

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

Annual Report and Accounts
for the year ended 31st March 2013

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National Lottery
Distribution Fund

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for the year ended 31st March 2013

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

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November 2013

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Any enquiries regarding this publication should be sent to us at **sportscotland**, Doges, Templeton on the Green, 62 Templeton Street, Glasgow G40 1DA.

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sportscotland

Lottery Fund

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

Report of the Council

Foreword

- 1 The Scottish Sports Council was established by Royal Charter in 1972 for the purposes, inter alia, “of fostering the knowledge and practice of sport and physical recreation among the public at large and the provision of facilities therefor”. On 1 July 1999 the Scottish Sports Council adopted the trading name of **sportscotland**.

National Lottery Fund

- 2 Under the *National Lottery etc Act 1993*, **sportscotland** was appointed to distribute National Lottery Funds for expenditure on or connected with sport in Scotland, in accordance with the powers set out in its Royal Charter.
- 3 Under the directions given by the Scottish Ministers all distributing bodies must prepare separate statements of accounts relating to the disbursement of Lottery monies.

Format of Accounts

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

Members of the Council

5 The Members of the **sportscotland** Council at 31 March 2013, all of whom have been Members throughout the year, with the exception of those indicated otherwise, are listed below:

Louise Martin CBE	(Chair)
Ian Beattie*	(Vice Chair)(Until Apr 12)
Carolann Dobson*	
Graeme Marchbank*	
David Sole OBE**	
Prof Grant Jarvie**	
Mel Young*	(Vice Chair)(From Feb 13)
David Gass**	
Rodney Stone*	
* Member of the Audit Committee	
** Member of the Remuneration Committee	
Mike Hay MBE	(Advisor)(From Apr 12)

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

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

Management commentary

Review of business

- 6 The accounts relate to the year ended 31 March 2013 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 2013, £27,409K (2011/12 £21,077K) was called down from the NLDF towards the payment of approved awards and the administration of the National Lottery Fund. Administration costs including depreciation for the year totalled £5,627k (2011/12 £4,637k).
- 8 A summary of the Lottery Reserves position at the end of 2012/13 showing the commitments to be made over the 4 year Corporate Plan period 2011/12 to 2014/15 are highlighted in the table over leaf.
- 9 The **sportscotland** Lottery statutory accounts are prepared so as to provide details of hard commitments to partners annually. Thus the income and expenditure account reflects these commitments.
- 10 This does not take account of the ongoing commitment to our partners who work to a four year plan to deliver specific outcomes.

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

	£000's	£000's
Monies held in National Lottery Distribution Fund for sportscotland		51,489
<u>Less:- Commitments during 2011-15 Corporate Plan</u>		
Partner Revenue Funding	61,509	
Capital Funding	40,000	
Effective Organisation	15,000	
		<u>116,509</u>
Balance to be funded by future Lottery Revenues		<u>65,020</u>

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

Our programmes

- 13 Our corporate plan 2011-15 outlines six programmes, which form the core of our 2012-13 business plan and focus on our external investment. These are underpinned by two further programmes which focus on organisational effectiveness and understanding and belief in sport and **sportscotland**.

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

School sport

- 14 Significant progress has taken place across the key programmes within school sport. Active Schools continues to be the flagship programme with 4,498,837 participant session undertaken by children and young people before school, at lunchtime and after school during the 2011-12 academic year.
- 15 While the number of recorded participant sessions fell by 2.4% against 2010-11 this was primarily down to the implementation of an updated monitoring system (ASMO), which has allowed a more thorough scrutiny of recorded data to be undertaken. The new system has allowed reports to be generated and checked down to specific school and activity level, and has supported the planning and leadership of the workforce, with Active Schools managers using the data to directly influence and shape their programmes. The benefits of these changes are now being seen with terms one and two of the 2012-13 academic year showing an increase of 8.9% in participant sessions against the same period for 2011-12.
- 16 We are proud of our focused commitment to young people throughout this year. The enthusiasm and commitment to the aims and values of the Young people's sport panel, shown by its 16 members aged between 14 and 25, has been exemplary. They have influenced and contributed to a wide range of national and local priorities and have raised the profile of how important it is to have young people at the centre of decision making and creating change.

- 17 The growth of the Young Ambassadors programme has also been exceptional. Over 660 Young Ambassadors are promoting the message that sport is important within their school and local communities. This programme currently covers 90% of the secondary schools in Scotland.
- 18 During 2012-13 **sportscotland**, in partnership with Education Scotland, held strategic meetings with all 32 local authorities to discuss support for the implementation of the target to deliver two hours / two periods per week of physical education (PE) in Scottish primary and secondary schools. Commitment was secured from all 32 local authorities to work towards delivering this target and all have submitted PE action plans. The additional investment of £5.8m is being used to support local authorities to deliver on their action plans.

Club sport

- 19 Considerable progress has taken place with community sport hubs. All 32 local authorities have plans in place, ensuring that local sport clubs are being supported across Scotland. To date we have 159 potential sites with 105 currently being developed. Currently 51% of planned hubs will operate within the school estate against the government's target of 50% of hubs in schools by 2015.
- 20 Two years after its launch, the community sport hub programme is having an impact on local communities. People involved in the hubs are speaking with their local communities to understand their needs, which is leading to bespoke solutions for each hub. Considerable work has focused on developing the community sport hub monitoring system (HUBSMO) to enable us to monitor and evaluate the impact of local hubs. The data will also help the hubs proactively plan and develop the model, emulating the way in which the Active Schools data is now being used.
- 21 Scottish governing bodies of sport (SGBs) and regional sports partnerships have been working together to discuss and agree the business case for new regional development managers to be appointed to drive forward club sport in local areas. Over 20 new posts have in principle been agreed across the partners, and interviews will be taking place prior to the summer period. All agreed posts have been mapped to outcomes with SGBs signing up to increased membership targets.
- 22 Through **sportsmatch** and Awards for All we continue to invest in the needs of sport clubs. These annual awards of up to £10,000 have helped more clubs recruit and train new coaches and volunteers as well as develop the coaches that are already involved in the clubs. During 2012-13 we invested £228,914 in 63 sport clubs through **sportsmatch** and £933,380 in 196 sport clubs through Awards for All.
- 23 The new direct club investment was launched in April 2013. The deadline for applications is the end of June 2013 and September 2013. It is anticipated that we will support up to 50 clubs during 2013-14, who have ambition and aspirations to grow club membership and/or talent over a two to four year period.

Performance sport

- 24 During 2012-13 we continued to see strong results on the world stage at targeted major competitions and we are on track to achieve our best ever cycle of success for Scottish sport, including the London 2012 Olympics and Paralympics, the Sochi 2014 Winter Olympics and the 2014 Commonwealth Games.
- 25 We ensured our athletes were best prepared for Team GB and Paralympics GB in London with 100% of selected athletes making the start line healthy. As a result we were a major contributor to British Olympic Association (BOA), British Paralympic Association (BPA) and UK Sport goals for 2012. This included record numbers of Scots on Team GB and Paralympics GB as well as a record medal-winning tally and performances as outlined in Table 1.

Table 1: Summary of Scottish performance at London 2012

Team GB	Paralympics GB
Over 60 Scots achieving selection criteria	Over 30 Scots achieving selection criteria
55 Scots on team (10% of team)	27 Scots on team, (9% of team)
11 Scottish Olympic medallists	9 Scottish Paralympic medallists
Medals across 13 sports	Medals across 6 sports
2 bronze medals (11% of GB total)	2 bronze medals (5% of GB total)
4 silver medals (24% of GB total)	6 silver medals (14% of GB total)
7 gold medals (24% of GB total)	3 gold medals (9% of GB total)

26 Over 85% of medal-winning Scots at London 2012 have been part of the Scottish sport system and we continue to focus on building a world class high performance system for Scotland while contributing to building a world class system in the UK. During 2012-13 the **sportscotland** institute of sport (SIS) supported over 600 athletes across 40 sports.

People

27 This year we made excellent progress with the roll out of our regional continuous professional development (CPD) programme, which aims to develop club coaches across Scotland. The programme was designed to meet the needs of local coaching workforces and covers a range of topics including talent development and coaching athletes with a disability.

28 We completed the three-year national roll-out of Positive Coaching Scotland (PCS), which is now being delivered in all 32 local authorities and across four sports: football, rugby, basketball and athletics. A further two sports, golf and swimming, are engaged in the programme and currently deciding how it should be rolled out.

29 The independent evaluation of PCS by Stirling University indicates that the programme is being well received and successfully rolled out across Scotland. The delivery has been consistent and high quality, and the programme is having a positive impact on participants' behaviour. In response to recommendations, **sportscotland** will ensure the on going development of the resources that support the programme.

30 We delivered the **sportscotland** Coaching, Officiating and Volunteering Awards, which included awards for officials and volunteers for the first time. The awards continue to grow and 2012 was the most successful year to-date in terms of numbers of nominations and media coverage.

31 We continued to manage and administer UKCC Level 1 investment with 2,811 candidates achieving awards this year. This was a 6% increase on 2011-12. We are also progressing an online system that will further streamline the process for applicants.

Places

32 During 2012-13 we invested a total of £8m into 77 new sports facility projects through the Sports Facilities Fund. This included 30 projects funded from the Small Projects Fund totalling £836k. We spent over £16m on existing Sports Facilities Fund projects, including an additional £7.5m of capital funding received from Scottish Government during the year.

33 We continued to provide strategic support to the National Training Centre for Shooting and the National Performance Centre for Sport (NPCS) steering groups. **sportscotland** led on the development of the bid document for the NPCS and managed and coordinated the assessment process for all six of the Stage 1 bids for the NPCS.

- 34 We worked with Scottish Government, the Scottish FA and Scottish Rugby throughout the year on the implementation of 2011 CashBack for Sports Facilities projects, with a total spend of £4.1m. We also led the development of the Active Places Legacy Fund for Scottish Government. This involved the creation of the principles for the Fund, and the management and coordination of the assessment process. A total of £1.3m was invested in 23 projects in the first round of funding.
- 35 We continued to develop our design and development function within the facilities team. A range of technical data sheets for various sports and case studies on funded projects were published throughout the year and this work will continue into 2013-14.
- 36 We provided facility strategic planning support to local authorities and SGBs in the following areas:
- New or updated pitch and/or facility strategies with seven local authorities
 - Detailed facility planning modelling undertaken for four local authorities
 - Worked with three SGBs to develop a strategic approach to the facility needs of their sport.
 - Engaged with 18 local authorities reviewing their local or strategic development plans.
- 37 In relation to our role as a statutory consultee, we received and responded to consultations in relation to 57 planning applications affecting pitches or other outdoor sports facilities. We also continued work with partners in the outdoor and adventure sport area, including national parks, the National Access Forum and national marine planning.

Partnerships and planning

- 38 During 2012-13 we facilitated the development of strategies and frameworks for sport with six local authorities and wider partners. We also focused on improving the quality of school sport (Active Schools and PE) and club sport (community sport hubs) plans across the 32 local authority partners.
- 39 We continued to develop our portfolio of additional specialist support for SGBs, which now includes the following services: independent development audits; externally-sourced expert resource services in human resources, legal and finance; staff and board training programmes; strategic support and intervention; Project Fusion focusing on membership systems; equality; and, safeguarding.
- 40 To support SGBs with strategy and planning for sport, we led the development of a strategy for Scottish Rowing and a plan for Scottish Shooting, which included significant corporate governance restructures.
- 41 In December 2012 we launched the revised SGB development audit process, which includes a range of audit options proportional to investment and risk levels. After a tendering exercise, KPMG was appointed to carry out the audits and a self-assessment audit tool was developed to further support SGBs. During 2012-13 10 SGBs went through this new audit process.
- 42 This year Project Fusion has delivered new membership management systems to four SGBs. All together 12 SGBs have now received this additional support. These systems improve the member experience when interacting with the governing body and provide a range of administrative solutions.

Effective organisation

- 43 We have continued to develop clarity of purpose through planning and organisational development through enhancing the planning and budgeting process, linked with improvements to the performance management process. This year saw a comprehensive roll out of the new personal development review process with all people managers undertaking a day's training and all staff attending awareness sessions.
- 44 Significant changes have been made within the human resources team, including the creation of a separate learning and development team dedicated to driving forward this aspect of organisational development within the existing head count.
- 45 Policies, processes and practices have continued to be reviewed and updated as appropriate with a major focus this year on updating the risk management strategy and process. This will be rolled out during 2013-14. In the annual Scottish Government Procurement Capability Assessment, **sportscotland's** rating showed a 5% increase moving from the 'Conformance' category into 'Improved'. Overall **sportscotland's** score in the three years since assessments commenced has increased by 29%.
- 46 We continued to develop infrastructure and technology to ensure it is safe, secure, sustainable and efficient. This included core improvements to the ICT infrastructure, such as renewing all laptops at the institute. A new telephony system was virtually completed and the final stages of the new SGB investment process through the CRM system were supported and completed by the integrated investment and ICT teams. Major strides have been made with data collection and analysis which has added significant value to internal planning and external partner discussions.
- 47 We launched our new website which positions www.sportscotland.org.uk as a portal for sport signposting people in terms of getting involved in sport.
- 48 In terms of **sportscotland's** 'estate', considerable support from various parts of corporate services has been deployed to support the development work at Inverclyde and Cumbrae. We have continued to develop the regional estate and utilisation of Caledonia House.

Understanding and belief in sport and sportscotland

- 49 Our power of sport research and DVD were completed and will form a core part of the local and regional networking events in quarter one of 2013-14. We published a further *Economic Impact of Sport* report, supported Glasgow to complete their *Impact of Sport in Glasgow* study, and contributed to a partnership that has enabled a ground breaking study tracking change in the east end of Glasgow. Together these studies are contributing significantly to the evidence of legacy in Scotland, Glasgow and specifically in the east end.
- 50 We have made significant progress in defining and aligning indicators nationally and locally to the five changes and 12 success measures in our corporate plan. There is now growing endorsement of the approach and an excitement about the delivery of these in 2013-14. We also finally agreed the core set of indicators that we will provide to Scottish Government as part of the legacy monitoring programme and have aligned and integrated these into our routine sponsorship quarterly reports to Scottish Government.
- 51 We made progress in 2012-13 in continuing to deliver, improve and expand the services we offer to Government and Parliament. We responded to a total of 993 enquiries through a single policy and general enquiry service. We contributed robustly and provided oral evidence to the Scottish Parliament's enquiry into community sport and their review of the budget. We continue to attend and support cross party groups and maintain a strong set of relationships with parliament staff.

- 52 Following the support we provided to Ministers at the Olympics, we took on new responsibilities for full service support to routine Ministerial engagements, working directly with private office. Through Holyrood Magazine we published a series of feature pieces and a special issue focussing on sports issues - in all articles **sportscotland** staff and resources were showcased. We also continued to represent UK Sports Ministers in the European Union work stream of sport and health, influencing significantly the indicators that will be used in future to measure EU level sport activity.
- 53 We successfully delivered the London 2012 communications plan, which included supporting Scotland House in London and the athlete homecoming event in Glasgow. Our activities during the Olympics and Paralympics resulted in significant positive profile for **sportscotland**, including over 90 pieces of key media coverage across broadcast and print channels.
- 54 We continue to strengthen our approach to corporate communications through core publications such as Sport First and events such as the Scottish Sports Awards and the Hall of Fame. Reputation management and media positioning have also been a key focus as we aim to build sportscotland's profile across media channels with a focus on social media and regional press.

The changes people will see

- 55 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.
- 56 During 2012-13 we continued to think about how our work and the work of our partners contributes to these changes. We also started developing indicators to evidence how we are performing. The aim is to start using data to support the stories of change as they emerge. This work is on going and where data is currently 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.

- 57 **sportscotland** responds to this change through various programmes, including Active Schools, which aims to build capacity through the recruitment, retention and development of a network of volunteers to deliver sport. 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 levels.
- 58 We recognise it is crucial to the delivery of sport and the achievement of success that we retain and develop our best coaches. **sportscotland** continues to provide a range of education and development opportunities for coaches at all stages of sport. Our work in club sport is ensuring coaches, officials and volunteers are supported, trained and qualified appropriately to deliver world class club sport. In performance sport we focus on attracting, retaining and developing specialist high performance staff.

Indicator	Last update	Value
Number of Active Schools deliverer sessions	2011/12	440,338
Number of distinct paid deliverers providing Active Schools supported activity	2011/12	2,594
Number of distinct voluntary deliverers providing Active Schools supported activity	2011/12	13,197
Number of regional CPD workshops delivered	2012/13	45
Number of unique attendances at regional CPD workshops	2012/13	880
Cumulative number of active placements in Work Out for Sport	2012/13	49
Number of sports coach UK workshops delivered	2012/13	203
Number of student deliverers trained for Lead 2014	2011/12	80
Number of pupils Lead 2014 student deliverers have trained in schools	2011/12	861
Number of Lead 2014 festivals	2011/12	92
Number of attendances at 'Reffin Brilliant' courses	2012/13	162
Number of mentors developed for Young Ambassador programme	2012/13	326
Number of Young Ambassadors developed	2012/13	672
Number of development sessions / days for Young people's sport panel	2012/13	2
Number of young people on Young people's sport panel	2012/13	16
Logged activity of Young people's sport panel	2012/13	9

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.

59 **sportscotland** responds to this change through its 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.

60 Through our work in school sport we are focused on improving access to the school estate. Through our work in club sport, we are focused on ensuring access to appropriate facilities for clubs to deliver world class club sport. In performance sport, as part of ensuring our athletes are the best ever prepared for major events, we are focused on appropriate access to world class performance facilities.

Opportunities

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

- 61 **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. Through our work in club sport we support clubs to offer a range of opportunities and ensure that talent is supported to progress. In performance sport, we support SGBs to develop strong, robust plans that will improve opportunities to perform in their sport, and we provide direct support services to athletes to prepare them for targeted events.

Indicator	Last update	Value
Number of different activities available through Active Schools	2011/12	109
Number of Active Schools activity sessions	2011/12	238,514
Number of school/club links	2011/12	14,546

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.

- 62 **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.
- 63 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.

Indicator	Last update	Value
Number of Active Schools participant sessions	2011/12	4,498,837
Number of pupils Lead 2014 student deliverers have trained in schools	2011/12	861
Number of Lead 2014 festivals	2011/12	92

Profile

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

- 64 **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.

65 Our people programme aims to raise the profile 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. We continue to promote the success of Scottish athletes through local, regional and national media channels.

Future Plans

Our focus for 2013-15

66 Looking forward to the final two years of our corporate plan, we have produced a two-year business plan. The plan has been developed by the **sportscotland** leadership team, with the support of staff across the organisation, to provide a collective focus on what we will deliver over the next two years. It continues our shift from initiatives to a programme-based approach, focusing our efforts on a systematic approach to the development of sport.

67 The 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.

68 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.

Sickness absence data

69 The sickness absence rate during 2012/13 was 1.8% (2011/12: 1.35%).

Personal data related incidents

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

Group pension liability

- 71 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

- 72 The accounts are audited by auditors appointed by the Auditor General for Scotland. For the year 2012/13 the appointed auditors were Grant Thornton.
- 73 During 2012/13, no non-audit fees were paid to Grant Thornton.

Intangible assets

- 74 During the year to 31 March 2013 there was £0k(2012/13 £0k) spent on acquiring intangible assets for **sportscotland** Lottery Fund activities.

Retained Reserves

- 75 Accumulated funds totalling £39,881k(2011/12 £35,331k) were held on the Statement of Financial Position at the end of the year.

Payment of Creditors

- 76 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.
- 77 During the year ended 31 March 2013 the Lottery Fund paid 90% (2011/12 90%) of all invoices received within the terms of its payment policy.
- 78 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 18 days.
- 79 The **sportscotland** Lottery Fund observes the principles of the Better Payment Practice Code.

Risk Management

- 80 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.
- 81 **sportscotland** continues to maintain full compliance with the Scottish Government Security Policy Framework which seeks to ensure that appropriate systems are in place to manage risks associated with information security. Business Continuity and Data Disaster Recovery arrangements have been in place during 2012/13.
- 82 **sportscotland** will achieve its risk management objectives by the continued use of an 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 reviewed and independently audited during 2012-13 and has produced a number of recommendations which will enhance and embed the system across **sportscotland**. The independent audit has confirmed that the risk system provides management with a working solution, but also that the system requires further continued progress. The current system also provides for the monitoring and reporting of risk on an ongoing basis.

83 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

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

Employee Involvement

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

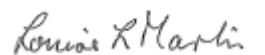
Statement as to disclosure of information to auditors

86 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
21 August 2013



Louise Martin CBE
Chair
21 August 2013

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 2012/13.

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 2012/13 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 manager 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:

At the start of the year, the Council had 10 non executive members, being ministerial appointments, one of which is appointed as Chair (non executive). The Vice Chair, Ian Beattie, resigned in April 2012 to take up the post of Chair at Scottish Athletics. The Vice Chair position was filled by Mel Young in February 2013. The Council has the authority to co-opt additional members as may be necessary from time to time to achieve a suitable spread and balance of expertise. Co-opted members also serve in a non executive capacity. All 8 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**. During the year Mike Hay MBE was recognised as an advisor to the Board.

The attendance of the 8 non executive members who held office during the year of the six meetings of 2012/13 was:

Louise Martin CBE	(4 of 6)	(Chair)
Ian Beattie	(1 of 1)	(Vice-chair) to April 2012
C Dobson	(5 of 6)	
D Sole OBE	(4 of 6)	
G Marchbank	(4 of 6)	
Prof G Jarvie	(6 of 6)	
M Young	(6 of 6)	
D Gass	(6 of 6)	
R Stone	(6 of 6)	
Mike Hay MBE (Advisor)	(5 of 6)	

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

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

Council Member Committees

The Council's standing committees have written terms of reference clearly setting out their authority and duties. There are two main Council Member committees – Group Audit Committee and the Group Remuneration Committee.

Group Audit Committee

Membership of the Group Audit Committee consists of four non executive Council members, and one independent member from the **sportscotland** Trust Company. The membership during the 2012/13 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 is currently chaired by C Dobson.

C Dobson	(4 of 4) (Chair)From Apr 12)
I Beattie	(0 of 0) (Chair)(Resigned Apr 12)
G Marchbank	(4 of 4)
M Young	(3 of 4)
H Mackay	(3 of 4)
R Stone	(3 of 4)
A Munro	(1 of 1) (Resigned Jul 12)

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 11 September 2012 and 3 April 2013. 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 2012/13 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 reviewed and independently audited during 2012-13 and has produced a number of recommendations which will enhance and embed the system across sportscotland. The independent audit has confirmed that the risk system provides management with a working solution, but also that the system requires further development.

Although the risk system has been reviewed and is being enhanced, the system in place continues the internal control process with the utilisation of the three departmental risk registers for Sports Development (SD), Corporate Services (CS) and High Performance (HP) which are reviewed on a quarterly basis and relevant risks escalated to the Corporate Risk Register. The departmental risk registers are included as standing agenda items across organisational meetings so that these can be reviewed on a regular basis, at least six monthly. The registers are part of Covalent, a workflow and performance management system which prompts relevant individuals to provide an update as and when appropriate.

The Corporate Risk Register has been reviewed by the sportscotland Board. 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, 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 2012/13, 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 2012/13.

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 2012/13, **sportscotland's** Freedom of Information systems were fully operational and all requests received were completed within the statutory timescales.

A handwritten signature in black ink, appearing to read 'Stewart Harris', with a stylized, cursive script.

Stewart Harris
Chief Executive & Accountable Officer
21 August 2013

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	Real	Total	Total	Cash
		£000's	£000's	increase in pension during the year £000's	increase in lump sum during the year £000's	Accrued Pension at 60 £000's	Accrued Lump sum at 60 £000's	equivalent transfer value Restated £000's
S G Harris	2013	88	-	2	4	24	71	770
	2012	89	-	2	4	23	68	509
S Ogg	2013	74	-	1	0	6	17	98
	2012	73	-	1	0	4	4	77
M Roberts	2013	74	4	1	0	6	17	83
	2012	73	2	1	0	5	7	68
M Whittingham	2013	84	4	*	*	*	*	*
	2012	84	1	*	*	*	*	*
L Martin	2013	29	-			None Payable		
	2012	30	-			None Payable		

*M Whittingham is not in a final salary scheme and company contributions of £16k, (2011/12, £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:

	2013	2012
£ '000 Range	No	No
50-55	16	15
55-60	2	2
60-65	1	0
65-70	0	0
70-75	2	2
75-80	1	0
80-85	1	1
85-90	1	1

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 2012/13 was 32% (2011/12 31%) with the balance, 68% (2011/12 69%), being funded from Scottish Government resources.

The median remuneration is £31,500 for staff, the ratio to the highest paid director is 2.78, as at the reporting period end date.

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

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

The Lottery operates a car leasing scheme for essential users. Payments made during 2012/13 were £189k (2011/12 £157k).

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
21 August 2013

Independent auditor's 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 2013 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 Flows, 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 2012/13 Government Financial Reporting Manual (the 2012/13 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, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and receipts. 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 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, 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, irregularities, 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 Scottish Ministers of the State of the body's affairs as at 31 March 2013 and of its net operating costs for the year then ended;
- have been properly prepared in accordance with the IFRSs as adopted by the European Union, as interpreted and adopted by the 2012/13 FReM; and
- have been prepared in accordance with the requirements of the National Lottery etc Act 1993 and directions made thereunder by Scottish Ministers.

Opinion on regularity

In our 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 our 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 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 Governance Statement does not comply with guidance from the Scottish Ministers.

We have nothing to report in respect of these matters.

A handwritten signature in black ink that reads "Grant Thornton UK LLP". The signature is written in a cursive, flowing style.

Grant Thornton UK LLP
7 Exchange Crescent
Conference Square
Edinburgh
EH3 8AN
30 August 2013

sportscotland

Lottery Fund

Statement of Comprehensive Income for the year ended 31 March 2013

	Notes	2013 £000	2012 £000
Income			
National Lottery Fund proceeds		31,008	24,885
Interest receivable		7	6
Other operating income	2	120	181
		<u>31,135</u>	<u>25,072</u>
Expenditure			
Grants paid and committed during the year	3	10,035	16,938
Net grant commitments	3	10,922	11,191
Staff costs	4	2,934	2,765
Depreciation	5	28	23
Other operating charges	5	2,665	1,848
		<u>26,584</u>	<u>32,765</u>
Operating surplus / (deficit) before tax		4,551	(7,693)
Corporation tax	6	1	(-)
Increase / (decrease) in fund		<u>4,550</u>	<u>(7,693)</u>

All the results of the Fund relate to continuing activities.

No other gains or losses were incurred in the year.

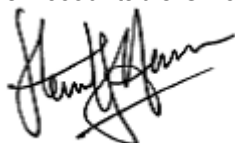
The notes to the accounts form part of these financial statements

sportscotland Lottery Fund

Statement of Financial Position at 31 March 2013

	Notes	2013 £000	2012 £000
Non-current assets			
Property, plant, and equipment	7	28	-
Intangible assets	8	6	29
Total non-current assets		<u>34</u>	<u>29</u>
Current assets			
Cash and cash equivalents			
Investments – balance held in NLDF	9	51,489	49,525
Cash at bank	12	2,278	207
Trade and other receivables	10	33	221
Total current assets		<u>53,800</u>	<u>49,953</u>
Total assets		<u>53,834</u>	<u>49,982</u>
Current Liabilities			
Trade and other payables	11	12,450	12,635
Total current liabilities		<u>12,450</u>	<u>12,635</u>
Non-current assets plus net current assets		41,384	37,347
Non-current liabilities			
Provisions	13	1,503	2,016
Total non-current liabilities		<u>1,503</u>	<u>2,016</u>
Net assets		<u>39,881</u>	<u>35,331</u>
Taxpayers Equity			
General fund	14	39,881	35,331
		<u>39,881</u>	<u>35,331</u>

The Accountable Officer authorised these financial statements for issue on 21 August 2013



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 2013

	Notes	2013 £000	2012 £000
Cash flows from operating activities			
(Deficit) / surplus on ordinary activities before tax		4,551	(7,693)
<i>Adjustment for non-cash items</i>			
Depreciation on tangible and non-tangible fixed assets		28	23
<i>Movements in working capital</i>			
(Increase)/decrease in investments		(1,964)	(312)
(Increase)/decrease in trade and other receivables		187	(203)
Increase in trade payables		(186)	5,537
<i>Movements in provisions</i>			
Increase/(decrease) in provisions for hard commitments		(511)	1,139
Taxation Paid		(1)	(-)
Net cash (outflow) / inflow from operating activities		2,104	(1,509)
Cash flows from investing activities			
Purchase of intangible assets		(33)	-
Net cash outflow from investing activities		2,071	(1,509)
Net (decrease) / increase in cash and cash equivalents		2,071	(1,509)
Cash and cash equivalents as at 1 April 2012		207	1,716
Cash and cash equivalents as at 31 March 2013	12	2,278	207

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 2013**

	Balances held in NLDF £000	Balances at SLF £000	2013 Total £000	2012 Total £000
Opening balances	49,526	(14,195)	35,331	43,024
National Lottery Fund proceeds	31,008	-	31,008	24,885
Drawn down in year by SLF	(27,409)	27,409	-	-
Interest on cash balances	-	7	7	6
Other operating income	-	120	120	181
Grants paid	-	(10,035)	(10,035)	(16,937)
Net grant commitment	(1,636)	(9,286)	(10,922)	(11,191)
Expenditure	-	(5,628)	(5,628)	(4,637)
	<u>51,489</u>	<u>(11,608)</u>	<u>39,881</u>	<u>35,331</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 2013

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 2012.

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 2012/13 by the National Lottery Commission and the completion of the audit of the National Lottery Distribution Fund accounts for 2012/13 by the National Audit Office with an adjustment for the final balance being reflected in subsequent financial statements.

The annual proceeds available from the National Lottery Distribution Fund have been treated as income within these financial statements.

1.6 Taxation

Taxation has been provided for by the **sportscotland** Lottery Fund. The Fund is liable to corporation tax on the bank interest received. The small companies' rate of corporation tax applies to this taxable income.

1.7 Post retirement benefits

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

All members of staff have the option of joining the Strathclyde Pension Fund (SPF). Existing employees are entitled to maintain their membership of the Scottish Teachers Superannuation Scheme (STSS).

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

Scottish Teachers Superannuation Scheme (STSS).

sportscotland participates in the STSS pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of **sportscotland**. **sportscotland** is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by IAS 19 "Employee Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the accounting period.

Strathclyde Pension Fund (SPF).

The SPF is a pension scheme providing benefits based on final pensionable pay. The assets and liabilities of the scheme are held separately from those of **sportscotland**. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

1.8 Leases

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

1.9 Provisions

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

1.10 Lottery salary recharges

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

2 Income

2.1 Proceeds from the National Lottery

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

	2013	2012
	£000	£000
2.2 Other operating income comprises:		
Miscellaneous income	119	181
	<u>119</u>	<u>181</u>

3 Grants paid and net grant commitment

	2013 £000	2012 £000
3.1 Annual grants paid and committed during the year		
Capital and Revenue	10,035	16,938
	2013 £000	2012 £000
3.2 Grants paid during year		
Paid and committed during year	10,035	16,937
Committed in previous years	11,474	4,533
	<u>21,509</u>	<u>21,470</u>
	2013 £000	2012 £000
3.3 Net grant commitments		
Hard commitments made during year	27,718	28,591
Less: amounts paid and committed during year	(10,035)	(16,938)
Less: amounts de-committed during year	(6,761)	(462)
Net grant commitment at 31 March	<u>10,922</u>	<u>11,191</u>
	2013 £000	2012 £000
3.4 Net grant commitments split		
Capital programmes	5,617	6,470
Revenue	5,305	4,721
	<u>10,922</u>	<u>11,191</u>
	2013 £000	2012 £000
3.5 Grants paid during the year by programme		
3.5.1 Capital Facilities		
Community Facilities	-	40
Sports Facilities Programme	8,161	4,460
National Regional Sports Facilities Fund	-	2,994
	<u>8,161</u>	<u>7,494</u>
	2013 £000	2012 £000
3.5.2 Revenue Funding		
Athlete Support	7,315	7,148
Scottish Athlete Awards	370	162
Volunteers	132	148
Awards for All	990	966
Coach Support	1,843	1,305
Sports Partnerships	1,061	733
Olympic Lottery Distribution Fund	1,637	3,514
	<u>13,348</u>	<u>13,976</u>
Total grants paid during the year	<u>21,509</u>	<u>21,470</u>

4 Employees

	2013 £000	2012 £000
4.1 Total staff costs comprise:		
Wages and salaries	2,448	2,201
Social security costs	161	190
Other pension costs	324	374
Aggregate staff costs	<u>2,933</u>	<u>2,765</u>

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

	2013 No.	2012 No.
4.2 The average staff numbers, including part-time and full-time employees, are as follows:	<u>62</u>	<u>56</u>

5 Other operating charges

The operating result is after charging:

	2013 £000	2012 £000
Administration expenses	2,300	1,529
Travel and subsistence	135	120
Auditors' remuneration	20	21
	21	21
Operating rentals	189	157
Depreciation	28	23
	<u>2,693</u>	<u>1,871</u>

6 Corporation tax

	2013 £000	2012 £000
Corporation tax	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 2012	10	1	9
Additions to 31 March 2013	33	-	33
Disposals to 31 March 2013	-	-	-
Cost at 31 March 2013	43	1	42
Aggregate depreciation at 1 April 2012	10	1	9
Charge for the year	5	-	5
Disposals to 31 March 2013	-	-	-
Aggregate depreciation at 31 March 2013	15	1	14
Net Book Value at 31 March 2013	28	-	28
Net Book Value at 31 March 2012	-	-	-

8 Intangible assets

Computer software licences

	£000
Cost	
Opening balance 1 April 2012	309
Additions during year	-
Disposals during year	-
Closing balance 31 March 2013	309
Accumulated depreciation	
Opening balance 1 April 2012	280
Charge for year	23
Eliminated on disposal	-
Closing balance 31 March 2013	303
Net book value at 31 March 2013	6
Net book value at 31 March 2012	29

9 Investments

	2013 £000	2012 £000
National Lottery Distribution Fund	51,489	49,525

The final audited balance for the value of investments as at 31 March 2012 was £49,531k.

10 Trade and other receivables

	2013 £000	2012 £000
Trade debtors	33	33
Intercompany - sportscotland	-	188
	<u>33</u>	<u>221</u>

11 Trade and other payables

	2013 £000	2012 £000
Trade creditors	6	302
Corporation tax	1	2
Hard commitments payable within one year	11,521	11,559
Intercompany - sportscotland	105	-
Accruals and deferred income	817	772
	<u>12,450</u>	<u>12,635</u>

12 Cash and cash equivalents

	2013 £000	2012 £000
Cash and bank balance at 1 April	207	1,716
Net cash (outflow)/inflow	<u>2,071</u>	<u>(1,509)</u>
Cash and bank balance at 31 March	<u>2,278</u>	<u>207</u>

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

	2013 £000	2013 £000	2012 £000
Capital			
Balance as at 1 April		8,022	3,524
Amounts committed during the year		12,284	11,992
Total hard commitments		20,306	15,516
Amounts paid during the year	(7,626)		
Amounts paid and committed during the year	(535)		
Amounts de-committed during the year	(6,131)	(14,292)	(7,494)
Hard capital commitments at 31 March		6,014	8,022

	2013 £000	2013 £000	2012 £000
Revenue			
Balance as at 1 April		5,553	3,828
Amounts committed during the year		15,434	16,163
Total hard commitments		20,987	19,991
Amounts paid during the year	(3,849)		
Amounts paid and committed during the year	(9,499)		
Amounts de-committed during the year	(629)	(13,977)	(14,438)
Hard revenue commitments at 31 March		7,010	5,553
Total hard commitments at 31 March		13,024	13,575

At 31 March 2013 a total of £11,521k (2011/12 £11,559k) is payable within one year and disclosed in Note 11. A further £1,503k (2011/12 £2,016k) is payable within two to five years and shown within the statement of financial position.

14 General Fund

	2013 £000	2012 £000
Represented by:		
Balance as at 1 April	35,331	43,024
Change in fund for the year	4,550	(7,693)
Balance as at 31 March	<u>39,881</u>	<u>35,331</u>

15 Soft capital grant commitments

	2013 £000	2013 £000	2012 £000
Balance as at 1 April		1,793	-
Amounts committed during the year		-	10,744
Total soft commitments		1,793	10,744
Amounts transferred to hard commitments	(1,793)		(8,951)
Amount de-committed during the year	<u>-</u>		<u>-</u>
		<u>(1,793)</u>	<u>(8,951)</u>
Soft commitments at 31 March		<u>-</u>	<u>1,793</u>

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 £2,934k (2011: £2,766k). Within debtors there is an amount of £nilk due from **sportscotland** (2011: £7k). Within creditors there is an amount of £104k due to **sportscotland** (2011: £nil).

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

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

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

	<u>2013</u>	<u>2012</u>
Awards for All (Big Lottery Fund)	£990,380	£966,237

The **sportscotland** member and the significant related party transactions with their associated organisations during the year to 31 March 2013 are detailed below:

Member	Organisation	Relationship	Value of transactions with sportscotland
Louise Martin	UK Sport	Board Member	£2,899.97 sundry invoices paid. £7,439.86 sundry invoices received. £679,606.64 funding received for high performance budget

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** has one contingent liability in regard to a legal action which is currently being taken through the commercial courts. The legal action relates to a damages claim by a contracted employee. The damages should not exceed £10k and if successful will be paid before the end of 2013.

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) ;
 - d. 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";

- e. 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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