

sportscotland
National Lottery
Distribution Fund

Annual Report and Accounts
for the year ended 31st March 2012

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for the year ended 31st March 2012

Presented to Parliament pursuant to Section 34(3)
of the National Lottery etc Act 1993

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November 2012

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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**.

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.

Format of Accounts

- 4 These accounts have been prepared in accordance with the accounts direction issued by the Scottish Minister.

Members of the Council

5 The Members of the **sportscotland** Council at 31 March 2012, all of whom have been Members throughout the year, with the exception of those indicated otherwise, are listed below:

Louise Martin CBE (Chair)
Ian Beattie* (Vice Chair)(Until Apr 12)
Carolyn Dobson
Graeme Marchbank*
David Sole OBE**
Mike Hay MBE
Sir Bill Gammell**
Prof Grant Jarvie**
Mel Young* **
David Gass
Rodney Stone*
* Member of the Audit Committee
** Member of the Remuneration Committee

Hamish McKay is a member of the Audit Committee and is a representative of the **sportscotland** Trust Company.

Allan Munro is a member of the Audit Committee.

The company directorships and other significant interest held by the Council members are listed within Note 16 - Related party transactions within the financial statements.

Management commentary

A) Review of business

6 The accounts relate to the year ended 31 March 2012 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.

7 During the year to 31 March 2012, £21,057K (2010/11 £21,077K) was called down from the NLDF towards the payment of approved awards and the administration of the National Lottery Fund. Administration costs including depreciation for the year totalled £4,637k (2010/11 £3,927k).

8 A summary of the Lottery Reserves position at the end of 2011/12 showing the commitments to be made over the 4 year Corporate Plan period 2011/12 to 2014/15 are highlighted in the table below.

9 The **sportscotland** Lottery statutory accounts are prepared so as to provide details of hard commitments to partners annually. Thus the income and expenditure account reflects these commitments.

10 This does not take account of the ongoing commitment to our partners who work to a four year plan to deliver specific outcomes.

11 The analysis below provides a breakdown of the soft/other commitments made at **sportscotland** over the Corporate Plan period 2011-2015.

	£000's	£000's
Monies held in National Lottery Distribution Fund for sportscotland		49,213

Less:- Commitments during 2011-15
Corporate Plan

Partner Revenue Funding	56,637	
Capital Funding	31,540	
Olympic Lottery Distribution Fund	5,354	
Effective Organisation	14,917	
National Regional Sports Facility Strategy	<u>2,994</u>	<u>111,442</u>
Balance to be funded by future Lottery Revenues		<u><u>62,229</u></u>

- 12 Our corporate plan 2011-2015 outlines our plans to invest our time, expertise and public funding in developing and supporting a world-class system for sport. It is about the difference we will make to sport in Scotland by 2015 and the changes people will see as we work towards that.

Our programmes

- 13 Our corporate plan 2011-15 outlines six programmes, which form the core of our business plan and focus on our external investment. These are underpinned by two further programmes which focus on organisational effectiveness and understanding and belief in sport and **sportscotland**.
- 14 During 2011-12 we focussed on embedding our new corporate plan, and on developing internal processes to integrate the work of our various teams and investment strands to ensure it is aligned to our programmes. These processes will continue to evolve throughout 2012-13.

A summary of the key achievements in each programme is outlined below.

School sport

- 15 During the 2010-11 school year Active Schools delivered over 4.6 million participant sessions¹, which is the number of visits pupils make to Active Schools sessions. This figure has remained constant since 2009-10. Seventy-three per cent of participant sessions were delivered by volunteers, compared to 72% in 2009-10.
- 16 We successfully implemented a new Active Schools Monitoring Online (ASMO) system, which tracks more accurately activity and progress associated with the programme, and gives us and our local partners a more efficient and meaningful tool for continuous improvement.
- 17 A focus for this year was to develop further our relationships with local and national partners with a responsibility for physical education (PE) and school sport. A strong partnership was developed with the national agency Education Scotland to lead on two hours / two periods of PE. We also committed to focus on young people in leading and contributing to Scottish sport, improving our partnership working with young persons' organisations, including Young Scot and the Youth Sport Trust.

¹ This figure is adjusted to remove playground games and sports leader award activities to ensure consistency with current reporting.

Community Sports Hubs

- 18 We worked with professional staff and volunteers in Scottish sport to develop the club sport framework, a reference point for us and our national and local partners to inform planning and practice in club sport. The framework was launched at the integrated networking event at the Glasgow Science Centre in September 2011.
- 19 We made significant progress in developing and rolling out the community sport hub concept across Scotland. At the end of the 2011-12 business plan year there were agreed plans in place to develop 131 hubs across 28 local authorities. Of these, 57 hubs have started engaging local communities and developing their hub. The remainder of the planned hubs are phased for development over the next few years ensuring we remain on track to deliver the target of 150 hubs by 2016.
- 20 Our regional partnerships continued to focus on developing sport-specific plans. Progress has been made joining up local and national plans, on the ground with school club links and towards improving the stability of the clubs themselves.

Performance sport

- 21 Over 30 medals were won on the world stage by athletes supported by the sportscotland institute of sport (SIS). This compares with 40 in 2010-11, which was a Commonwealth Games year. Over 550 athletes were provided with performance expertise and specialist services in over 40 sports. This figure has remained constant since 2010-11.
- 22 SIS staff featured in a number of major GB teams including the Winter Youth Olympics. Scotland's interests were represented and protected through the presence of expert staff on a number of key UK groups such as Project Rio, Paralympics UK Forum, UK Sport Innovation Group, UK Sport Talent Group and the Institute Directors Group.
- 23 Major post-Delhi reviews undertaken in 2010-11 have led to clear policies and funding decisions being implemented during 2011-12 for all Glasgow 2014 sports. These are being supported by institute staff. The monitoring and management process around Mission 2014 was sharpened and received positive responses from all Scottish governing bodies (SGBs). Close tracking of all athletes and sports is now taking place.

People

- 24 We continued to support the education of coaches in Scotland by implementing a new UKCC funding model across 24 sports, which supported over 2,600 coaches at Level 1. At a regional level, we created a process to develop regional CPD opportunities across the country.
- 25 Working closely with Volunteer Development Scotland and partners across the sports sector, we developed and launched the volunteering framework, which will provide clear focus for priority areas over the next three years.
- 26 We continued to roll out the Positive Coaching Scotland (PCS) programme by completing 15 strategic meetings with local authorities, an increase from nine in 2010-11. This brings the total number of local authorities committed to delivering PCS to 24. We are on target to engage all 32 local authorities in the initial three year business plan. We also finalised the full suite of workshop resources to target all four influencer groups: coaches, teachers, parents and club leaders.

Places

- 27 We worked with a number of local authorities and SGBs throughout the year to plan strategically for facility needs using our Facilities Planning Model to support the development of pitch and facility strategies. We continued to fulfil our statutory planning role by responding to 64 planning applications, which were referred to us for consultation during the year. We sought to ensure no loss of quality or capacity to sports facilities in respect of these development proposals.
- 28 We progressed our technical expert function, with an emphasis on providing a range of tools, primarily to help clubs develop capital projects. This included the development of project specific case studies, technical data sheets and exemplar designs for changing pavilions and covered synthetic grass pitches. We delivered six workshops to partners to promote our work in this area.
- 29 We invested nearly £7m of National Lottery and Scottish Government funding into 60 projects through the Sports Facilities Fund, with a total value of £52.5m. Nearly half of the projects were funded through our Small Projects Fund (projects with a value under £100,000). We also continued to manage the implementation of the 25 football and 12 rugby projects funded through the CashBack for Sports Facilities Fund.
- 30 Progress was made this year on developing proposals for two major facility projects. We looked at the feasibility of developing a national training centre for shooting and we worked with the Scottish FA and other SGBs to look at the feasibility of developing a national performance centre for sport.

Partnerships and planning

- 31 We further developed our relationships with all 32 local authorities, and used local and national information to influence and support more robust local strategic planning for sport. Focused work took place with five local partners and in Shetland, this resulted in a joint plan between sport, health and education.
- 32 We invested over £14m in 48 SGBs to deliver outcomes linked to performance and development, as outlined in our investment principles. Investment is also targeted at developing the workforce and strengthening governance within each sport.
- 33 As part of our planning and support processes for SGBs, we commissioned a new expert resource programme that allows SGBs direct access to legal, HR and finance support. We also reviewed the governance audit programme for SGBs and piloted a new approach. Further developments will allow it to be used as a continuous improvement tool.

Effective organisation

- 34 The completion of a second year of external cost benchmarking against other Scottish public bodies highlighted sportscotland is a relatively efficiently run organisation against comparator bodies. Following a full review during the autumn of this year, we achieved the Investors in People silver award and we also achieved a significant improvement in the external rating of our procurement processes.
- 35 We continued to provide learning and development opportunities to staff, including the launch of the first phase of effective line management workshops to update and develop knowledge of core management responsibilities, skills and competencies. The programme has received a positive response from attendees. We also continued to develop online staff support through the introduction of electronic pay slips.
- 36 Building on the ICT infrastructure improvements completed in the first few months of the year, the first phase of the business systems review process was completed with the installation of Microsoft SharePoint as a new document management system.

- 37 We further developed the strategic planning process by better integrating business planning and budgeting and introducing a programme-based approach to planning key strategic areas.
- 38 Organisational support groups focusing on health and safety and estates development and management successfully completed their plans during the year ensuring effective delivery of organisational responsibilities and the capital programme respectively. Estates development included successfully establishing the network of regional offices and increased utilisation of Caledonia House as a meeting venue for sporting bodies.

Understanding and belief in sport and sportscotland

- 39 We developed and published the corporate plan summary, which has helped staff communicate the organisation's priorities clearly and consistently. This has been underpinned by the ongoing development of Sport First magazine, hard copy and online, as a key channel for messages about sport and sportscotland.
- 40 We initiated the research required to help underpin and support the messages which will be communicated through the Power of Sport materials to be developed during 2012-13.
- 41 Support and advice was provided internally and externally to strengthen sportscotland's reputation as the lead agency for sport. This involved raising awareness and knowledge of the policy context for sport and external factors affecting the work of the organisation, as well as developing a stronger media presence.

The changes people will see

- 42 We continue to develop a person-centred view of sport, a focus which we believe will provide people with the conditions they need to participate, perform and succeed. If we focus in this way, people participating or wanting to participate in sport in Scotland will see the changes below.
- People will be supported by a range of people, competent at the level they need, working on the right kind of activities and in the right places.
 - People will have a more accessible network of places where they can take part in sport and those places will better meet their needs and expectations.
 - People will find that getting in to sport, progressing and achieving in sport and moving between sports will be easier.
 - People will discover that making sport a part of life, throughout life, will feel more possible and more of their friends, family and colleagues will be involved in it.
 - People will see, hear and read more about sport in their communities and about Scottish athletes on the world stage.
- 43 This year we started to think about how our work and the work of our partners contributes to these changes. This is an evolving approach, which we will continue to refine and develop throughout the period of this corporate plan. Information on how our work has contributed to the changes will be available in our 2011-12 annual review, which will be published later in 2012.

B) Future plans

- 44 During year two of our corporate plan we will continue to deliver a range of key activities that will support and develop a world-class system for sport in Scotland. Our planned key activities are outlined in our 2012-13 business plan. A lot of our work from this year is ongoing, although a number of new areas of work have emerged. For example, we will:

- Develop and deliver projects that empower young people to influence, lead and participate in Scottish sport, including Active Girls and the Young person's sport panel.
- Work in partnership with Education Scotland to drive forward the Scottish Government's commitment to two hours / two periods of PE per week.
- Develop our approach to talent development through clubs, by investing in coaches and facility access, according to the talent principles.
- Further develop and support our regional infrastructure to increase club membership, increase the quality and quantity of coaching in clubs, and focus on growing and developing talented athletes through clubs.
- Review all performance programmes in Olympic and Paralympic sports with the overall aim of making investment decisions on new goals for Scottish governing bodies for the Rio 2016 Olympic cycle.
- Develop targeted regional support for coach education and development in rural areas to improve retention of coaches in these key areas.
- Develop the facilities database and facilities planning model to enhance our strategic approach to managing the supply and demand of sports facilities.
- Implement a continuous improvement approach that will identify areas where we can achieve greater efficiencies and effectiveness and ultimately higher value impacts from our investments.
- Focus on evidencing the value and contribution of sport by deepening our understanding of sport and the more challenging issues we have to overcome to develop a world class sporting system.
- Use stakeholder engagement to help refine our activities and investment priorities

C) Sickness absence data

45 The sickness absence rate during 2011/12 was 1.35% (2010/11: 1.18%).

D) Personal data related incidents

46 There were no personal data related incidents during the year.

E) Group pension liability

47 Please refer to the post retirement benefits accounting policy within the accounting policies in Note 1 to the financial statements

F) Remuneration for non audit services

48 The accounts are audited by auditors appointed by the Auditor General for Scotland. For the year 2011/12 the appointed auditors were Grant Thornton.

49 During 2011/12, no non-audit fees were paid to Grant Thornton.

Corporate Objectives

50 **sportscotland** is the national agency for sport in Scotland. **sportscotland** is responsible for the investment of Scottish Government and National Lottery resources to support people in Scotland to participate, develop and achieve in sport. **sportscotland** strives to ensure these resources are invested wisely so as to achieve best value and maximum impact.

51 The **sportscotland** corporate plan for 2011/15 outlines the priorities and principles for **sportscotland** investment. The plan was reviewed extensively in 2010/11 and a new plan was completed in March 2011.

52 The **sportscotland** corporate plan continues to be guided by Reaching Higher, the national strategy for sport and the achievement of Scotland Performs, the Scottish Government's national performance framework for Scotland. We also support the specific priorities within the Scottish Government's Games Legacy Plan, which sets out legacy ambitions for Scotland from London 2012 and Glasgow 2014.

53 Guided by Scottish Government and National Lottery directions, the **sportscotland** Corporate Plan for 2011/15 identifies 6 priorities that guide operations and investment:

- Schools;
- Clubs;
- High Performance Sport;
- Places;
- People;
- Partners and planning;

54 These priorities are not stand alone, they work together to create a single world class system for sport in Scotland. Therefore in 2011/12 **sportscotland** continued to invest Scottish Government and National Lottery resources in an integrated way against applications from partners, to ensure the resources complement each other.

Intangible assets

55 During the year to 31 March 2012 there was £0k (2010/11 £0k) spent on acquiring intangible assets for **sportscotland** Lottery Fund activities.

Retained Reserves

56 Accumulated funds totalling £35,331k (2010/11 £43,024k) were held on the Statement of Financial Position at the end of the year.

Payment of Creditors

57 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.

58 During the year ended 31 March 2012 the Lottery Fund paid 90% (2010/11 77%) of all invoices received within the terms of its payment policy.

59 The Scottish Government policy of paying 100% of invoices within 10 days of being received within the Finance department has been met in full.

60 The **sportscotland** Lottery Fund observes the principles of the Better Payment Practice Code.

Risk Management

61 The system of internal control within **sportscotland** is based on an ongoing process designed to identify the principal risks to the achievement of **sportscotland's** policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

62 **sportscotland** continues to maintain full compliance with the Scottish Government Security Policy Framework which seeks to ensure that appropriate systems are in place to manage risks associated with information security. Business Continuity and Data Disaster Recovery arrangements have been in place during 2011/12.

63 **sportscotland** will achieve its risk management objectives by the continued use of an embedded, structured risk management process, designed to ensure that potential opportunities and threats are proactively and systematically identified, assessed and addressed. It will also provide for the monitoring and reporting of risk on an ongoing basis.

64 Based on the above, a sample of the main risks are:

- Limited Lottery resources become insufficient to deliver core activities;
- The inability to deliver sufficient National Strategy for Sport outcomes to the satisfaction of the Scottish Government;
- The financial situation within Local Authorities could lead to significant cuts to Sports Development teams.

Equal Opportunity in Employment and Disabled Employees

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

Employee Involvement

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

Statement as to disclosure of information to auditors

67 So far as the Accountable Officer is aware, there is no relevant audit information of which the body's auditors are unaware and the Accountable Officer has taken all the steps that he ought to have taken in order to make himself aware of any relevant audit information and to establish that the body's auditors are aware of that information.

Approved by the Council and signed on its behalf:



Stewart Harris
Chief Executive & Accountable Officer
28 August 2012



Louise Martin CBE
Chair
28 August 2012

Annual Governance Statement

As Accountable Officer, I have responsibility for maintaining a sound system of internal control which supports the delivery of **sportscotland's** policies, aims and objectives, as set out 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 funds were in place throughout 2011/12.

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's** 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 2011/12 and have been reviewed during the year with a view to establishing their effectiveness and improving their robustness.

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, Grant Thornton and Audit Scotland, in their management letters and other reports.

The key components of the control framework are detailed below:

sportscotland Council

The Members of the **sportscotland** Council at 31 March 2012, all of whom have been Members throughout the year, with the exception of those indicated otherwise are listed below:

Louise Martin CBE	(Chair)
Ian Beattie*	(Vice Chair)(Until Apr 12)
Carolán Dobson	
Graeme Marchbank*	
David Sole OBE**	
Mike Hay MBE	
Sir Bill Gammell**	
Prof Grant Jarvie**	
Mel Young * **	
David Gass	
Rodney Stone*	

* Member of the Audit Committee

** Member of the Remuneration Committee

At the start of the year, the Council had 11 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. All 11 non executive members who held office during the year are considered by **sportscotland** to be independent in character and judgement and of having no material relationship with the group. Council members are appointed by the Scottish Minister following a recruitment process managed by the Scottish Government with appointments normally 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 11 non executive members who held office during the year of the six meetings of 2011/12 was:

Louise Martin CBE	(5 of 6)	(Chair)
I Beattie	(6 of 6)	(Vice Chair)
C Dobson	(4 of 6)	
D Sole OBE	(5 of 6)	
G Marchbank	(5 of 6)	
Mike Hay MBE	(6 of 6)	
Sir Bill Gammell	(4 of 6)	
Prof G Jarvie	(5 of 6)	
M Young	(6 of 6)	
D Gass	(5 of 6)	
R Stone	(6 of 6)	

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. There are two main Council Member committees – Group Audit Committee and the Group Remuneration Committee.

Group Audit Committee

Membership of the Group Audit Committee consists of four non executive Council members, one independent member (A. Munro) and one independent member from the **sportscotland** Trust Company (H. Mackay). The membership during the 2011/12 financial year is detailed below with their attendance record for the four meetings which took place.

The Audit Committee receives periodic reports from the Internal Auditors concerning internal control and these are reported to the Council. **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.

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 findings as well as ensure that any agreed recommendations are followed up by management. 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 C Dobson following the resignation of I Beattie.

I Beattie	(4 of 4) (Chair)(Resigned Apr 12)
G Marchbank	(3 of 4)
M Young	(3 of 4)
H Mackay	(3 of 4)
A Munro	(4 of 4) (From July 2011)
R Stone	(2 of 2) (From January 2012)

Group Remuneration Committee

The Group Remuneration Committee considers and approves the remuneration and benefits of the Chief Executive Officer and the overall pay framework for **sportscotland**. The Committee met on 30 June 2011 and 7 March 2012. 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 2011/12 comprised:

D Sole OBE	(Chair)
Sir Bill Gammell	(To Jun 2011)
Prof G Jarvie	
M Young	(To Jun 2011)
D Gass	(From Mar 2012)
C Dobson	(From Mar 2012)

Risk Management

The three departmental risk registers for Sports Development (SD), Corporate Services (CS) and High Performance (HP) are reviewed on a quarterly basis and relevant risks escalated to the Corporate Risk Register. The departmental risk registers are included as standing agenda items across various organisational meetings so that these can be reviewed on a regular basis, particularly at each quarter. The registers are part of Covalent, a workflow management system which prompts relevant individuals to provide an update as and when appropriate.

The Corporate Risk Register is reviewed by the Audit Committee and the main **sportscotland** Board six monthly. The outcome of these meetings are the provision of a control strategy/mitigation for each of the significant risks.

A selection of the significant risks are:-

1. Pension Liability requires increased funding. The sportscotland pension fund is in deficit and could increase, particularly if markets continue to suffer in the current economic climate.

Mitigation - Continue to monitor the pension liability at the end of each financial year.

2. M&E (in full) audits across the **sportscotland** estate identify significant financial investment requirements

Mitigation – Continue to evaluate the budget, at least annually, of the requirements of maintaining the sportscotland estate.

3. Health and safety audits across the sites identify significant financial investment requirements

Mitigation – Regular health and safety meetings discuss the ongoing issues and in particular the financial implications.

4. Financial situation at Local Authority level results in significant cuts to Sports Development teams

Mitigation - Close working with all Local Authorities. Provision of examples of working together through regional approach. Promotion of sustainable clubs.

Information Security

During 2011/12, **sportscotland** continued to provide assurance that full compliance with the Scottish Government Security Policy Framework, which seeks to ensure that appropriate systems are in place to manage risks associated with information security, was in place. In addition, Business Continuity and Data Disaster Recovery arrangements are in place. No significant lapses of data security were found during 2011/12.

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 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.

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 including developing systems in response to any relevant reviews and developments in best practice.

Throughout 2011/12, **sportscotland's** Freedom of Information systems were fully operational and all requests received were completed within the statutory timescales.

A handwritten signature in black ink, appearing to read 'Stewart Harris', written in a cursive style.

Stewart Harris
Chief Executive & Accountable Officer
28 August 2012

Remuneration Report

The **sportscotland** Lottery Fund operates a full Performance and Development Appraisal (PDA) 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 Chief Executive, S G Harris, is appraised by the Chair with a full report given to the Scottish Government (SG). Any performance related payments are formally approved by the SG. All directors are appraised through the PDA system by the Chief Executive.

All executive directors' employment contracts are open ended, have three month notice periods and the redundancy policy is the payment of one month's salary for every years' service.

The salary and pension entitlements of the most senior members of the **sportscotland** Group have been audited and are as follows:

Name		Salary	Benefits	Real increase in pension during the year	Real increase in lump sum during the year	Total Accrued Pension at 60	Total Accrued Lump sum at 60	Cash equivalent transfer value Restated
		£000's	£000's	£000's	£000's	£000's	£000's	£000's
S G Harris	2012	87	-	2	4	23	68	509
	2011	89	-	2	5	21	64	463
S Ogg	2012	73	-	1	0	4	4	77
	2011	73	-	1	0	3	4	56
M Roberts	2012	73	2	1	0	5	7	68
	2011	73	2	1	0	4	7	45
M Whittingham	2012	84	1	*	*	*	*	66
	2011	84	3	*	*	*	*	66
L Martin	2012	29	-			None Payable		
	2011	30	-			None Payable		

*M Whittingham is not in a final salary scheme and thus the disclosure is not relevant.

In addition to the above, S G Harris received a retention payment of £8k as part of the approved relocation package following the decision by the Scottish Government in January 2008 to relocate **sportscotland** from Edinburgh to Glasgow.

There are six other members of staff that earn above £55,000 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 process that assesses every employee and their split of work between the two companies. The split for the **sportscotland** Lottery Fund during 2011/12 was 31% (2010/11 26%) with the balance, 69% (2010/11 74%), being funded from Scottish Government resources.

The median remuneration is £31,095 for staff, the ratio to the highest paid director is 2.82, as at the reporting period end date.

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

Remuneration is paid to council members at the rate of £158 for each meeting attended, along with an £80 payment for preparation for board meeting. Attendance at Committee meetings are paid at the same rate.

I Beattie is employed by Lindsays, a firm of solicitors, who invoice **sportscotland** for the services he provides as Vice Chair.

Sir Bill Gammell has waived his rights to any payments for attendance

The Lottery operates a car leasing scheme for essential users. Payments made during 2011/12 were £157k (2010/11 £88k).

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 & Accountable Officer
28 August 2012

Independent auditor's report to the members of Scottish Sports Council Lottery Fund, the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of the Scottish Sports Council Lottery Fund for the year ended 31 March 2012 under the National Lottery etc Act 1993. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flow, the Reconciliation of Movement of Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2011/12 Government Financial Reporting Manual (the 2011/12 FReM).

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

Respective responsibilities of Accountable Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and receipts in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my 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 the body's affairs as at 31 March 2012 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2011/12 FReM; and
- have been prepared in accordance with the requirements of the National Lottery etc Act 1993 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

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

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the National Lottery etc Act 1993 and directions made thereunder by the Scottish Ministers; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Edinburgh
12 September 2012

sportscotland

Lottery Fund

Statement of Comprehensive Income for the year ended 31 March 2012

	Notes	2012 £000	2011 £000
Income			
National Lottery Fund proceeds		24,885	21,077
Interest receivable		6	8
Other operating income	2	181	96
		<u>25,072</u>	<u>21,181</u>
Expenditure			
Grants paid and committed during the year	3	16,938	14,648
Net grant commitments	3	11,191	4,095
Staff costs	4	2,765	2,211
Depreciation	5	23	23
Other operating charges	5	1,848	1,691
		<u>32,765</u>	<u>22,668</u>
Operating deficit before tax		(7,693)	(1,487)
Corporation tax	6	(0)	(2)
Decrease in fund		<u>(7,693)</u>	<u>(1,489)</u>

All the results of the Fund relate to continuing activities.

No other gains or losses were incurred in the year.

The notes to the accounts form part of these financial statements

sportscotland Lottery Fund

Statement of Financial Position at 31 March 2012

	Notes	2012 £000	2011 £000
Non-current assets			
Property, plant, and equipment	7	0	0
Intangible assets	8	29	52
Total non-current assets		<u>29</u>	<u>52</u>
Current assets			
Cash and cash equivalents			
Investments – balance held in NLDF	9	49,525	49,213
Cash at bank	12	207	1,716
Trade and other receivables	10	<u>221</u>	<u>18</u>
Total current assets		<u>49,953</u>	<u>50,947</u>
Total assets		<u>49,982</u>	<u>50,999</u>
Current Liabilities			
Trade and other payables	11	<u>12,635</u>	<u>7,098</u>
Total current liabilities		<u>12,635</u>	<u>7,098</u>
Non-current assets plus net current assets		37,347	43,901
Non-current liabilities			
Provisions	13	<u>2,016</u>	<u>877</u>
Total non-current liabilities		<u>2,016</u>	<u>877</u>
Net assets		<u>35,331</u>	<u>43,024</u>
Taxpayers Equity			
General fund	14	35,331	43,024
		<u>35,331</u>	<u>43,024</u>

The Accountable Officer authorised these financial statements for issue on 28 August 2012



Stewart Harris
Chief Executive & Accountable
Officer



Louise Martin CBE
Chair

The notes to the accounts form part of these financial statements

sportscotland Lottery Fund

Statement of Cashflow for the year ended 31 March 2012

	Notes	2012 £000	2011 £000
Cash flows from operating activities			
(Deficit) / surplus on ordinary activities before tax		(7,693)	(1,487)
<i>Adjustment for non-cash items</i>			
Depreciation on tangible and non-tangible fixed assets		23	23
<i>Movements in working capital</i>			
(Increase)/decrease in investments		(312)	(2,453)
(Increase)/decrease in trade and other receivables		(203)	430
Increase in trade payables		5,537	2,631
<i>Movements in provisions</i>			
Increase/(decrease) in provisions for hard commitments		1,139	(604)
Taxation Paid		(-)	(1)
Net cash (outflow) / inflow from operating activities		(1,509)	(1,461)
Cash flows from investing activities			
Purchase of intangible assets		-	-
Net cash outflow from investing activities		(1,509)	(1,461)
Net (decrease) / increase in cash and cash equivalents		(1,509)	(1,461)
Cash and cash equivalents as at 1 April 2011		1,716	3,177
Cash and cash equivalents as at 31 March 2012	12	207	1,716

The notes to the accounts form part of these financial statements

sportscotland

Lottery Fund

Reconciliation of movement of funds for the year ended 31 March 2012

	Balances held in NLDF £000	Balances at SLF £000	2012 Total £000	2011 Total £000
Opening balances	49,213	(6,189)	43,024	44,513
National Lottery Fund proceeds	24,885	-	24,885	21,077
Drawn down in year by SLF	(21,057)	21,057	-	-
Interest on cash balances	-	6	6	8
Other operating income	-	181	181	96
Grants paid	-	(16,937)	(16,937)	(14,648)
Net grant commitment	(3,514)	(7,677)	(11,191)	(4,095)
Expenditure	-	(4,637)	(4,637)	(3,927)
	<u>49,527</u>	<u>(14,196)</u>	<u>35,331</u>	<u>43,024</u>

The notes to the accounts form part of these financial statements

sportscotland Lottery Fund

Notes to the accounts for the year ended 31 March 2012

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 entity'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.

Comparative figures shown are for the year to 31 March 2011.

Going Concern

Due to the healthy bank balance and strong net asset position as well as the continued funding expected, the board have prepared the financial statements 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 Statement of Comprehensive Income, 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 Statement of Financial Position 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 soft commitments are shown in a note to the Statement of Financial Position. 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 IAS 10 (Events after the Reporting Period).

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 Statement of Comprehensive Income.

1.3 Property, plant, and equipment and depreciation

Assets with a value of less than £500 are not capitalised.

Depreciation is provided on all tangible fixed assets on a straight line basis, as follows:

Leasehold buildings	Over the term of the lease
Fixtures and fittings	5 years
General equipment	4 years
Computing equipment	4 years
Motor vehicles	4 years

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 of disposal.

The finance team are advised of any assets that have been disposed during the year and this is backed up by the annual Asset Audit check which entails visiting the Group estate and checking the accuracy of the Fixed Asset register by verifying the location and condition of all assets.

Where an asset is held under a finance lease, depreciation is provided over the shorter of the lease term and the policy for the class of assets concerned.

1.4 Intangible Assets

Intangible assets are valued at cost less straight line depreciation.

Future economic benefit has been used as the criteria in assessing whether an intangible asset meets the definition and recognition criteria of IAS 38 where assets do not generate income. IAS 38 defines future economic benefit as 'revenue from the sale of products or services, cost savings or other benefits resulting from the use of the asset by the entity'.

1.5 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 Statement of Financial Position date, has been certified on an interim basis by the Secretary of State for Culture, Media & Sport as being available for distribution by the body in respect of current and future commitments. This balance is shown as an investment on the Statement of Financial Position and is stated at 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 2011/12 by the National Lottery Commission and the completion of the audit of the National Lottery Distribution Fund accounts for 2011/12 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.

1.6 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 this taxable income.

1.7 Post retirement benefits

All members of staff are contractually employed by **sportscotland** and not **sportscotland** Lottery Fund. A proportion of staff costs are recharged by **sportscotland** to **sportscotland** Lottery Fund on the basis of time spend by the employee on activities of **sportscotland** Lottery Fund.

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).

As **sportscotland** is the employer of staff, the pension scheme is accounted for as a defined benefit scheme in the financial statements of **sportscotland**. Within **sportscotland** Lottery Fund, the pension scheme is accounted for as a defined contribution scheme and the recharged share of the pension contributions is expensed to the Statement of Comprehensive Income in the year.

Scottish Teachers Superannuation Scheme (STSS).

sportscotland 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**. **sportscotland** 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 IAS 19 "Employee Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the accounting period.

Strathclyde Pension Fund (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 **sportscotland**. 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 corporate bond of equivalent term and currency to the liability.

1.8 Leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income in the year to which the invoice relates.

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 Statement of Financial Position 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.

1.10 Lottery salary recharges

All employment contracts are within **sportscotland** and the relevant amounts charged to Lottery. All salary costs, except relocation and redundancy costs are split between the **sportscotland** Lottery Fund and **sportscotland** through an annual budgetary process that assesses every employee and their split of work between the two entities.

2 Income

2.1 Proceeds from the National Lottery

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

	2012 £000	2011 £000
2.2 Other operating income comprises:		
Repayment of grant	-	-
Miscellaneous income	181	96
	<u>181</u>	<u>96</u>

3 Grants paid and net grant commitment

	2012 £000	2011 £000
3.1 Annual grants paid and committed during the year		
Capital and Revenue	16,938	14,648
	2012 £000	2011 £000
3.2 Grants paid during year		
Paid and committed during year	16,937	14,648
Committed in previous years	4,533	2,193
	<u>21,470</u>	<u>16,841</u>
	2012 £000	2011 £000
3.3 Net grant commitments		
Hard commitments made during year	28,591	18,800
Less: amounts paid and committed during year	(16,938)	(14,648)
Less: amounts de-committed during year	(462)	(57)
Net grant commitment at 31 March	<u>11,191</u>	<u>4,095</u>
	2012 £000	2011 £000
3.4 Net grant commitments split		
Capital programmes	6,470	232
Revenue	4,721	3,863
	<u>11,191</u>	<u>4,095</u>
3.5 Grants paid during the year by programme	2012 £000	2011 £000
3.5.1 Capital Facilities		
Local	-	-
Community Facilities	40	-
Sports Facilities Programme	4,460	856
Sports Facilities Fund	-	-
National Regional Sports Facilities Fund	2,994	6,270
	<u>7,494</u>	<u>7,126</u>
	2012 £000	2011 £000
3.5.2 Revenue Funding		
Athlete Support	7,148	3,357
Scottish Athlete Awards	162	-
Volunteers	148	-
Awards for All	966	999
Coach Support	1,305	1,745
Sports Partnerships	733	100
Olympic Lottery Distribution Fund	3,514	3,514
	<u>13,976</u>	<u>9,715</u>
Total grants paid during the year	<u>21,470</u>	<u>16,841</u>

4 Employees

	2012 £000	2011 £000
4.1 Total staff costs comprise:		
Wages and salaries	2,201	1,763
Social security costs	190	150
Other pension costs	374	298
Aggregate staff costs	<u>2,765</u>	<u>2,211</u>

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

	2012 No.	2011 No.
4.2 The average staff numbers, including part-time and full-time employees, are as follows:	<u>56</u>	<u>52</u>

5 Other operating charges

The operating result is after charging:

	2012 £000	2011 £000
Administration expenses	1,529	1,483
Travel and subsistence	120	81
Auditors' remuneration	21	21
	External	
	Internal	
Operating rentals	21	18
Depreciation	157	88
	23	23
	<u>1,871</u>	<u>1,714</u>

6 Corporation tax

	2012 £000	2011 £000
Corporation tax	0	2

Corporation tax is due on the bank interest received in the year based on the standard rate of corporation tax of 21%.

7 Property, Plant & Equipment

	Total £000	Fixtures and Fittings £000	Equipment £000
Cost at 1 April 2011	17	8	9
Additions to 31 March 2012	-	-	-
Disposals to 31 March 2012	(7)	(7)	(0)
Cost at 31 March 2012	<u>10</u>	<u>1</u>	<u>9</u>
Aggregate depreciation at 1 April 2011	17	8	9
Charge for the year	-	-	-
Disposals to 31 March 2012	(7)	(7)	(0)
Aggregate depreciation at 31 March 2012	<u>10</u>	<u>1</u>	<u>9</u>
Net Book Value at 31 March 2012	<u>-</u>	<u>-</u>	<u>-</u>
Net Book Value at 31 March 2011	<u>-</u>	<u>-</u>	<u>-</u>

8 Intangible assets

Computer software licences

£000

Cost

Opening balance 1 April 2011	309
Additions during year	0
Disposals during year	<u>0</u>
Closing balance 31 March 2012	<u>309</u>

Accumulated depreciation

Opening balance 1 April 2011	257
Charge for year	23
Eliminated on disposal	<u>0</u>
Closing balance 31 March 2012	<u>280</u>

Net book value at 31 March 2012 29

Net book value at 31 March 2011 52

9 Investments

	2012 £000	2011 £000
National Lottery Distribution Fund	49,525	49,213

The final audited balance for the value of investments as at 31 March 2011 was £49,213k.

10 Trade and other receivables

	2012 £000	2011 £000
Trade debtors	33	8
Intercompany - Sportscotland	188	7
Prepayments and accrued income	0	3
	<u>221</u>	<u>18</u>

11 Trade and other payables

	2012 £000	2011 £000
Trade creditors	302	75
Corporation tax	2	2
Hard commitments payable within one year	11,559	6,475
Intercompany - Sportscotland	-	-
Other creditors	-	29
Accruals and deferred income	772	517
	<u>12,635</u>	<u>7,098</u>

12 Cash and cash equivalents

	2012 £000	2011 £000
Cash and bank balance at 1 April	1,716	3,177
Net cash (outflow)/inflow	<u>(1,509)</u>	<u>(1,461)</u>
Cash and bank balance at 31 March	<u>207</u>	<u>1,716</u>

Financial Instruments (under IFRS)

As a consequence of International Financial Reporting Standards (IFRS), Debtors, Creditors and Bank Balances are deemed to be Financial Instruments and a risk assessment on these balances is a detailed requirement. **Sportscotland Lottery Fund's** assessment of the risks attached to the balances in Notes 10, 11 and 12 is that there are no or very limited risks.

13 Grant Commitments

	2012 £000	2012 £000	2011 £000
Capital			
Balance as at 1 April		3,524	4,148
Amounts committed during the year		11,992	6,502
Total hard commitments		15,516	10,650
Amounts paid during the year	(1,519)		
Amounts paid and committed during the year	(5,975)		
Amounts de-committed during the year	-	(7,494)	(7,126)
Hard capital commitments at 31 March		8,022	3,524
	2012 £000	2012 £000	2011 £000
Revenue			
Balance as at 1 April		3,828	1,344
Amounts committed during the year		16,163	12,256
Total hard commitments		19,991	13,600
Amounts paid during the year	(3,014)		
Amounts paid and committed during the year	(10,962)		
Amounts de-committed during the year	(462)		
Hard revenue commitments at 31 March		5,553	3,828
Total hard commitments at 31 March		13,575	7,352

At 31 March 2012 a total of £11,559k (2010/11 £6,475k) is payable within one year and disclosed in Note 11. A further £2,016k (2010/11 £877k) is payable within two to five years and shown on the face of the accounts under provisions.

14 General Fund

	2012 £000	2011 £000
Represented by:		
Balance as at 1 April	43,024	44,513
Change in fund for the year	(7,693)	(1,489)
Balance as at 31 March	35,331	43,024

15 Soft capital grant commitments

	2012 £000	2012 £000	2011 £000
Balance as at 1 April		-	90
Amounts committed during the year		10,744	7,883
Total soft commitments		10,744	7,973
Amounts transferred to hard commitments	(8,951)		(7,973)
Amount de-committed during the year	-		-
		(8,951)	(7,973)
Soft commitments at 31 March		1,793	-

16 Related party transactions

The **sportscotland** Lottery Fund is administered by **sportscotland** and thus **sportscotland** is regarded as a related party of the **sportscotland** Lottery Fund.

All transactions with related parties are conducted at arms length.

During the year **sportscotland** recharged salaries of £2,766k (2011: £2,211k). Within debtors there is an amount of £188k due from **sportscotland** (2011: £7k). Within creditors there is an amount of £nil due to **sportscotland** (2011: £nil).

The Scottish Sports Council Trust Company is a related party of the **sportscotland** Lottery Fund as it is controlled by **sportscotland**. There were no transactions in the year between the Scottish Sports Council Trust Company and **sportscotland** Lottery Fund.

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

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

	<u>2012</u>	<u>2011</u>
Awards for All	£966,237	£999,000

The **sportscotland** members and their associated organisations during the year to 31 March 2012 are detailed below:

Louise Martin CBE	UK Sport Scottish Gymnastics Commonwealth Games Federation Scottish Sports Aid Foundation Scottish Swimming Commonwealth Advisory Body on Sport Glasgow 2014 Ltd Hall of Fame Selection Panel Commonwealth Games (Scotland) Endowment Fund Scottish Golf Support Ltd
Steven Grimmond	Fife Council Scottish Arts Council Dundee FC
Ian Beattie	Lindsays Solicitors Scottish Athletics Limited Harmony Athletics Club Institute of Chartered Accountants of Scotland West Highland Way Race Scottish Athletics
Carolann Dobson	Environmental Agency Aberdeen High Income Smaller Companies Trust Competition Commission Lomond School JP Morgan European Smaller Companies Investment Trust Sports Dispute Resolution Royal Yachting Association of Scotland
Graeme Marchbank	Diageo PLC SUSE Advisory Group
David Sole OBE	David Sole & Associates Glenbuchat Farms Elaine Howie PR
Mike Hay MBE	British Olympic Association Blairgowrie Golf Club
Sir Bill Gammell	Cairn Energy PLC Winning Scotland Foundation Glasgow 2014 Ltd Elie Golf Club
Prof Grant Jarvie	Stirling University Scottish Sports Hall of Fame
Mel Young	Pro Poor Sports Limited Glasgow Life Homeless World Cup Foundation City of Edinburgh Council
David Gass	Rural Matters LLP Upper Quartile LLP Broughton Tennis Club Scottish Hydro Clyde (Borders) Community Fund
Rodney Stone	Aberdeenshire Council VOCAL The Chief Cultural and Leisure Officers Association

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

17 Segmental Reporting

Areas of Activity	2012 %	2011 %
Facilities	21.30%	24.44%
School & Community	21.33%	23.06%
Sporting Pathways	16.55%	11.64%
Scottish Institute of Sport	10.64%	10.31%
Strong Partners	10.02%	8.47%
Corporate Services	5.21%	5.53%
Olympic Lottery Distribution Fund	5.42%	5.45%
Coaching and Volunteering	4.41%	4.60%
Trust Company (National Centres)	5.12%	4.45%
Big Lottery Fund (Youth Action Plan)	0.00%	2.05%
	100%	100%

The segmentation analysis identifies the main areas of activity across sportscotland, shown as percentages of the total expenditure for the whole organisation, which combines the Group and Lottery expenditure for the year 2011/12.

The expenditure figures are based on the actual funding amounts paid through the individual segments, the salaries attributable to those segments and an allocation of overheads.

18 Losses

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

19 Contingent Liabilities

As at the date of signing, **sportscotland** has one contingent liability in regard to a legal action which is currently being taken through the commercial courts. The legal action relates to an employee liability claim by a former employee. There is uncertainty over any potential liability.

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 Statement of Comprehensive Income and Statement of Financial Position 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 December 2005 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated April 2010

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 **Statement of Comprehensive Income** 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 **Statement of Financial Position** shall show, inter alia:
 - a. within the heading "Cash and cash equivalents" the balance held on behalf of the body at the National Lottery Distribution Fund;
 - b. under the heading "Non-current liabilities" 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)
 - c. under the heading " Represented by" the balance on the Statement of Comprehensive Income.
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 Statement of Financial Position, 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 the **sportscotland** Lottery Fund 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 Statement of Financial Position. 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 IAS 10 (Events after the Reporting Period). 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 Statement of Comprehensive Income, a hard commitment arises when a firm offer of a grant from the National Lottery proceeds has been made by the **sportscotland** Lottery Fund 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 Statement of Financial Position and would be written down as the commitments mature. As part of the notes to the Statement of Financial Position 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** Lottery Fund's records. It will be shown in the table accompanying the notes to the Statement of Financial Position 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** Lottery Fund may withdraw the offer formally in writing. A reverse entry to the commitment should then be made in the Statement of Comprehensive Income. 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 a commitment unless the payment is part of a phased scheme for which commitments for later phases have been included in the Statement of Financial Position. A repayment will be reflected as an adjustment in the Statement of Comprehensive Income. 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 IAS 10.



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