

**sportscotland**  
**Lottery Fund**

Annual Accounts 2010-2011

**Annual Report  
& Accounts**

# **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 2011, 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)
Carolyn Dobson*	
Kim McAully*	(Until December 2010)
Graeme Marchbank*	
David Sole**	
Mike Hay MBE	
Sir Bill Gammell**	
Prof Grant Jarvie**	
Francis Thin	(Until December 2010)
Mel Young* **	
David Gass	(from March 2011)
Rodney Stone	(from March 2011)

\* 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.

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 2011 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 2011, £21,077K (2009/10 £20,206K) 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 £3,925k (2009/10 £2,857k).
- 8 A summary of the Lottery Reserves position at the end of 2010/11 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 <b>sportscotland</b>		49,213

Less:- Commitments during 2011-15  
Corporate Plan

Partner Revenue Funding	-47,252	
Capital Funding	-23,000	
Olympic Lottery Distribution Fund	-5,354	
	-16,300	
Effective Organisation		
National Regional Sports Facility Strategy	<u>-4,494</u>	<u>-96,400</u>
Balance to be funded by future Lottery Revenues		<u><u>-47,187</u></u>

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As the final year in the current corporate plan cycle 2010/11 saw key activities being taken forward. These have built on previous successes which together continue to lay the foundations for the next four years, a period which will include the 2012 Olympics and the 2014 Commonwealth Games, without doubt a very significant and exciting time for sport in Scotland.

As the national agency for sport, **sportscotland** has continued to lead the development of sport working extensively with key partners including all 32 local authorities and over 50 governing bodies of sport as well as other important national and regional partner bodies.

Last year saw the final pieces of the jigsaw being put in place following the major re-organisation announced by the Scottish Government in January 2008. This has involved the merger of ten bodies into a single entity, the establishment of a regional network and the relocation of its headquarters to Glasgow.

During the year there was a focus on developing the organisation's future corporate plan which involved extensive internal and external consultation to ensure it was based on the best ideas and knowledge. In parallel with this planning process, organisational development has been given priority to bring together the different processes, policies and cultures of the merged bodies into a coherent, cohesive and integrated organisation.

While these activities have been taking place **sportscotland** has continued to pursue a very full programme of delivery to meet its corporate plan priorities. A selection of the highlights, which cover the whole Group, are outlined below under each strategic priority.

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**School and Community Sport**

- gained the commitment of all 32 local authorities to the next funding phase of Active Schools Network; enabling all those involved to plan for the future with confidence.
- Active Schools delivered over 4.7 million participant sessions, an estimated 2% increase on last year\* with 72% of sessions delivered by volunteers
- invested £1.2m directly into 226 sports clubs and community groups through Awards for All and **sportsmatch**
- 91% of secondary schools were engaged with the Fit For Girls programme
- Plans have been put in place for 40 community sport hubs in nine local authority areas
- Over 76% of Scotland's P5 pupils were introduced to golf through clubgolf\*\*
- Supported the delivery of National School Sport Week in 201/11, 735 schools participated

\* total participant sessions figure based on term 3 of 2009/10 school year and terms 1 and 2 of 2010/11 school year. Estimated increase based on term 1 2009/10 compared with term 1 2010/11

\*\* figure based on school year 2010/11

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#### Quality Facilities

- Nearly £14.2m was invested in 47 facility projects through the Sports Facilities Fund, helping to lever over £147m of other funding
- Continued to provide design advice on facility development projects
- The flagship regional sports facility at Ravenscraig which received **sportscotland** investment was opened, while work progressed on the National Indoor Sports Arena and Velodrome, Glasgow and the Royal Commonwealth Pool, Edinburgh which are also receiving significant **sportscotland** investment
- Managed the investment over £202k from CashBack for Communities to support eight grassroots football projects
- Responded to 65 planning applications for sports facilities

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#### Coaching and Volunteering

- Launched the Coaching Scotland Framework – a reference point for partners to help recruit, develop and retain coaches
- Engaged more than 900 young people in leadership and volunteering development programmes
- Registered 4,216 coaches for 37 individual UK Coaching Certificate (UKCC) qualifications in 23 sports
- Established 9 regional coaching and volunteering manager posts to work with partners to develop regional priorities and resources
- 109 coaches attended Coaching Matters training sessions and over 4,000 coaches participated in sports coach UK workshops
- 35 new tutors completed the Professional Development Award created in partnership with the Scottish Qualifications Authority
- Implemented Work Out for Sport, in partnership with the Winning Scotland Foundation and Deloitte, to provide skilled volunteers from the business sector to strengthen the Scottish sporting community through sports clubs and organisations

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#### Stronger Partners

- Invested £15.6m in all 32 local authority sports development plans to increase participation
  - Provided expert advice and guidance to all local authorities and associated local partners
  - Invested over £14.5m in Scottish governing bodies of sport (SGBs) and other sporting partners
  - Supported 36 partners with expert resources in areas including finance, legal and human resources
  - Completed 'fit for purpose' corporate governance audits on 12 SGBs
  - Provided 13 SGBs and 5 other sporting organisations with cost effective office facilities at the House of Sport developed from the previous **sportscotland** HQ building in Edinburgh
  - Supported 8 sports as they implemented a membership management system and completed a review of future planning
- **sportscotland** continued to be active in developing and supporting partners including the organisational development of governing bodies and supporting their achievement of the Equity standard, child protection and anti-doping requirements.

17 **Stronger sportscotland**

- Reviewed and updated four year corporate plan which has the ambition of helping to create a world class sporting system at all levels in Scotland
- Implemented an extensive consultation exercise, generating valuable insights from external partners
- Achieved a 7% saving across a range of corporate services
- Ensured **sportscotland's** investment in and around Glasgow, is effectively facilitated and coordinated in order to leave a positive and lasting legacy after 2014
- Developed a Carbon Management Plan for 2011-16, in conjunction with The Carbon Trust, to ensure sportscotland contributes to the Climate Change Scotland Act
- Invested in the national training centres to ensure compliance with the Disability Discrimination Act
- Reviewed the Business Continuity Plan and data disaster recovery arrangements to ensure full compliance with the Scottish Government's Security Policy Framework
- Completed research that demonstrates the economic impact of sport.

**B) Future Developments**

18 During 2010/11, **sportscotland** undertook a significant strategic review, culminating in the development of the **sportscotland** 2011/15 Corporate Plan. The primary focus of this new plan is to contribute to the development of a more coherent integrated world class system for sport at all levels in Scotland. This will require a further strengthening of partnerships so that the investment plans of different organisations are aligned across the sector as well as focused on those areas that are achieving the best outcomes in order to maximise the impact of constrained resources. A major feature of 2011/12 will be to explore how all the essential ingredients of this system can be developed. To this end, appropriate benchmarks will be established against which we can assess our progress.

19 Supporting this revised Corporate Plan, the recently published set of investment principles, outcomes and processes will result in the publication on the **sportscotland** website the levels of investment being made and the outcomes agreed with each partner.

**C) Sickness absence data**

20 The sickness absence rate during 2010/11 was 1.18% (2009/10: 1.63%).

**D) Personal data related incidents**

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

**E) Group pension liability**

22 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**

23 The accounts are audited by auditors appointed by the Auditor General for Scotland. For the year 2010/11 the appointed auditors were Scott-Moncrieff.

- 24 During 2010/11, no non-audit fees were paid to Scott-Moncrieff.

## Corporate Objectives

- 25 **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.
- 26 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.
- 27 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.
- 28 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;
- 29 These priorities are not stand alone, they work together to create a single world class system for sport in Scotland. Therefore in 2010/11 **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

- 30 During the year to 31 March 2011 there was £0k (2009/10 £82k) spent on acquiring intangible assets for **sportscotland** Lottery Fund activities.

## Retained Reserves

- 31 Accumulated funds totalling £43,024k (2009/10 £44,513k) were held on the Statement of Financial Position at the end of the year.

## Payment of Creditors

- 32 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.
- 33 During the year ended 31 March 2011 the Lottery Fund paid 77% (2009/10 82%) of all invoices received within the terms of its payment policy.
- 34 The Scottish Government policy of paying 100% of invoices within 10 days of being received within the Finance department has been met in full.
- 35 The **sportscotland** Lottery Fund observes the principles of the Better Payment Practice Code.

## Risk Management

- 36 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.
- 37 During 2010/11, **sportscotland** continued to make significant progress towards 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. In addition, an internal audit review of the Business Continuity and Data Disaster Recovery arrangements demonstrated a number of examples of good practice and no critical or high levels risks were identified.
- 38 **sportscotland** will achieve its risk management objectives by the continued use of a reviewed and updated 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.
- 39 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

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

## Employee Involvement

- 41 **sportscotland** involves employees in decisions which may affect their welfare, through its Joint Consultative Committee, which brings together representatives from Management and Trade Unions. Additionally, during 2010/11 an extensive and inclusive engagement process was used to help develop the new 2011/15 Corporate Plan. This has helped ensure the knowledge and experience of all staff has been captured and ownership of the new plan has been promoted to all staff.

## Statement as to disclosure of information to auditors

- 42 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  
31 August 2011



Louise Martin CBE  
Chair  
31 August 2011



## Statement on Corporate Governance

The Members of the Council acknowledge the importance of the Combined Code, as issued in a revised form in 2008 by the Financial Reporting Council, and have put in place a framework for corporate governance which the Council believes, is appropriate for **sportscotland** and its Group companies.

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

### The Council

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. During the year, two member's terms came to an end in December 2010 and two new members were appointed in March 2011 resulting in 11 members remaining at the end of the financial year. All 13 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 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 13 non executive members who held office during the year of the six meetings of 2010/11 was:

Louise Martin CBE	(6 of 6)	(Chair)
I Beattie	(5 of 6)	(Vice Chair)
C Dobson	(4 of 6)	
K McAully	(5 of 5)	(Until December 2010)
D Sole	(4 of 6)	
G Marchbank	(5 of 6)	
Mike Hay MBE	(6 of 6)	
Sir Bill Gammell	(4 of 6)	
Prof G Jarvie	(4 of 6)	
F Thin	(2 of 5)	(Until December 2010)
M Young	(6 of 6)	
D Gass	(0 of 0)	(From March 2011)
R Stone	(0 of 0)	(From March 2011)

### How the Council Operates

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

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

## **Council Member Committees**

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

### **Group Audit Committee**

Membership of the Group Audit Committee consists of four non executive Council members. The membership during the 2010/11 financial year is detailed below with their attendance record for the four meetings that took place. Following the restructure of the Trust Board to provide an independence from the Council it was agreed that one of its independent members would also become a member of the Audit Committee. As a consequence H Mackay joined the Audit Committee in January 2011.

The Group Audit Committee considers the appointment and fees of the external auditors and discusses the scope of the audit and its findings. It also considers the appointment and fees of the internal auditors and discusses the planned timetable of activity and its findings. The Committee is responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual financial statements. The Committee is currently chaired by I Beattie.

I Beattie	(4 of 4) (Chair)
G Marchbank	(4 of 4)
K McAully	(3 of 3) (To December 2010)
C Dobson	(1 of 2) (To September 2010)
M Young	(1 of 1) (From March 2011)
H Mackay	(2 of 2) (From January 2011)
A Munro	(1 of 1) (From July 2011)

### **Internal Control**

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

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

**Approved by the Council and signed on its behalf:**



Stewart Harris  
Chief Executive & Accountable Officer  
31 August 2011

## 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 £000's	Real increase in lump sum during the year £000's	Total Accrued Pension at 60 £000's	Total Accrued Lump sum at 60 £000's	Cash equivalent transfer value £000's
S G Harris	2011	89	-	2	5	21	64	426
	2010	89	-	1	^	25	^	409
S Ogg	2011	73	-	1	0	3	4	56
	2010	71	-	1	1	2	4	42
M Roberts	2011	73	2	1	0	4	7	45
	2010	71	-	2	0	2	5	33
M Whittingham	2011	84	3	*	*	*	*	66
	2010	91	3	*	*	*	*	42
L Martin	2011	30	-			<b>None Payable</b>		
	2010	28	-			<b>None Payable</b>		

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

^ The Scottish Public Pension Agency were unable to provide this information.

In addition to the above, S G Harris received a retention payment of £10k as part of the approved relocation package following the decision by the Scottish Government in January 2008 to relocate **sportscotland** from Edinburgh to Glasgow. For the year 2010/11 the performance related payment was waived by the Chief Executive.

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 2010/11 was 26% (2009/10 27%) with the balance, 74% (2009/10 73%), 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 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

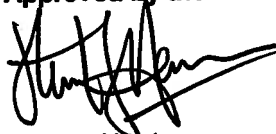
The Lottery operates a car leasing scheme for essential users. Payments made during 2010/11 were £88k (2009/10 £69k). The increase reflects the recruitment of new staff due to the relocation of **sportscotland**.

### **Remuneration Committee**

The Remuneration Committee considers and approves the remuneration and benefits of all staff within **sportscotland** including the Chief Executive Officer. The Committee met on 7 February 2011. 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 2010/11 comprised :

D Sole (Chair)  
Sir Bill Gammell  
Prof G Jarvie  
M Young

**Approved by the Council and signed on its behalf:**



Stewart Harris  
Chief Executive & Accountable Officer  
31 August 2011

## 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  
31 August 2011

## Statement on the Systems of Internal Control

As Accountable Officer, I have responsibility for maintaining a sound system of internal control which supports the delivery of **sportscotland'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 Lottery Grants were in place throughout the 2010/11 year.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance. 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 2010/11 and have been reviewed during the year with a view to establishing their effectiveness and improving their robustness.

Senior Management risk-management reviews, during which I identified our objectives and risks and determined a control strategy for each of the significant risks, continued on a six monthly cycle during 2010/11. The risk management process has been strengthened during the year and has been incorporated more fully into our corporate planning and decision-making process.

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

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

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


Best Value continues to be a focus in all areas of work within **sportscotland** and the continued communication of this principle supports all staff in its delivery. More generally, the organisation is committed to a process of continuous development and improvement including developing systems in response to any relevant reviews and developments in best practice in this and other areas.

During 2010/11, **sportscotland** continued to make significant progress towards 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. In addition, an internal audit review of the Business Continuity and Data Disaster Recovery arrangements demonstrated a number of examples of good practice and no critical or high levels risks were identified.

Throughout 2010/11, **sportscotland's** Freedom of Information systems were fully operational and all requests received were completed within the statutory timescales.

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

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

  
Stewart Harris  
Chief Executive & Accountable Officer  
31 August 2011

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

We have audited the financial statements of the Scottish Sports Council Lottery Fund for the year ended 31 March 2011 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 2010/11 Government Financial Reporting Manual (the 2010/11 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 123 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

## **Respective responsibilities of Accountable Officer and auditor**

As explained more fully in the Statement of the Accountable Officer's Responsibilities set out on page 12, 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. Our 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 us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are 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, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view in accordance with the National Lottery etc Act 1993 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2011 and of its decrease in fund 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 2010/11 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 our 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.

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

**Opinion on other prescribed mailers**

In our 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 included in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We are required to report to you if, in our 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
- we have not received all the information and explanations we require for our audit; or
- the Statement on Internal Control does not comply with Scottish Government guidance.

We have nothing to report in respect of these matters.



**Scott-Moncrieff**  
Chartered Accountants  
Statutory Auditor  
Exchange Place 3  
Sempie St  
Edinburgh  
EH3 8BL

31 August 2011



# sportscotland

## Lottery Fund

### Statement of Comprehensive Income for the year ended 31 March 2011

	Notes	2011 £000	Restated 2010 £000
<b>Income</b>			
National Lottery Fund proceeds		21,077	20,206
Interest receivable		8	6
Other operating income	2	96	71
		<u>21,181</u>	<u>20,283</u>
<b>Expenditure</b>			
Grants paid and committed during the year	3	14,648	14,886
Net grant commitments	3	4,095	3,723
Staff costs	4	2,211	1,927
Depreciation	5	23	40
Other operating charges: direct	5	1,691	890
		<u>22,668</u>	<u>21,466</u>
Operating deficit before tax		(1,487)	(1,183)
Corporation tax	6	(2)	(1)
Decrease in fund		<u>(1,489)</u>	<u>(1,184)</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 2011

	Notes	2011 £000	2010 £000
<b>Non-current assets</b>			
Property, plant, and equipment	7	0	1
Intangible assets	8	52	74
<b>Total non-current assets</b>		<u>52</u>	<u>75</u>
<b>Current assets</b>			
Investments – balance held in NLDF (Cash and cash equivalents)	9	49,213	46,760
Trade and other receivables	10	18	448
Cash and cash equivalents	12	1,716	3,177
<b>Total current assets</b>		<u>50,947</u>	<u>50,385</u>
<b>Total assets</b>		<u>50,999</u>	<u>50,460</u>
<b>Current Liabilities</b>			
Trade and other payables	11	7,098	4,466
<b>Total current liabilities</b>		<u>7,098</u>	<u>4,466</u>
<b>Non-current assets plus net current assets</b>		43,901	45,994
<b>Non-current liabilities</b>			
Provisions	13	877	1,481
<b>Total non-current liabilities</b>		<u>877</u>	<u>1,481</u>
<b>Net assets</b>		<u>43,024</u>	<u>44,513</u>
<b>Taxpayers Equity</b>			
General fund	14	43,024	44,513
		<u>43,024</u>	<u>44,513</u>

The Accountable Officer authorised these financial statements for issue on 31 August 2011



**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 2011**

	Notes	2011 £000	2010 £000
<b>Cash flows from operating activities</b>			
(Deficit) / surplus on ordinary activities before tax		(1,487)	(1,183)
<i>Adjustment for non-cash items</i>			
Depreciation on tangible and non-tangible fixed assets		23	40
<i>Movements in working capital</i>			
(Increase)/decrease in investments		(2,453)	2,498
Decrease in trade and other receivables		430	(398)
Increase in trade payables		2,631	399
<i>Movements in provisions</i>			
(Decrease) in provisions for hard commitments		(604)	(411)
Taxation Paid		(1)	(1)
<b>Net cash (outflow) / inflow from operating activities</b>		(1,461)	944
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		-	(82)
<b>Net cash outflow from investing activities</b>		(1,461)	(82)
<b>Net (decrease) / increase in cash and cash equivalents</b>		(1,461)	862
<b>Cash and cash equivalents as at 1 April 2010</b>		3,177	2,315
<b>Cash and cash equivalents as at 31 March 2011</b>	12	1,716	3,177

The notes to the accounts form part of these financial statements

# sportsotland Lottery Fund

## Reconciliation of movement of funds for the year ended 31 March 2011

	Balances held in NLDF £000	Balances at SLF £000	2011 Total £000	2010 Total £000
Opening balances	46,760	(2,247)	44,513	45,697
National Lottery Fund proceeds	21,077	-	21,077	20,206
Drawn down in year by SLF	(18,624)	18,624	-	-
Interest on cash balances	-	8	8	6
Other operating income	-	96	96	71
Grants paid	-	(14,648)	(14,648)	(14,886)
Net grant commitment	-	(4,095)	(4,095)	(3,723)
Expenditure	-	(3,927)	(3,927)	(2,858)
	<u>49,213</u>	<u>(6,189)</u>	<u>43,024</u>	<u>44,513</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 2011

### 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 2010.

#### **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 2010/11 by the National Lottery Commission and the completion of the audit of the National Lottery Distribution Fund accounts for 2010/11 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 a quarterly 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.

### **2.2 Other operating income comprises:**

	<b>2011</b>	<b>2010</b>
	£000	£000
Repayment of grant	-	71
Miscellaneous income	96	-
	<u>96</u>	<u>71</u>



### 3 Grants paid and net grant commitment

	2011 £000	2010 £000
3.1 Annual grants paid and committed during the year		
Capital and Revenue	14,648	14,886
	<b>2011 £000</b>	<b>2010 £000</b>
3.2 Grants paid during year		
Paid and committed during year	14,648	14,886
Committed in previous years	2,193	4,134
	<b>2011 £000</b>	<b>2010 £000</b>
3.3 Net grant commitments		
Hard commitments made during year	18,800	19,428
Less: amounts paid and committed during year	(14,648)	(14,886)
Less: amounts de-committed during year	(57)	(819)
<b>Net grant commitment at 31 March</b>	<b>4,095</b>	<b>3,723</b>
	<b>2011 £000</b>	<b>2010 £000</b>
3.4 Net grant commitments split		
Capital programmes	232	2,136
Revenue	3,863	1,587
	<b>2011 £000</b>	<b>2010 £000</b>
3.5 Grants paid during the year by programme		
3.5.1 Capital Facilities		
Local	-	2
Community Facilities	-	971
Sports Facilities Programme	856	340
Sports Facilities Fund	-	132
National Regional Sports Facilities Fund	6,270	6,016
	<b>2011 £000</b>	<b>2010 £000</b>
3.5.2 Revenue Funding		
Athlete Support	3,357	3,568
Medical Costs	-	65
Community Regeneration	-	657
Awards for All	999	950
Coach Support	1,745	2,226
Sports Partnerships	100	579
Olympic Lottery Distribution Fund	3,514	3,514
	<b>2011 £000</b>	<b>2010 £000</b>
<b>Total grants paid during the year</b>	<b>16,841</b>	<b>19,020</b>

## 4 Employees

	2011 £000	2010 £000
<b>4.1 Total staff costs comprise:</b>		
Wages and salaries	1,763	1,538
Social security costs	150	140
Other pension costs	298	249
Aggregate staff costs	<u>2,211</u>	<u>1,927</u>

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

	2011 No.	2010 No.
<b>4.2</b> The average staff numbers, including part-time and full-time employees, are as follows:	<u>52</u>	<u>45</u>

## 5 Other operating charges

The operating result is after charging:

	2011 £000	Restated 2010 £000
Administration expenses	1,483	740
Travel and subsistence	81	83
Auditors' remuneration	21	20
	18	8
	88	39
Operating rentals	23	40
Depreciation	<u>1,714</u>	<u>930</u>

## 6 Corporation tax

	2011 £000	2010 £000
Corporation tax	2	1

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 2010	140	85	55
Additions to 31 March 2011	-	-	-
Disposals to 31 March 2011	(123)	(77)	(46)
Cost at 31 March 2011	<u>17</u>	<u>8</u>	<u>9</u>
Aggregate depreciation at 1 April 2010	139	85	54
Charge for the year	1	-	1
Disposals to 31 March 2011	(123)	(77)	(46)
Aggregate depreciation at 31 March 2011	<u>17</u>	<u>8</u>	<u>9</u>
Net Book Value at 31 March 2011	<u>-</u>	<u>-</u>	<u>-</u>
Net Book Value at 31 March 2010	<u>1</u>	<u>-</u>	<u>1</u>

## 8 Intangible assets

### Computer software licences

	£000
<b>Cost</b>	
Opening balance 1 April 2010	309
Additions during year	0
Disposals during year	<u>0</u>
Closing balance 31 March 2011	<u>309</u>
<b>Accumulated depreciation</b>	
Opening balance 1 April 2010	235
Charge for year	22
Eliminated on disposal	<u>0</u>
Closing balance 31 March 2011	<u>257</u>
<b>Net book value at 31 March 2011</b>	<u>52</u>
<b>Net book value at 31 March 2010</b>	<u>74</u>

## 9 Investments

	2011 £000	2010 £000
National Lottery Distribution Fund	<u>49,213</u>	<u>46,760</u>

The final audited balance for the value of investments as at 31 March 2011 is not yet available. The above valuation is taken from the interim valuation as at 31 March 2011.

## 10 Trade and other receivables

	2011 £000	2010 £000
Trade debtors	8	-
Intercompany - Sportscotland	7	441
Prepayments and accrued income	3	7
	<u>18</u>	<u>448</u>

## 11 Trade and other payables

	2011 £000	2010 £000
Trade creditors	75	-
Corporation tax	2	1
Hard commitments payable within one year	6,475	4,011
Intercompany - Sportscotland	-	207
Other creditors	29	-
Accruals and deferred income	517	247
	<u>7,098</u>	<u>4,466</u>

## 12 Cash and cash equivalents

	2011 £000	2010 £000
Cash and bank balance at 1 April	3,177	2,315
Net cash (outflow)/inflow	<u>(1,461)</u>	<u>862</u>
Cash and bank balance at 31 March	<u>1,716</u>	<u>3,177</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

	2011 £000	2011 £000	2010 £000
<b>Capital</b>			
Balance as at 1 April		4,148	3,322
Amounts committed during the year		6,502	8,769
Total hard commitments		10,650	12,091
Amounts paid during the year	(841)		
Amounts paid and committed during the year	(6,285)		
Amounts de-committed during the year	-	(7,126)	(7,943)
Hard capital commitments at 31 March		3,524	4,148

	2011 £000	2011 £000	2010 £000
<b>Revenue</b>			
Balance as at 1 April		1,344	2,582
Amounts committed during the year		12,256	10,658
Total hard commitments		13,600	13,240
Amounts paid during the year	(9,715)		
Amounts paid and committed during the year	-		
Amounts de-committed during the year	(57)		
Hard revenue commitments at 31 March		(9,772)	(11,896)
		3,828	1,344
Total hard commitments at 31 March		7,352	5,492

At 31 March 2011 a total of £6,475k (2009/10 £4,011k) is payable within one year and disclosed in Note 11. A further £877k (2009/10 £1,481k) is payable within two to five years and shown on the face of the accounts under provisions.

## 14 General Fund

	2011 £000	2010 £000
<b>Represented by:</b>		
Balance as at 1 April	44,513	45,697
Change in fund for the year	(1,489)	(1,184)
Balance as at 31 March	43,024	44,513

## 15 Soft capital grant commitments

	2011 £000	2011 £000	2010 £000
Balance as at 1 April		90	94
Amounts committed during the year		7,883	2,748
Total soft commitments		7,973	2,842
Amounts transferred to hard commitments	(7,973)		(2,752)
Amount de-committed during the year	-	(7,973)	(2,752)
Soft commitments at 31 March		-	90

## 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 £2,211k (2010: £1,927k). In the prior year **sportscotland** charged rent of £162k to the Lottery Fund, this year costs were split as received rather than being recharged. Within debtors there is an amount of £7k due from **sportscotland** (2010: £441k). Within creditors there is an amount of £nil due to **sportscotland** (2010: £207K).

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>2011</u>	<u>2010</u>
Awards for All	£999,000	£950,000

The **sportscotland** members and their associated organisations during the year to 31 March 2011 are detailed below:

Louise Martin CBE

UK Sport  
 Scottish Gymnastics  
 Commonwealth Games Federation  
 Scottish Sports Aid Foundation  
 University of Abertay  
 Scottish Swimming  
 Commonwealth Advisory Body on Sport  
 Glasgow 2014 Ltd

Steven Grimmond

Fife Council  
 Scottish Arts Council  
 Dundee FC

Ian Beattie	Lindsays Solicitors Scottish Athletics Limited Strathearn Harriers Auchterarder Golf Club National Trust for Scotland Institute of Chartered Accountants of Scotland West Highland Way Race
Carolán Dobson	Sports Resolutions UK North Yorkshire Pension Staffordshire Pension Fund Environmental Agency London Borough of Enfield Rhondda Cynon Taf Avon Pension Fund Aberdeen High Income Smaller Companies Trust Competition Commission Finance and Regulation Group Qinetiq plc Pension Fund Golden Charter Limited Buckinghamshire County Council TDG Pension Fund Lomond School JP Morgan Smaller Companies Investment Trust
Kim McAully	Angus Council
Graeme Marchbank	Diageo PLC
David Sole	HBOS Foundation 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
Frances Thin	Cairngorms National Park Authority
Prof Grant Jarvie	Stirling University Scottish Sports Hall of Fame
Mel Young	Pro Poor Sports Limited Glasgow Life Homeless World Cup Foundation
David Gass	Rural Matters LLP Upper Quartile LLP Broughton Tennis Club
Rodney Stone	Aberdeenshire Council 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 Operating Leases

At 31 March 2011 the sportscotland Lottery Fund had annual commitments under non-cancellable operating leases as detailed below:

	2011 £000	2010 £000
Motor vehicles	-	11
Expiry within one year	-	8
Expiry within two to five years	-	19

## 18 Segmental Reporting

Areas of Activity	2011 %	2010 %
Facilities	24.44%	21.19%
School & Community	23.06%	21.90%
Sporting Pathways	11.64%	16.10%
Scottish Institute of Sport	10.31%	9.35%
Strong Partners	8.47%	9.58%
Corporate Services	5.53%	4.86%
Olympic Lottery Distribution Fund	5.45%	4.97%
Coaching and Volunteering	4.60%	3.20%
Trust Company (National Centres)	4.45%	4.11%
Big Lottery Fund (Youth Action Plan)	2.05%	4.74%
	<u>100%</u>	<u>100%</u>

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 2010/11.

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.

## 19 Losses

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

## 20 Prior Year Adjustments

HM Treasury, under the Clear Line of Sight (Alignment Project) removed the cost of capital charge from budgets and accounts from 1st April 2010. The cost of capital charge is therefore no longer applicable. The removal of the cost of capital charge is a change in accounting policy under IAS 8. Applying paragraph 31 of IAS 1 and, noting that the removal of the cost of capital charge has no effect on the Statement of Financial Position, a specific disclosure is not required. The net impact on the prior year Statement of Comprehensive Income is nil.



# 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.