



**The Scottish
Government**
Riaghaltas na h-Alba

**FINANCIAL DIRECTIONS ISSUED TO SPORTSCOTLAND UNDER
SECTIONS 26(3), (3A) AND (4) AS READ WITH SECTION 26A(1)(A)
OF THE NATIONAL LOTTERY ETC. ACT 1993**

The Scottish Ministers, in exercise of the powers conferred by sections 26(3), (3A) and (4) as read with section 26A(1)(a) of the National Lottery etc. Act 1993¹, and having consulted with sportscotland pursuant to section 26(5) of that Act, hereby give the following directions:

- 1. sportscotland must comply with the requirements contained within the attached Statement of Financial Requirements².**
- 2. All previous directions made under the powers cited are revoked.**

Signed on behalf of the Scottish Ministers

Richard Foggo
Deputy Director and Head of Active Scotland Division
July 2015
The Scottish Government

I agree, signed on behalf of the Secretary of State for Culture, Media and Sport

Julie Carney
October 2015
Deputy Director and Head of Gambling, Licensing and Lottery
Department for Culture, Media and Sport

¹ The function conferred on the Secretary of State was transferred to the Scottish Ministers by virtue of Schedule 1 to the Scotland Act 1998 (Transfer of Functions to the Scottish Ministers etc.) Order 1999 (SI 1999/1750).

² The Statement of Financial Requirements complements sportscotland's Framework Document, which deals with corporate management matters and with the application of non-Lottery funds, and should be read in conjunction with the Framework Document.

STATEMENT OF FINANCIAL REQUIREMENTS

This Statement of Financial Requirements is effective from October 2015

Introduction

1. This statement of Financial Requirements (SFR) replaces any previous SFR issued. It complements **sportscotland's** Framework Document whose provisions, unless otherwise stated in this SFR, apply to the administration of National Lottery proceeds and the costs of administering Lottery proceeds. It also complements and should be read in conjunction with the Accounts Directions issued to **sportscotland** under section 35(3) of the National Lottery etc. Act 1993.
2. **sportscotland** must operate within the principles of administrative law. Lottery proceeds are public monies, and shall be used only to make grants and loans in connection with successful Lottery applications, to defray administration expenses incurred in the distribution of those funds (including those connected with delegation of Lottery distribution), or to meet the cost of non-cash grants. **sportscotland** should have regard to value for money, and to additionality principles, in all aspects of its administration of Lottery funds.
3. Systems of internal control deployed by **sportscotland** should be designed to manage risk to a reasonable level rather than eliminate all risk of failure to the achievement of policies, aims and objectives. Systems of internal control should be based on an on-going process to identify and prioritise the principal risks to **sportscotland** not achieving its objectives, to evaluate the likelihood and impact of those risks and to manage them efficiently, effectively and economically.

Applications

4. **sportscotland** should make guidance on how to apply for Lottery funds widely available and should distribute funds only in response to applications. It may exercise as it sees fit, putting appropriate management and accountability arrangements in place, its powers under the Act to:
 - co-ordinate applications with other distributing bodies and/or other organisations;
 - participate in a joint scheme;
 - solicit applications;
 - delegate, internally or externally, decisions as to whom Lottery money is to be distributed.
5. **sportscotland** should ensure that, where appropriate, applicants are informed of the circumstances in which they will have to satisfy European Union (EU) and World Trade Organisation (WTO) procurement rules.
6. **sportscotland** should adopt appropriate policies for the appraisal of applications, depending on the nature, size and complexity of the project proposed. These should follow the best current practice and utilise, where

appropriate, the Treasury “Green Book” and the Office of Government Commerce Project Profile Model (PPM), used to determine the need for Gateway reviews.

7. **sportscotland** should notify the Scottish Ministers whenever it receives an application that falls under section 27 of the Act, and where possible should inform the Scottish Ministers as soon it becomes aware that such an application is likely to be made. Where **sportscotland** is minded to approve the application, it should submit a clear analysis of why the Scottish Ministers should not exercise section 27 powers, and should not finally approve the application until it receives written notification of the Scottish Ministers’ decision not to exercise section 27 powers.
8. **sportscotland** should collect what information it considers appropriate on each application it receives, and on each successful application. It should supply such information to the Scottish Ministers as and when requested. It should share information on applications with other distributing bodies where it judges that there is a significant risk that an applicant could fraudulently apply to more than one body.

Successful applications and payments of grant

9. The terms and conditions with which each grant or loan recipient must comply should be clearly set out. These should include a provision that the grant can be clawed back if there is a change of use from the one originally intended, and/or that an appropriate proportion of the value of the asset should be repaid.
10. They should also include a provision for access by the Comptroller and Auditor General for Scotland; requirements for the applicant to pay to **sportscotland** a share of the proceeds from the disposal of assets (including their transfer to the private sector) purchased or enhanced with the assistance of Lottery funding; and for the applicant to repay the grant in full or in part if any of the grant conditions are breached, including instances where the purpose for which the grant was made is not fulfilled, or seems unlikely to **sportscotland** to be fulfilled. **sportscotland** may vary the terms and conditions of a grant or loan by written agreement with the recipient.
11. **sportscotland** may waive such requirements and ‘write off’ the grant if it considers that this would be appropriate having regard to all the circumstances. However, write-offs totalling £50,000 or more in a single financial year must be reported to the Scottish Ministers.
12. In addition, where a body is participating in a joint scheme with other distributing bodies, the Accounting Officers of the participating bodies may, by mutual agreement, delegate grant decision-making authority, and the authority to authorise write-offs and special payments, to the Accounting Officer of one of the bodies or, where appropriate, to a suitably qualified person empowered to act for an external delegate. The person so authorised should report back to the Accounting Officers of the other participating bodies on the achievements of the joint scheme.

13. Grants paid to successful applicants must come from a separate bank account(s) maintained specifically for the transfer of funds from the National Lottery Distribution Fund to approved projects. This, the Distributing Body's Lottery Account(s) (DBLA(s)), should also be used to cover any costs incurred in administering the Lottery by **sportscotland** or any delegates.
14. **sportscotland** may hold funds for a short time in DBLA(s) (which may be an interest-bearing instant access account) but may not otherwise invest Lottery money on its own behalf. Draw down requests should reflect **sportscotland's** best estimate of the amount needed during the following month. The DBLA(s) should not be overdrawn at any time.
15. Grant distribution may also be made using non-cash methods (for example, vouchers redeemable for goods and services from an approved supplier or contractor). Grants may be made to set up or augment endowments.
16. Grants should not normally be issued to successful applicants in advance of need. However, **sportscotland** can and should have regard to the flexibility provided for in the Scottish Public Finance Manual (SPFM), relevant Scottish Government advice and guidance. **sportscotland** shall pay all matured and properly authorised invoices, or award authorisations, in accordance with the guidance in the SPFM on Expenditure and Payments. **sportscotland** is subject to the Scottish Government target for the payment of invoices within 10 working days of their receipt.
17. **sportscotland** should set up appropriate arrangements for monitoring and evaluating projects both while they are in progress and after completion.

General administrative & financial matters

18. The Chief Executive of **sportscotland** is normally designated as the Accounting Officer for the Lottery Funds under **sportscotland's** control and the responsibilities are set out in the Chief Executive's designation letter. In particular he/she is responsible for signing the accounts for **sportscotland's** Lottery distribution activities, and ensuring that:
 - Lottery money is distributed with due regard to regularity and propriety;
 - Bodies engaged as partners or agents for the purpose of processing Lottery applications and paying funds, or delegated to make decisions on **sportscotland's** behalf, are fit and proper and have established appropriate management arrangements;
 - Lottery money is used economically, efficiently, and effectively even though grant decisions may have been delegated to an outside person, organisation, committee, or are distributed under a scheme in conjunction with other distributors.

19. **sportscotland** will devise and implement appropriate indicators for analysing its own administrative efficiency and performance. These should be agreed with its sponsor division the Scottish Government. Performance measures, and targets for them, should be included in the annual business/operational plans.
20. In making forward commitments **sportscotland** must have due regard to past and projected income flows and to the need to keep its cash balance in the NLDF to a level which is consistent with safeguarding its commitments. In complying with this direction, **sportscotland** should have regard to relevant guidance.

**EDINBURGH
JULY 2015**