</u>	<u>(1,718)</u>
Cash and bank balance at 31 March	<u>3,108</u>	<u>2,293</u>

# sportscotland

## Lottery Fund

### Reconciliation of movement of funds for the year ended 31 March 2008

	Balances held in NLDF £000	Balances at SLF £000	2008 Total £000	Restated 2007 Total £000
Opening balances	51,310	(14,648)	36,662	32,732
National Lottery Fund proceeds	17,589	0	17,589	18,494
Drawn down in year by SLF	(20,724)	20,724	0	0
Interest on cash balances	0	140	140	122
Income from <b>sportscotland</b>	0	0	0	0
Other operating income	0	99	99	924
Grants paid	0	(7,343)	(7,343)	(6,110)
Net grant commitment	0	(2,840)	(2,840)	(4,474)
Expenditure	0	(2,894)	(2,894)	(5,026)
	<u>48,175</u>	<u>(6,762)</u>	<u>41,413</u>	<u>36,662</u>

# **sportscotland**

## **Lottery Fund**

### **Notes to the accounts for the year ended 31 March 2008**

#### **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 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 2007.

##### **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 2007. 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 revaluation 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 revaluation 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 2007/08 by the National Lottery Commission and the completion of the audit of the National Lottery Distribution Fund accounts for 2007/08 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 in the **sportscotland** financial statements. The movement in the scheme surplus/deficit is split between operating charges, finance items and in the statement of recognised gains and losses in these financial statements. The share of the surplus or deficit that is attributable to the **sportscotland** lottery fund is calculated using a

split of staff time and years of operation of **sportscotland** and the **sportscotland** lottery fund and is reported in these accounts as a debtor or creditor to **sportscotland**.

#### 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.

#### 1.9 Provisions

A provision (a liability that is of uncertain timing or amount) is recognised in the **sportscotland** lottery accounts only when it actually exists at the balance sheet date. A provision is recognised when the **sportscotland** lottery fund has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## 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>2008</b>	<b>2007</b>
	£000	£000
Repayment of grant	1	915
Miscellaneous income	98	9
	<u>99</u>	<u>924</u>

### 3 Grants paid and net grant commitment

	<b>2008</b> £000	<b>2007</b> £000
<b>3.1 Annual grants paid and committed during the year</b>		
Capital and Revenue	7,343	6,110
	<b>2008</b> £000	<b>2007</b> £000
<b>3.2 Grants paid during year</b>		
Paid and committed during year	7,343	6,110
Committed in previous years	11,013	13,800
	<b>2008</b> £000	<b>2007</b> £000
<b>3.3 Net grant commitments</b>		
Hard commitments made during year	11,378	15,431
Less: amounts paid and committed during year	(7,343)	(6,110)
Less: amounts de-committed during year	(1,195)	(4,847)
<b>Net grant commitment at 31 March</b>	<b>2,840</b>	<b>4,474</b>
	<b>2008</b> £000	<b>2007</b> £000
<b>3.4 Net grant commitments split</b>		
Capital programmes	1,293	(1,062)
Revenue	1,547	5,536
	<b>2008</b> £000	<b>2007</b> £000
<b>3.5 Grants paid during the year by programme</b>		
<b>3.5.1 Capital Facilities</b>		
National	20	136
Regional	0	18
Local	9	367
Swimming Pools	660	1,154
Football Academies	0	170
Community Facilities	2,193	1,278
Training & Competition Facilities	1,018	1,499
Sports Facilities Programme	792	1,851
	<b>4,692</b>	<b>6,473</b>

	<b>2008</b> £000	<b>2007</b> £000
<b>3.5.2 Revenue Funding</b>		
Talented Athletes (Athlete Support)	2,755	1,954
Commonwealth Games		
Enhancement Funding	0	69
Major Events	120	0
Community Regeneration	862	1,484
Awards for All	1,000	1,000
National Coach Support	2,007	1,342
TOP Programme	0	582
Organisational Development	414	274
Volunteer Development	0	99
Coaching	498	213
Player Improvement	724	1,138
Club Development	0	108
Scottish Institute & Area Institutes	5,284	5,174
	<u>13,664</u>	<u>13,437</u>
<b>Total grants paid during the year</b>	<u>18,356</u>	<u>19,910</u>

## 4 Employees

	<b>2008</b> £000	<b>Restated</b> <b>2007</b> £000
<b>4.1 Total staff costs comprise:</b>		
Wages and salaries	1,630	1,759
Social security costs	135	131
Other pension costs	264	244
Aggregate staff costs	<u>2,029</u>	<u>2,134</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>2008</b>	<b>2007</b>
<b>4.2 The average monthly number of employees during the year was:</b>	<u>60</u>	<u>60</u>

## 5 Other operating charges

The operating result is after charging:

	<b>2008</b>	<b>2007</b>
	£000	£000
Administration expenses	1,049	1,276
Travel and subsistence	63	74
Auditors' remuneration – External	20	20
Internal	8	11
Operating rentals	78	80
Loss on disposal of assets	0	0
Revaluation write off	5	6
Notional costs	132	112
Depreciation	45	53
	<u>1,400</u>	<u>1,632</u>

## 6 Corporation tax

	<b>2008</b>	<b>2007</b>
	£000	£000
Corporation tax	27	23
Under tax provision	3	3
	<u>30</u>	<u>26</u>

## 7 Tangible fixed assets

	<b>Total</b>	<b>Fixtures and Fittings</b>	<b>Equip- ment</b>
	£000	£000	£000
Cost at 1 April 2007	386	95	291
Revaluation at 31 March 2008	(8)	0	(8)
Additions to 31 March 2008	0	0	0
Disposals to 31 March 2008	(10)	(1)	(9)
Cost at 31 March 2008	<u>368</u>	<u>94</u>	<u>274</u>
Aggregate depreciation at 1 April 2007	286	95	191
Revalued aggr depr at 31 March 2008	(2)	0	(2)
Charge for the year	45	0	45
Disposals to 31 March 2008	(10)	(1)	(9)
Aggregate depreciation at 31 March 2008	<u>319</u>	<u>94</u>	<u>225</u>
Net Book Value at 31 March 2008	<u>49</u>	<u>0</u>	<u>49</u>
Net Book Value at 31 March 2007	<u>100</u>	<u>0</u>	<u>100</u>

## 8 Investments

	<b>2008</b> £000	<b>2007</b> £000
National Lottery Distribution Fund	<u>48,175</u>	<u>51,311</u>

As at 31 March 2008 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 £48,068k.

The final audited balance for the value of investments as at 31 March 2008 is not yet available. The final audited balance and interim balance for the value of investments as at 31 March 2007 has been obtained from NLDF and has been outlined below.

	<b>2007</b> <b>Interim</b> <b>Valuation</b> £000	<b>2007</b> <b>Final</b> <b>Valuation</b> £000
National Lottery Distribution Fund	<u>51,311</u>	<u>51,318</u>

## 9 Debtors

	<b>2008</b> £000	<b>Restated</b> <b>2007</b> £000
Trade debtors	83	7
Other debtors	2	672
Prepayments and accrued income	0	1
	<u>85</u>	<u>680</u>

## 10 Creditors: amounts falling due within one year

	<b>2008</b> £000	<b>2007</b> £000
Trade creditors	0	0
Corporation tax	27	23
Hard commitments payable within one year	6,448	12,491
Other creditors	269	0
Accruals and deferred income	136	150
	<u>6,880</u>	<u>12,664</u>

## 11 Grant Commitments

	2008 £000	2008 £000	2007 £000
<b>Capital</b>			
Balance as at 1 April		9,334	16,704
Amounts committed during the year		1,646	1,235
Total hard commitments		10,980	17,939
Amounts paid during the year	4,475		
Amounts paid and committed during the year	217		
Amounts de-committed during the year	136	4,828	8,605
Hard capital commitments at 31 March		6,152	9,334

	2008 £000	2008 £000	2007 £000
<b>Revenue</b>			
Balance as at 1 April		7,352	9,308
Amounts committed during the year		9,733	14,196
Total hard commitments		17,085	23,504
Amounts paid during the year	6,538		
Amounts paid and committed during the year	7,125		
Amounts de-committed during the year	1,060	14,723	16,152
Hard revenue commitments at 31 March		2,362	7,352
Total hard commitments at 31 March		8,514	16,686

At 31 March 2008 a total of £6,448k (2006/07 £12,492k) is payable within one year and disclosed in Note 10. This is after charging £6k for the retirement provision below. A further £2,005k (2006/07 £4,128k) is payable within two to five years and shown on the face of the accounts under Grant Commitments. A further £61k (2006/07 £67k) is included in Provisions

## 12 Provisions

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.

A provision for the cost of relocating **sportscotland** Lottery staff to Glasgow has been created for 2007/08.

	<b>2008</b> £000	<b>2007</b> £000
Opening balance at 1 April	67	73
Additional provisions during the year	1,256	0
Utilised during the year	6	6
Closing balance at 31 March	<u>1,316</u>	<u>67</u>

### 13 General Fund

	<b>2008</b> £000	<b>Restated</b> <b>2007</b> £000
<b>Represented by:</b>		
Balance as at 1 April	36,662	32,732
Change in fund for the year	4,142	4,406
Pension Adjustment	609	(476)
Balance as at 31 March	<u>41,413</u>	<u>36,662</u>

### 14 Soft capital commitments

	<b>2008</b> £000	<b>2008</b> £000	<b>2007</b> £000
Balance as at 1 April		85	200
Amounts committed during the year		<u>992</u>	<u>1,120</u>
Total soft commitments		1,077	1,320
Amounts transferred to hard commitments	1,044		
Amount de-committed during the year	<u>0</u>		
		<u>1,044</u>	<u>1,235</u>
Soft commitments at 31 March		<u>33</u>	<u>85</u>

## 15 Revaluation reserve

	2008 £000	2007 £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
	<hr/>	<hr/>
Revaluation reserve balance as at 31 March	13	13

## 16 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 270% and 208% (2006/07 260% 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 £6k (2006/07 £4k) and SPF £258k (Restated 2006/07 £240k).

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 2007. The STSS was last valued at 31 March 1996.

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

### 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.

## 17 Amounts committed in respect of National Lottery grants

At 31 March 2008 the **sportscotland** Lottery Fund has commitments totalling £6,152k (2006/07 £9,334k) 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 £1,046k (2006/07 £1,235k). During the year to 31 March 2008, there are further commitments of £33k (2006/07 £85k) for capital awards where offers have been made but which are subject to acceptance of the relevant conditions.

## 18 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 Scottish Sports Council 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	1,000
Scottish Institute of Sport	4,465

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
S Grimmond – Fife Council	234

The **sportscotland** members and their associated organisations during the year to 31 March 2008 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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Wai-yin Hatton	Karate Union of Great Britain Ayrshire and Arran NHS Board Ayrshire Special Games Trust
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Kilmarnock College  
Ayrshire Chamber of Commerce

Dr Linda Leighton-Beck

Cults Otters ASC  
NHS Grampian

Atholl Duncan

Watsonian Rugby Club  
Hibernian FC

Steven Grimmond

Fife Council  
Scottish Arts Council  
Dundee FC

Stephen Wright

Fair Pley Ltd  
Jamkat Ltd  
Glasgow Rangers FC

Ian Beattie

Scottish Athletics  
Strathearn Harriers

Carolyn Dobson

RYA Scotland

John Fraser

None

Kim McAully

Angus Council

Graeme Marchbank

Diageo PLC

David Sole

Whitehead Mann Ltd  
HBOS Foundation

Louise Martin CBE

UK Sport  
Scottish Gymnastics  
Commonwealth Games Federation  
Scottish Sports Aid Foundation  
University of Abertay  
Scottish Swimming

Mike Hay MBE

British Olympic Association

Sir Bill Gammell

Cairn Energy PLC  
Scottish Institute of Sport Foundation

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

## 19 Operating Leases

At 31 March 2008 the **sportscotland** Lottery Fund had annual commitments under non-cancellable operating leases for the following year as detailed below:

	<b>2008</b> £000	<b>2007</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>19</u>	<u>7</u>
Expiry within two to five years	<u>75</u>	<u>138</u>

## 20 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 Article 15 of The Royal Charter of the Scottish Sports Council (now trading as **sportscotland**), 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 (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 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



## 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 (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 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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