

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

Annual Report and Accounts  
for the year ended 31<sup>st</sup> March 2014

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**National Lottery**  
**Distribution Fund**

Annual Report and Accounts for the year  
ended 31<sup>st</sup> March 2014

Presented to Parliament pursuant to Section 35  
of the National Lottery etc Act 1993

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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.

# Management Commentary

## Directors Report

### Members of the Council

The Members of the sportscotland Council at 31 March 2014, all of whom have been Members throughout the year, with the exception of those indicated otherwise, are listed below:

Louise Martin CBE	(Chair)
Carolán Dobson*	(Until Dec 13)
Graeme Marchbank*	
David Sole OBE**	
Prof Grant Jarvie**	
Mel Young*	(Vice Chair)
David Gass**	
Rodney Stone*	
David Cameron*	(From Apr 13)
George Walker*	(From Apr 13)
Frances Wood	(From Apr 13)
*Member of the Audit Committee	
** Member of the Remuneration Committee	
Mike Hay MBE	(Advisor)

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

The Chief Executive is Stewart Harris.

A full list of the company directorships and other significant interests held by the Council members can be found on the **sportscotland** website at [www.sportscotland.org.uk](http://www.sportscotland.org.uk)

### Review of business

- 5 The accounts relate to the year ended 31 March 2014 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.
- 6 During the year to 31 March 2014, £25,128K (2012/13 £27,409K) 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 £5,487k (2012/13 £5,627k).
- 7 A summary of the Lottery Reserves position at the end of 2013/14 showing the commitments to be made over the next 4 year period from 2014/15 to 2017/18 are highlighted in the table over leaf.
- 8 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.
- 9 This does not take account of the ongoing commitment to our partners who work to a four year plan to deliver specific outcomes.

- 10 The analysis below provides a breakdown of the soft/other commitments made at **sportscotland** over the four year period 2014/15 to 2017/18.

	£000's	£000's
Monies held in National Lottery Distribution Fund for <b>sportscotland</b>		53,901
<u>Less:- Commitments during the 4 year period 2014/15 to 2017/18</u>		
Partner Revenue Funding	67,858	
Capital Funding	44,660	
Effective Organisation	19,242	
		<u>131,760</u>
Balance to be funded by future Lottery Revenues		<u>77,859</u>

#### **Sickness absence data**

- 11 The sickness absence rate during 2013/14 was 0.86% (2012/13: 1.8%).

#### **Personal data related incidents**

- 12 There were no personal data related incidents during the year.

#### **Group pension liability**

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

#### **Remuneration for non audit services**

- 14 The accounts are audited by auditors appointed by the Auditor General for Scotland. For the year 2013/14 the appointed auditors were Grant Thornton.

- 15 During 2013/14, no non-audit fees were paid to Grant Thornton.

#### **Intangible assets**

- 16 During the year to 31 March 2014 there was £0k (2012/13 £0k) spent on acquiring intangible assets for **sportscotland** Lottery Fund activities.

#### **Retained Reserves**

- 17 Accumulated funds totalling £37,897k (2012/13 £39,881k) were held on the Statement of Financial Position at the end of the year.

#### **Payment of Creditors**

- 18 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 within these terms.

- 19 During the year ended 31 March 2014 the Lottery Fund paid 84% (2012/13 90%) of all invoices received within the terms of its payment policy.
- 20 The Scottish Government policy of paying 100% of invoices within 10 days of being received by the Finance department continues to be our target, we currently pay all within 20 days.
- 21 The **sportscotland** Lottery Fund observes the principles of the Better Payment Practice Code.

#### **Equal Opportunity in Employment and Disabled Employees**

- 22 **sportscotland** actively promotes policies for equal opportunities and ensure non-discrimination on the grounds of disability.

#### **Employee Involvement**

- 23 **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**

- 24 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  
27 August 2014



Louise Martin CBE  
Chair  
27 August 2014

## Strategic Report

The Lottery accounts are prepared pursuant to Section 35 of the National Lottery etc Act 1993. An understanding of the Lottery set up is explained in the Foreword.

### Review of activities and impact

- 25 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. 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. We feel this focus will lead to people participating, or wanting to participate in sport in Scotland, seeing the changes in our corporate plan. The changes are our outcomes.
- 26 The sportscotland Corporate Plan 2011-2015 outcomes are delivered as a result of a combination of both Scottish Government and National Lottery funding. There are specific systems and processes which are fundamental to each delivery area, but from a specific funding perspective, sportscotland management provides a full rationale and budget for all spend which is delivered to the Board as part of the annual budgeting process prior to the financial year commencing.
- 27 The split of the overall budget for 2013-2014 was Scottish Government 60% and National Lottery 40%, the latter either being new delivery streams or utilising the additionality concept.

### Progress against our outcomes

- 28 During 2013-14 we continued to think about how our work and the work of our partners contributes to the changes we want to see. This was the second year we developed indicators to evidence how we are performing and to use data to support the stories of change as they emerge. This work is still on going and where data is available the indicators are included in this section. In this section we have also outlined how our work is driving the changes.

#### People

**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.**

- 29 We recognise it is crucial to the delivery of sport and the achievement of success that we retain and develop our best coaches, volunteers and officials. We continue to provide a range of high quality education and development opportunities for people working in school, club and performance sport. In 2013-14 over 3,000 formal coaching qualifications were awarded and over 5,000 people benefited from continuous professional development (CPD) opportunities, either at a local, regional or national level, delivered through partnerships with colleges, universities and through our tutor and national trainer network across Scotland.
- 30 Through our work with young people we are improving access to training, development and leadership roles in school and club sport, and increasing opportunities for young people to engage in decision making at national and local level. We also provide a wide range of networking and training for the sport workforce, ensuring professionals working in sport have an opportunity to share practice and learn from each other, as well as receive targeted training opportunities.

#### Places

**People will have a more accessible network of places where they can take part in sport with those places better meeting their needs and expectations.**

- 31 **sportscotland** responds to this change by supporting the development of sports facilities through facilities investment programmes, including the Sports Facilities Fund and Small Projects Fund, as well as through investment programmes managed on behalf of Scottish



Government, including CashBack for Sports Facilities and the Active Places 2014 Legacy Fund.

- 32 We also deliver a range of additional services around facilities development including, facilities design advice and guidance, support for facilities planning and support for local authorities to develop a better understanding of their school estate.

### **Opportunities**

**People will find that getting in to sport, progressing and achieving in sport and moving between sports will be easier.**

- 33 **sportscotland** responds to this change through its work in Active Schools, which is focused on ensuring there are more and higher quality opportunities to participate in sport within schools. School sport competition is providing opportunities to progress and achieve in sport in the school environment.
- 34 Our club sport projects, including community sport hubs and direct club investment, focus on providing a range of opportunities across sports clubs and ensuring talent is supported to progress.
- 35 In performance sport, teams of expert coaches and practitioners work together to manage and deliver individually tailored and cutting edge programmes for sports and athletes. We provide a wide range of services and where appropriate, we directly manage performance programmes to ensure athletes receive the support they need to achieve on the world stage.

### **Participation**

**People will discover that making sport a part of life, throughout life, will feel more possible with more of their friends, family and colleagues involved in it.**

- 36 **sportscotland** responds to this change by motivating and inspiring young people to participate in sport through Active Schools, and through our work with young people, which increases opportunities for young people to motivate and inspire their peers. Active Girls increases opportunities for girls and young women to participate.
- 37 Our work in club sport ensures that more people take part in club sport across their life span by bringing communities together and offering opportunities for people at different stages and from different backgrounds.

### **Profile**

**People will see, hear and read more about sport in their communities and about Scottish athletes on the world stage.**

- 38 **sportscotland** responds to this change through its work in media and communications. We work closely with Active Schools teams across Scotland to support them to raise the profile of Active Schools, and the role and contribution of Active Schools coordinators. We seek greater recognition of young people's contribution to influencing and leading sport in Scotland.
- 39 Our people programme aims to raise the profile of the contribution of coaches, volunteers and officials throughout Scotland. Through our work in club sport we aim to raise the profile of club sport and its successes and we continue to promote the success of Scottish athletes through local, regional and national media channels.

### **Foundations for change**

- 40 This section outlines developments across our organisation in 2013-14, which are not directly attributable to the changes in our corporate plan; however, they represent improvements in the way we work and developments in our partnership working, that create a strong foundation to help us contribute to the changes.

## Understanding and engaging with data

- 41 Overall we have made significant improvements in the way we understand and engage with data in sport.
- 42 Improvements to Active Schools data collection has resulted in enhanced understanding and knowledge from managers and coordinators on how to use the data to inform planning and performance. We have rationalised the way we collect data from clubs and this continues to inform our thinking. Overall, the use of data is encouraging greater 'system' conversations between schools and clubs and looking forward the focus will be on improvement at grass roots post games.
- 43 The **sportscotland** institute of sport's (SIS) data management solution (Smartabase) made good progress in 2013-14. Due to the sensitivities around personal data, risk management continue to be a focus for the project. New external input has been engaged to help quality assure and optimise our solutions.
- 44 We have invested in the development of a business intelligence approach to the collection, collation and communication of performance information and this new system will provide important strategic information as well as intelligence at the operational level, which will help influence delivery. We are ensuring staff are well trained in all new systems to be effective in their roles, which increases efficiency and ensures improved management.

## More efficient processes and better resources

- 45 Throughout the year continual improvements were made to the direct club investment application process and sportscotland regional development managers helped facilitate the process. RSPs have collectively recommended and secured investment of £1.1m into 54 clubs, leveraging £1.7m from other partners. Joint planning and evaluation of the collective impact on sport will continue in 2014.
- 46 Our online information and guidance resource, Help for Clubs, has been developed further this year to be simpler and easier to use. We have improved layout and content, simplified the language and increased interactive content for learning including YouTube videos, twitter feeds and the ability to share content. In addition new template documents have also been developed and made available.
- 47 Further developments in procurement processes, have resulted in the independent assessment of sportscotland's approach moving from a 50% rating to a rating of 59%. Moving from a "non conforming" 23% in 2010 to 59% in the "improving" category has been a significant achievement, which is due to the decision to appoint a procurement manager three years ago and establish an internal procurement working group. The areas showing the greatest improvements are the management of contracts for services, the contract database, and the strategic approach to procurement.
- 48 We continued to develop infrastructure and technology to ensure it is safe, secure, sustainable and efficient. This year the benefits of the previous investment in a new telephone system is bearing fruit with a 79% reduction in the overall monthly cost, which will help cover the capital investment within 18 months. In addition, the mobile phone and wide area network (WAN) contracts were retendered. The new contracts will lead to service improvements and a reduction of around 30% in the annual costs, amounting to £30,000 for mobile telephones and a £10,000 annual saving with the WAN.
- 49 Caledonia House, the House of Sport, is now at full capacity in terms of its office and meeting space. It accommodates 20 sport-related bodies, mainly SGBs, which benefit from a range of shared services helping reduce their overheads. We continue to develop the work environment at Caledonia House and Templeton, which is recognised independently as an exemplar amongst public bodies. Additional investment has been made in other parts of the sportscotland estate, particularly in the national centres, through addressing immediate

health and safety needs as well as upgrading accommodation at Glenmore Lodge and improving the sports facilities at Inverclyde.

## Planning and performance management

50 We continued to streamline and develop our planning and performance management processes by adopting a two year business plan and aligning risk management with quarterly performance reporting.

**sportscotland** staff are increasingly supporting strategic planning processes for national and local partners, rather than using external consultants. During 2013-14 we supported ten SGBs with strategic planning for their sports, including Boxing Scotland, Scottish Golf, Bowls Scotland and Weightlifting Scotland. Feedback indicates SGBs are satisfied with the support they are receiving and their boards have responded positively to the collaborative approach.

51 From a local perspective we supported Inverclyde Council, East Renfrewshire Council and Renfrewshire Council with the development of a strategy for sport, which is aligned with the community planning partnership's outcomes as well as wider corporate outcomes across the council.

52 To support skill development in this area, nine members of staff attended a two-day facilitation training session with the Kinharvie Institute. A third day of training in February 2014 completed this support and provided a framework for on-going development of staff in this key area.

53 The high road programme was introduced in the latter stage of 2013-14 with the aim of ensuring all SIS staff who are involved in the delivery of performance expertise and services were fully focused and targeted on three major pieces of work:

- Project Sochi - Final preparations were made in close collaboration with the British Olympic Association and the British Paralympic Association for the Winter Olympics in Sochi. Data and information from the Games will be evaluated and inform our recommendations for Winter sport investment for the 2018 cycle.
- Project Glasgow - The final Mission 2014 meetings have demonstrated clear progress from Glasgow sports and we are working collaboratively to agree final details for a successful Commonwealth Games.
- Project Beyond 2014 - Three in-house workshops have been supported by audits for performance facilities and equipment, strength and conditioning, and access agreements. The aim is to inform future plans for high performance sport and this project has provided alignment between work at UK level and planning for our next investment cycle.

54 During 2013-14 we continued to embed the places programme within the school, club and performance sport programmes through a joined up cross team approach to the planning and delivery of our work in this area .

## Organisational development

55 The creation of a learning and development function within **sportscotland's** human resources team has led to significant progress in improving the skills and knowledge of our staff through formal programmes of learning as well as the development of bespoke e-learning packages. The initial development of packages has been aimed at generic knowledge sharing, however, their potential has also been developed through the production of specific packages to share specialist knowledge across defined communities of interest, such as nutritionists. Other benefits have included a more coordinated approach to personal development planning across the organisation, and more effective procurement of learning and development services.

- 56 A major review was completed covering the organisation's administrative staffing and resources, which led to a new structure and greater focus to the support provided to the organisation. This followed extensive consultation with all areas of the organisation.
- 57 Further developments have been made to the overall governance of the organisation. There has been a further strengthening of the **sportscotland** Trust Company and its Board to ensure that it operates independently, while the **sportscotland** Board has established an Ethics in Sport Committee. The Committee has focused its early work on the development of new internal anti-corruption policies and sporting integrity guidance for sports governing bodies. The latter is now being used within the Commonwealth as an exemplar of good practice.

### **Developments in our partnership working**

- 58 The relationship with Education Scotland and education services within local authorities has improved throughout the year. The appointment of the physical education lead officers (PELOs) has created a focus in local authorities and schools with the aim of delivering the two hours / two periods PE target in primary schools and secondary schools. In 2013, at the time of the survey, 89% of schools were meeting the target (88% of primary schools and 91% of secondary schools). This is an overall increase from 85% in 2012.
- 59 Regional sporting partnerships (RSPs) have provided a platform for partners to work together on the common purpose of providing a world class sporting system at club level. In 2013-14 we increased investment into SGB regional posts by £951k and we are now supporting over 90 sport-specific, regionally based SGB staff. This investment has seen SGBs drive forward club development through a strategic focus on supporting clubs with membership growth and talent development.
- 60 Considerable progress was made in contributing to and building a world class performance system for Scotland and the UK. Through the High Performance Strategic Advisory Group (HPASG) Scotland has contributed and been present at a series of targeted workshops and sessions post Rio, which have helped shape the future performance sport strategy across the UK high performance system.
- 61 In 2013-14 we solidified relations with major partners, securing a new UK Sport funded post to focus on performance sport coaching, and a sports coach UK funded post to focus on diversity and equality in coaching. We agreed to host the UK Coaching Summit and the UK Coaching Awards with sports coach UK, along with the Global Coaches House, in partnership with the International Council for Coaching Excellence and University of Strathclyde during the 2014 Commonwealth Games.
- 62 The management of the Positive Coaching Scotland (PCS) programme nationally, in partnership with the Winning Scotland Foundation, was reshaped to empower local partners to create tailored plans against a number of outcomes, with continued support provided by **sportscotland**.

### **Our focus for 2013-15**

- 63 This business plan for 2013-15 is the first two year business plan we have produced. The plan was developed by the **sportscotland** leadership team, with the support of staff across the organisation, to provide a collective focus on what we will deliver. It continues our shift from initiatives to a programme-based approach, focusing our efforts on a systematic approach to the development of sport.
- 64 This plan is about impacting where we said we would in our corporate plan and within our more detailed frameworks for clubs, coaching and volunteering. It will also set the foundations for 2015 onwards. We have ensured all of our work is effectively aligned and focused to make the greatest impact on school, club and performance sport. Success in these programmes is enabled by people, places, and partnerships and planning. This is underpinned by **sportscotland** continuously striving to become a more effective organisation.

65 The plan reflects the following key priorities:

- We will continue to strengthen the Active Schools Network to introduce and inspire more children to enjoy sport for life. We will work with partners to lay foundations for the next phase of Active Schools. Our work with education partners will continue to be driven by the ambition of a systematic approach to school sport.
- We will deliver on our commitment to establish 150 community sport hubs by 2015. We will work with the hubs to enable them to make the greatest impact and deliver a real 2014 legacy for local communities. We will also work with partners on our new club development programme to set the foundations to make a demonstrable difference for club sport for 2015 onwards.
- We will ensure our athletes are the best ever prepared for success in Glasgow and Sochi by providing quality performance sport services, and we will work strategically and operationally to continue to strengthen our performance sport system so it is fit for the future.
- Skilled people operating in the right places are essential to a world class sporting system and people development will be a priority for the next two years. We will make significant developments in the performance, leadership, and learning and development of our own staff to ensure we can realise our ambitions and offer quality services to our partners and our staff.

66 This business plan for 2013-15 is perhaps our most ambitious to date. It is imperative that at the end of it we can look back on our achievements with pride and demonstrate not only that we have done what we said we would, but that through greater access to quality sport we have realised positive and powerful changes to the lives of people in Scotland.

## RISKS

67 sportscotland achieves its risk management objectives by the continued use of a structured risk management process, designed to ensure that potential opportunities and threats are proactively and systematically identified, assessed and addressed.

A more detailed understanding of the risk system and the significant risks identified is enclosed within the Annual Governance Statement on page 12.

## SUSTAINABILITY

68 During the year **sportscotland** has led a number of key activities which will seek to reduce our carbon footprint.

A report is produced annually explaining in detail the outcomes of our activities and this can be viewed on the **sportscotland** website. [www.sportscotland.org.uk](http://www.sportscotland.org.uk)

## Social, Community issues and human rights

- 69 **sportscotland** places a high priority on ensuring that it discharges its obligations as a good corporate citizen and takes in to account its responsibilities towards serving and meeting the needs of our partners including safeguarding their human rights. Operational policies and procedures reflect this commitment, including our approach to managing individual grant requests.
- 70 A breakdown of the number of persons of each gender who were part of the Boards at **sportscotland**, its Directors, Senior Managers and employees is as follows:-

	Men	Women
<b>Boards</b>	14	7
<b>Directors</b>	3	0
<b>Senior Managers</b>	13	8
<b>Employees</b>	171	142



Stewart Harris  
Chief Executive & Accountable Officer  
27 August 2014

## **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 2013/14.

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 2013/14 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. I receive a certificate of assurance from each executive director as part of this process. I am also informed by comments made by the external auditors, Grant Thornton in their management letters and other reports.

The key components of the control framework are detailed below:

### **sportscotland Council**

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 Vice Chair position has been filled by Mel Young since February 2013. 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**. Carolan Dobson's second four year term came to a close in December 14. During the year Mike Hay MBE was recognised as an advisor to the Board.

The attendance of the 11 non executive members who held office during the year of the six meetings of 2013/14 was:

Louise Martin CBE	(6 of 6)	(Chair)
C Dobson	(2 of 5)	(Resigned Dec 13)
D Sole OBE	(3 of 6)	
G Marchbank	(4 of 6)	
Prof G Jarvie	(6 of 6)	
M Young	(6 of 6)	(Vice Chair)
D Gass	(5 of 6)	
R Stone	(6 of 6)	
D Cameron	(6 of 6)	
G Walker	(6 of 6)	
F Wood	(6 of 6)	
Mike Hay MBE (Advisor)	(3 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 five non executive Council members. The membership during the 2013/14 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, BDO 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 governance requirements and for reviewing the annual financial statements. The Committee was chaired by C Dobson until January 2014, with D Cameron taking over as Chair from Mar 14.

C Dobson	(3 of 3) (Chair) (Until Jan 14)
D Cameron	(4 of 4) (Chair from Mar 14) (Member From Jun 13)
G Marchbank	(3 of 4)
M Young	(4 of 4)



H Mackay	(0 of 3)	(Until Jan 14)
R Stone	(3 of 4)	
G Walker	(3 of 4)	(From Jun 13)

### 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 3 April 2013 and 5 March 2014. 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 2013/14 comprised:

D Sole OBE	(2 of 2) (Chair)
Prof G Jarvie	(2 of 2)
D Gass	(2 of 2)

### Risk Management

**sportscotland** achieves its risk management objectives by the continued use of a structured risk management process, designed to ensure that potential opportunities and threats are proactively and systematically identified, assessed and addressed.

The risk management system has been significantly reviewed during 2013-14. From early in the 2013-14 financial year the development of the risk management framework has been a priority and has received significant attention throughout the year. Two significant areas of improvement were:

- An updated Risk Management Strategy and Process Document which addressed areas of weakness.
- Risk Management awareness and explicit consideration of risk management being fully embedded across the organisation.

Management are aware that there are still a number of important tasks required to strengthen risk management arrangements within **sportscotland** including rolling out and fully implementing the new strategy and process, train staff on risk management and make consistent and effective use of the performance management and reporting system.

Although the risk system has been reviewed and enhanced as described above, the system in place during 2013-14 continued the internal control process with the utilisation of seven Programme risk registers with relevant risks escalated to the Corporate Risk Register. Programme risk registers are included as standing agenda items across organisational meetings so that these can be reviewed on a regular basis, at least six monthly. The Programme registers are part of Covalent, a workflow and performance management system which prompts relevant individuals to provide an update quarterly.

The Corporate Risk Register is reviewed by the **sportscotland** Board annually with the Audit Committee reviewing the register every six months. The outcome of these meetings are the provision of a control strategy/mitigation for each of the significant risks. The highest level of risks are those that are still "red" after mitigating factors have been put in place, and these risks are the focus of the Senior Management Team and Board's attention.

A selection of these significant risks, which are still "red" after the mitigation, 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. Significant investment requirements and/or adverse events associated with the Trust Company and National Centres

**Mitigation – Continue to scrutinise and progress all issues highlighted as part of operational planning and budgeting across the Trust Company**

3. Change in policies or priorities by other organisations influencing investment in sport which adversely affects ability to deliver sportscotland's corporate plan.

**Mitigation – Continue regular dialogue with government regarding the most appropriate policy for Scottish Sport.**

4. Change in relationships with key partners at any level within sporting system.

**Mitigation – Regular dialogue with all partners at all levels.**

## **Information Security**

During 2013/14, **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 2013/14

## **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 2013/14, **sportscotland's** Freedom of Information systems were fully operational and all requests received were completed within the statutory timescales.



Stewart Harris  
Chief Executive & Accountable Officer  
27 August 2014

## Remuneration Report

**sportscotland** operates a Performance and Development Appraisal (PDA) system to determine the individual rewards paid to all employees 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. Any performance related payments paid are formally approved by the Scottish Government. 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 subject to audit where indicated (\*\*) and are as follows:

### Salaries and Allowances (\*\*)

Name		Salary	Benefits	All pension related benefits	Total
		£000's	£000's	£000's	£000's
S G Harris	<b>2014</b>	<b>90</b>	-	<b>78</b>	<b>168</b>
	2013	88	-	8	96
S Ogg	<b>2014</b>	<b>76</b>	-	<b>4</b>	<b>80</b>
	2013	74	-	30	104
M Roberts	<b>2014</b>	<b>76</b>	<b>3.2</b>	<b>5</b>	<b>84</b>
	2013	74	3.3	27	104
M Whittingham*	<b>2014</b>	<b>84</b>	<b>3.6</b>	<b>16</b>	<b>104</b>
	2013	84	3.6	16	104
L Martin	<b>2014</b>	<b>29</b>	-	-	<b>29</b>
	2013	29	-	-	29

### Pension Benefits (\*\*)

Name	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 2014	Cash equivalent transfer value 2013	Real Increase in Cash Equivalent Transfer Value
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
S G Harris	2	39	27	112	882	770	90
S Ogg	0	2	6	19	121	98	20
M Roberts	1	2	6	19	99	83	14

\*M Whittingham is not in a final salary scheme and company contributions of £16k, (2012/13, £16k) were made to a defined contribution scheme.

The salary entitlements of the most senior members of the **sportscotland** Group, shown within £5k bandings are as follows:

£	2014	2013
Range	No.	No.
50,001-55,000	3	16
55,001-60,000	16	2
60,001-65,000	1	1
65,001-70,000	0	0
70,001-75,000	0	2
75,001-80,000	2	1
80,001-85,000	2	1
85,001-90,000	1	1

### Median Disclosure (\*\*)

The median remuneration is £32,965 for staff, the ratio to the highest paid director is 2.55, as at the reporting period end date.

All salaries shown are the gross salaries paid by 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 2013/14 was 40% (2012/13 32%) with the balance, 60% (2012/13 68%), being funded from Scottish Government resources.

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 a board meeting. Attendance at Committee meetings are paid at the same rate.

**sportscotland** operates a car leasing scheme for essential users. Payments made during 2013/14 were £299k (2012/13 £226k).



Stewart Harris  
Chief Executive & Accountable Officer  
27 August 2014

## **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  
27 August 2014

## **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 (the Council) for the year ended 31 March 2014 under the National Lottery etc Act 1993. The financial statements comprise the Statement of Financial Position, the Statement of Comprehensive Net Expenditure the Statement of Cash Flow, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2013/14 Government Financial Reporting Manual (the 2013/14 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.

To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Council and the Council's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### **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 income. 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 income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, 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 the National Lottery etc Act 1993 and directions made thereunder by the Scottish Ministers of the state of the Councils affairs as at 31 March 2014 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 2013/14 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 income 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 Public Finance and Accountability (Scotland) Act 2000 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.



Gary Devlin  
for and on behalf of Grant Thornton UK LLP  
7 Exchange Crescent  
Conference Square  
Edinburgh  
EH3 8AN

DATE *2 September 2014*

# sportscotland

## Lottery Fund

### Statement of Comprehensive Income for the year ended 31 March 2014

	Notes	2014 £000	2013 £000
<b>Income</b>			
National Lottery Fund proceeds		27,540	31,008
Interest receivable		7	7
Other operating income	2	53	120
		<u>27,600</u>	<u>31,135</u>
<b>Expenditure</b>			
Grants paid and committed during the year	3	11,906	10,035
Net grant commitments	3	12,190	10,922
Staff costs	4	2,753	2,934
Depreciation	5	15	28
Other operating charges	5	2,719	2,665
		<u>29,583</u>	<u>26,584</u>
Operating surplus / (deficit) before tax		(1,983)	4,551
Corporation tax	6	1	1
Increase / (decrease) in fund		<u>(1,984)</u>	<u>4,550</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 2014

	Notes	2014 £000	2013 £000
<b>Non-current assets</b>			
Property, plant, and equipment	7	20	28
Intangible assets	8	-	6
<b>Total non-current assets</b>		<u>20</u>	<u>34</u>
<b>Current assets</b>			
<b>Cash and cash equivalents</b>			
Investments – balance held in NLDF	9	53,901	51,489
Cash at bank	12	2,573	2,278
Trade and other receivables	10	36	33
<b>Total current assets</b>		<u>56,510</u>	<u>53,800</u>
<b>Total assets</b>		<u>56,530</u>	<u>53,834</u>
<b>Current Liabilities</b>			
Trade and other payables	11	<u>18,532</u>	<u>12,450</u>
<b>Total current liabilities</b>		<u>18,532</u>	<u>12,450</u>
<b>Non-current assets plus net current assets</b>		37,998	41,384
<b>Non-current liabilities</b>			
Provisions	13	<u>101</u>	<u>1,503</u>
<b>Total non-current liabilities</b>		<u>101</u>	<u>1,503</u>
<b>Net assets</b>		<u>37,897</u>	<u>39,881</u>
<b>Taxpayers Equity</b>			
General fund	14	37,897	39,881
		<u>37,897</u>	<u>39,881</u>

The Accountable Officer authorised these financial statements for issue on 27 August 2014



**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 2014**

	Notes	2014 £000	2013 £000
<b>Cash flows from operating activities</b>			
(Deficit) / surplus on ordinary activities before tax		(1,983)	4,551
<i>Adjustment for non-cash items</i>			
Depreciation on tangible and non-tangible fixed assets		15	28
<i>Movements in working capital</i>			
(Increase)/decrease in investments		(2,413)	(1,964)
(Increase)/decrease in trade and other receivables		(3)	187
Increase in trade payables		6,082	(186)
<i>Movements in provisions</i>			
Increase/(decrease) in provisions for hard commitments		(1,402)	(511)
Taxation Paid		(1)	(1)
<b>Net cash (outflow) / inflow from operating activities</b>		295	2,104
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		-	(33)
<b>Net cash outflow from investing activities</b>		295	2,071
<b>Net (decrease) / increase in cash and cash equivalents</b>		295	2,071
<b>Cash and cash equivalents as at 1 April 2013</b>		2,278	207
<b>Cash and cash equivalents as at 31 March 2014</b>	<b>12</b>	2,573	2,278

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 2014

	<b>Balances held in NLDF</b> £000	<b>Balances at SLF</b> £000	<b>2014 Total</b> £000	<b>2013 Total</b> £000
Opening balances	51,489	(11,608)	39,881	35,331
National Lottery Fund proceeds	27,540	-	27,540	31,008
Drawn down in year by SLF	(25,128)	25,128	-	-
Interest on cash balances	-	7	7	7
Other operating income	-	53	53	120
Grants paid	-	(11,906)	(11,906)	(10,035)
Net grant commitment	-	(12,190)	(12,190)	(10,922)
Expenditure	-	(5,488)	(5,488)	(5,628)
	<u>53,901</u>	<u>(16,004)</u>	<u>37,897</u>	<u>39,881</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 2014

### 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 2013.

#### **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 £2,000 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 2013/14 by the National Lottery Commission and the completion of the audit of the National Lottery Distribution Fund accounts for 2013/14 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.

#### **1.11 Accounting Standards that have been issued but have not yet been adopted**

The Government Financial Reporting Manual does not require the following Standards and Interpretations to be applied in 2013-14, all of which are subject to consultation:

IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IAS 32	Financial Instruments - Presentation (amendment)
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement

The application of the Standards as revised would not have a material impact on the accounts for 2013-14, were they applied in that year.

## 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.

	<b>2014</b> £000	<b>2013</b> £000
<b>2.2 Other operating income comprises:</b>		
Miscellaneous income	53	119
	<hr/> 53	<hr/> 119



### 3 Grants paid and net grant commitment

	<b>2014</b> £000	<b>2013</b> £000
3.1 Annual grants paid and committed during the year		
Capital and Revenue	11,906	10,035
	<b>2014</b> £000	<b>2013</b> £000
<b>3.2 Grants paid during year</b>		
Paid and committed during year	11,906	10,035
Committed in previous years	10,428	11,474
	<u>22,334</u>	<u>21,509</u>
	<b>2014</b> £000	<b>2013</b> £000
<b>3.3 Net grant commitments</b>		
Hard commitments made during year	24,601	27,718
Less: amounts paid and committed during year	(11,906)	(10,035)
Less: amounts de-committed during year	(505)	(6,761)
<b>Net grant commitment at 31 March</b>	<u>12,190</u>	<u>10,922</u>
	<b>2014</b> £000	<b>2013</b> £000
<b>3.4 Net grant commitments split</b>		
Capital programmes	1,762	5,617
Revenue	10,428	5,305
	<u>12,190</u>	<u>10,922</u>
<b>3.5 Grants paid during the year by programme</b>	<b>2014</b> £000	<b>2013</b> £000
<b>3.5.1 Capital Facilities</b>		
Sports Facilities Programme	7,622	8,161
	<u>7,622</u>	<u>8,161</u>
	<b>2014</b> £000	<b>2013</b> £000
<b>3.5.2 Revenue Funding</b>		
Athlete Support	7,271	7,315
Scottish Athlete Awards & Support	908	370
Volunteers	151	132
Awards for All / Celebrate	1,915	990
Club Support	1,108	-
Coach Support	1,949	1,843
Sports Partnerships	1,410	1,061
Olympic Lottery Distribution Fund	-	1,637
	<u>14,712</u>	<u>13,348</u>
<b>Total grants paid during the year</b>	<u>22,334</u>	<u>21,509</u>

## 4 Employees

	<b>2014</b> £000	<b>2013</b> £000
<b>4.1 Total staff costs comprise:</b>		
Wages and salaries	2,176	2,448
Social security costs	187	161
Other pension costs	390	324
Aggregate staff costs	<u>2,753</u>	<u>2,933</u>

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

	<b>2014</b> No.	<b>2013</b> No.
<b>4.2</b> The average staff numbers, including part-time and full-time employees, are as follows:	<u>65</u>	<u>62</u>

## 5 Other operating charges

The operating result is after charging:

	<b>2014</b> £000	<b>2013</b> £000
Administration expenses	2,374	2,300
Travel and subsistence	133	135
Auditors' remuneration	21	20
	External	21
	Internal	189
Operating rentals	170	28
Depreciation	15	28
	<u>2,734</u>	<u>2,693</u>

## 6 Corporation tax

	<b>2014</b> £000	<b>2013</b> £000
Corporation tax	1	1

Corporation tax is due on the bank interest received in the year based on the standard rate of corporation tax of 20%.

## 7 Property, Plant & Equipment

	Total £000	Fixtures and Fittings £000	Equipment £000
Cost at 1 April 2013	43	1	42
Additions to 31 March 2014		-	
Disposals to 31 March 2014	-	-	-
Cost at 31 March 2014	<u>43</u>	<u>1</u>	<u>42</u>
Aggregate depreciation at 1 April 2013	15	1	14
Charge for the year	8	-	8
Disposals to 31 March 2014	-	-	-
Aggregate depreciation at 31 March 2014	<u>23</u>	<u>1</u>	<u>22</u>
Net Book Value at 31 March 2014	<u>20</u>	<u>-</u>	<u>20</u>
Net Book Value at 31 March 2013	<u>28</u>	<u>-</u>	<u>28</u>

## 8 Intangible assets

### Computer software licences

£000

#### Cost

Opening balance 1 April 2013	309
Additions during year	-
Disposals during year	<u>-</u>
Closing balance 31 March 2014	<u>309</u>

#### Accumulated depreciation

Opening balance 1 April 2013	303
Charge for year	6
Eliminated on disposal	<u>-</u>
Closing balance 31 March 2014	<u>309</u>

**Net book value at 31 March 2014** -

**Net book value at 31 March 2013** 6

## 9 Investments

	2014 £000	2013 £000
National Lottery Distribution Fund	53,901	51,489

The final audited balance for the value of investments as at 31 March 2013 was £51,538k.

## 10 Trade and other receivables

	2014 £000	2013 £000
Trade debtors	36	33
Intercompany - <b>sportscotland</b>	-	-
	<u>36</u>	<u>33</u>

### Breakdown of Debtors by Category

	2014 £000's	2013 £000's
Other Central Government Bodies	-	-
Local Authorities	19	16
NHS Bodies	-	-
Public Corporations and Trading Funds	-	-
Other External Bodies	17	17
Total	<u>36</u>	<u>33</u>

## 11 Trade and other payables

	2014 £000	2013 £000
Trade creditors	1,766	6
Corporation tax	1	1
Hard commitments payable within one year	14,685	11,521
Intercompany - <b>sportscotland</b>	21	105
Accruals and deferred income	2,059	817
	<u>18,532</u>	<u>12,450</u>

### Breakdown of Creditors by Category

	Group	
	2014 £000's	2013 £000's
Other Central Government Bodies	1,749	350
Local Authorities	4,803	4,934
NHS Bodies	0	0
Public Corporations and Trading Funds	0	0
Other External Bodies	11,980	7,166
Total	<u>18,532</u>	<u>12,450</u>

## 12 Cash and cash equivalents

	2014 £000	2013 £000
Cash and bank balance at 1 April	2,278	207
Net cash (outflow)/inflow	295	2,071
Cash and bank balance at 31 March	2,573	2,278

### Financial Instruments (under IFRS)

As the cash requirements of **sportscotland** are met through Grant-in-Aid provided by Scottish Government, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with **sportscotland's** expected purchase and usage requirements and **sportscotland** is therefore exposed to little credit, liquidity or market risk.

## 13 Grant Commitments

	2014 £000	2014 £000	2013 £000
<b>Capital</b>			
Balance as at 1 April		6,014	8,022
Amounts committed during the year		5,023	12,284
Total hard commitments		11,037	20,306
Amounts paid during the year	(7,087)		
Amounts paid and committed during the year	(535)		
Amounts de-committed during the year	(336)	(7,958)	(14,292)
Hard capital commitments at 31 March		3,079	6,014

	<b>2014</b> £000	<b>2014</b> £000	<b>2013</b> £000
<b>Revenue</b>			
Balance as at 1 April		7,010	5,553
Amounts committed during the year		19,578	15,434
Total hard commitments		26,588	20,987
Amounts paid during the year	(5,023)		
Amounts paid and committed during the year	(9,689)		
Amounts de-committed during the year	(169)		
		(14,881)	(13,977)
Hard revenue commitments at 31 March		11,707	7,010
Total hard commitments at 31 March		14,786	13,024

At 31 March 2014 a total of £14,685k (2012/13 £11,521k) is payable within one year and disclosed in Note 11. A further £101k (2012/13 £1,503k) is payable within two to five years and shown within the statement of financial position.

## 14 General Fund

	<b>2014</b> £000	<b>2013</b> £000
<b>Represented by:</b>		
Balance as at 1 April	39,881	35,331
Change in fund for the year	(1,984)	4,550
Balance as at 31 March	37,897	39,881

## 15 Soft capital grant commitments

	<b>2014</b> £000	<b>2014</b> £000	<b>2013</b> £000
Balance as at 1 April		-	1,793
Amounts committed during the year		-	-
Total soft commitments		-	1,793
Amounts transferred to hard commitments	-		(1,793)
Amount de-committed during the year	-		-
		-	(1,793)
Soft commitments at 31 March		-	-

## 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 £2,753k (2013: £2,934k). Within debtors there is an amount of £nilk due from **sportscotland** (2013: £nilk). Within creditors there is an amount of £21k due to **sportscotland** (2013: £104k).

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>2014</u>	<u>2013</u>
Awards for All (Big Lottery Fund)	£1,173,957	£960,380

The **sportscotland** member and the significant related party transactions with their associated organisations during the year to 31 March 2014 are detailed below:

Member	Organisation	Relationship	Value of transactions with <b>sportscotland</b>
			None

Details of awards made to governing bodies and amounts paid to individual sports are contained in the Annual Report.

## 17 Losses

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

## 18 Contingent Liabilities

As at the date of signing, **sportscotland** had no contingent liabilities.

## 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 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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