

sportscotland Lottery Fund

Annual Report 2004/05

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

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1 Introduction

sportscotland is the organisation responsible for distributing Scotland's share of the National Lottery monies devoted to sport. It was appointed as a distributor under the *National Lottery etc Act 1993*, which was later modified by the *National Lottery Act 1998*.

sportscotland began its distribution activities in late 1994, when it launched the Capital Programme of awards. Since then, **sportscotland** has continued to distribute awards, while diversifying its funding programmes to cover a range of revenue projects.

In 2001/02, a major organisational review of **sportscotland** was conducted by management consultants KPMG. The review considered how to most effectively deliver **sportscotland**'s own Corporate Plan and the wider shared targets of Sport 21, Scotland's national strategy for sport. It recommended that **sportscotland** should consider integrating its Lottery and Exchequer functions, and introduce a more partner-focused application process to help develop stronger, more effective relationships in Scottish sport.

During 2002/03, in response to these review findings, **sportscotland** implemented a major staffing restructure. It integrated its stand-alone Lottery Fund and Exchequer teams, and created three new delivery teams to address Sport 21's key areas of Achieving Excellence, Developing Potential and Widening Opportunities. Lottery Fund staff and programmes were reallocated across the new teams which continued to distribute Lottery funds under the existing procedures.

A more detailed review of Lottery programmes and procedures was then carried out in consultation with external partners, and was completed at the end of March 2003. As a result, a new one-stop integrated investment process for Lottery and Exchequer funding was introduced as a pilot scheme in 2003/04. It was then rolled out to all Governing Bodies of Sport during in 2004/05, and will be introduced for Local Authorities in 2005/06.

2 Review of the Year

During 2004/2005, **sportscotland** engaged in eight main activities:

- Distributing awards under seven existing Programmes and their various strands
- Introducing a new one-stop integrated investment process for all governing bodies of sport
- Working up an integrated investment process for Local Authorities
- Reviewing and developing procedures and system requirements for the integrated investment process
- Working up the specification for a new computer system to support the integrated investment process
- Appraising and amending where appropriate the risk management and assessment criteria and procedures across all programmes
- Winding up the Sports Facilities Programme and replacing it with the Building for Sport Programme
- Progressing the National and Regional Sports Facilities Strategy.

3 Strategic Plan for the Distribution of Lottery Monies

3.1 Background

Strategic plans, in the context of the distribution of Lottery monies, are statements of distributor's policies for making awards in the light of Government Policy and Financial Directions. They state the funds available and assess needs and priorities.

The first strategy, *Levelling the Playing Field*, guided **sportscotland**'s distribution of Lottery monies over four years from 1999/00 to 2002/03. This was followed by the second strategy, *Raising Our Game*, providing guidance from 2003/04 to 2006/07.

3.2 Strategy Preparation

The first Lottery strategy benefited from the consultation process and subsequent publication of Sport 21, the national strategy for sport. The second Lottery strategy utilised the revised *Sport 21 2003-2007: Shaping Scotland's Future*.

This revised sports strategy, published in March 2003, reset the needs and directions of Scottish sport and created priorities for action and investment. It set 11 targets for the next four years. The strategic context contained in Sport 21 heavily influenced the current Lottery Fund Strategy.

When conducting the public consultation on the revision of Sport 21 in December 2002 and January 2003, **sportscotland** included a presentation and discussion of future Lottery distribution for 2003-2007. Over 300 people attended 17 public meetings, the results of which - combined with the content of *Sport 21 2003-2007: Shaping Scotland's Future* - allowed **sportscotland** to issue a draft Lottery Fund Strategy Review for consultation in July 2003.

3.3 Strategy Consultation

The draft Lottery Fund Strategy Review was issued to a wide range of agencies across Scottish sport. Recipients included local authorities, Social Inclusion Partnerships, governing bodies of sport, the National Implementation Forum for Sport 21, local sports councils, the Scottish Institute of Sport network, other Lottery distributors and tertiary education. Over 370 copies were distributed and there were more than 500 downloads of the document from the **sportscotland** website. A total of 57 replies were received.

In the summary, the respondents concluded that:

- Sport 21 should provide the strategic context for the new Lottery plan
- The four principles in the original strategy, *Levelling the Playing Field*, should be retained
- Any funding should add value; that it should be applied through a partnership approach; and that the proposed new categories for investment were appropriate.

3.4 Adoption and Publication

In September and early October 2003, the members of **sportscotland** considered the draft strategy, in light of Sport 21, the consultations and government policies, and produced a final strategy for submission to Scottish Ministers. Following the government's comments and endorsement, **sportscotland** adopted and published the Lottery Fund Strategy 2003-2007 under the title, *Raising Our Game*, in October 2003.

4 Distribution of Awards

In carrying out its role as a Lottery distributor, **sportscotland** operates in accordance with the Policy and Financial Directions issued by government. **sportscotland's** compliance with these Directions has been demonstrated in this and previous Annual Reports, and in the reports of auditors. The full Statement of Account for 2004/05 is also attached as Appendix I.

4.1 Criteria

sportscotland distributes Scotland's share of the Lottery Sports Fund on the basis of applications made under an integrated investment process as well as a range of individual award programmes.

The integrated investment process and individual award programmes have similar features:

- They give effect to the provisions of the Act, the Policy Directions and the Financial Directions
- They take account of the need for the project/plan, and the need of the applicant for additional funding
- They feature clear guidelines on eligibility and priorities
- They have individual application forms which assist applicants to clearly present their submissions
- They have standard assessment procedures through which all applications pass; applicants under each programme are treated alike
- **sportscotland** monitors the implementation of each project/plan
- **sportscotland** monitors the impact of completed projects/plans
- **sportscotland** evaluates the impact of programmes/plans once they have had sufficient time to make a difference.

4.2 Programmes

In 2004/05 **sportscotland** made 444 award commitments with a total value of just over £11.2 million. The awards were spread across the Integrated Investment process and individual programmes as shown below:

| Programme | Number | Value £ |
|---|---------------|--------------------|
| Integrated Investment Process | | |
| Governing Bodies of Sport | 71 | 4,905,218 |
| Local Authority Groups | 10 | 276,879 |
| Building for Sport Programme | 20 | 3,407,209 |
| Area Institutes of Sport Programme | 6 | 737,842 |
| Major Events | 6 | 165,000 |
| Awards for All Programme | 311 | 1,000,000 |
| TOP Programme | 1 | 47,120 |
| Social Inclusion Partnerships Programme | 19 | 709,687 |
| Totals | 444 | 11,248,955 |

Some of the total amount offered will be taken up and spent by applicants in the same year. This is usually the case with revenue awards. However, in the case of awards for capital projects, expenditure can continue for several years after an award is offered. Meanwhile, **sportscotland** must keep money in reserve to cover its commitments to applicants who have accepted award offers.

The Financial Directions require **sportscotland** to include a list of all awards of £100,000 and over. This is attached as Appendix II.

4.3 Conflicts of Interest

The Financial Directions require **sportscotland** to devise a procedure for handling potential conflicts of interest in distributing awards.

sportscotland has procedures to identify and negate conflicts of interest between members and its officers; and organisations or individuals submitting projects and other bodies which might stand to gain from them. Before commencing each award panel meeting, those present must declare any interest they have in applications under consideration. If they have a direct pecuniary interest, or if their participation in the discussion of a matter would suggest a real danger of bias, they must leave the meeting while the project is being discussed. Any interests are recorded.

In addition, members and officers are required to make an annual declaration of interests in sporting organisations and clubs. Summary information on members' interests is included in the Annual Accounts in Appendix I.

sportscotland does not operate any schemes of external delegation in respect of the awards decision-making process.

Furthermore, **sportscotland** confirms that it has not used Lottery funds for the purpose of giving gifts, nor have its members or officers accepted any gifts valued over £25.

5 Programmes Review

5.1 Capital Programme

The Capital Programme ran from the inception of the Lottery Fund at the end of 1994 until late 1999, when it was replaced by the Sports Facilities Programme. **sportscotland** continues to make payments towards projects previously awarded under the Capital Programme.

Monitoring

Monitoring of projects funded under the Capital Programme continued in 2004/05. **sportscotland** monitors all projects in Year Two, Year Seven and Year 12 following completion, through self-completion questionnaires and visits to a sample of projects. Visits are made on the basis of risk: 100% of high-risk projects; 20% of medium risk projects; and 10% of those deemed of low risk. In 2004/05 **sportscotland** monitored projects at the Year Two and Year Seven stage.

Year Two Monitoring

Twelve projects completed in 2002/03 were monitored. The total value of these projects was £4,906,217. Six were club-based projects for golf (2), bowling (2), squash and orienteering. Two projects were for national facilities – the National Rowing Academy at Strathclyde Park (£1,026,811) and the National Angling Academy at Loch Leven (£200,000). Three other awards were towards local provision – the West Mainland Leisure Centre operated by Shetland Recreation Trust with an award of £250,000, the provision of a synthetic grass pitch at Waterfoot Road operated by East Renfrewshire Council (£200,000) and the provision of a new sports centre in Drumchapel operated by Glasgow City Council with an award of £1,500,000. An award of £500,000 was made to Auchrannie Leisure Ltd to open up the leisure facilities (wet and dry) to the people of Arran.

The impact of the awards on participation was mixed. Membership at the two golf club projects (both included work to the golf courses) had increased but the other club projects showed a decline in membership. The National Rowing Academy is used by Scottish Amateur Rowing Association squads and clubs, as well as individuals and there is a revenue award, which is used to support the Association's junior development programme. Use by Scottish Anglers National Association of the National Angling Academy has been somewhat limited since completion of the project but the Association believes it will use the facilities more in the future. The community projects have met local need with the Donald Dewar Sports Centre in Drumchapel recording about 72,000 visits annually; the synthetic pitch in East Renfrewshire being used by both the adjacent secondary school and local clubs; and West Mainland Leisure Centre recording about 58,000 user visits in its first year of operation.

All awardees were complying with the conditions of award, except one. It was a condition of their award that a separate charitable trust be set up, but subsequently this has been found to be an expensive and unnecessary requirement. **sportscotland** officers are in discussion with this applicant about an appropriate access agreement that would protect the investment made. In the meantime the community continues to use the facilities.

Year Seven Monitoring

Ninety-three projects completed in 1997/98 were monitored. Sixty-six of these projects were club based; 11 were local authority awards; seven were awards to trusts/associations; four were to local community groups; three were to commercial organisations; one was to a university; and one was to a professional football club. The total value of the awards was £9,647,563.

Over half of the clubs reported decreased membership numbers with only about a quarter noting an increase (the remainder had stayed much the same). Sports clubs in which there were decreases were in bowling, golf, tennis, rugby and sailing. Increases have occurred in shinty, golf, equestrianism and gymnastics clubs. These findings are similar to findings from monitoring in previous years with some clubs noting that they are finding difficulty in not only recruiting new members but also in finding members willing to sit on committees or hold positions within their clubs.

Half of the local authority based projects had usage very similar to that achieved when monitored previously with a few projects having increased usage and a few decreased usage. The largest award (£1,559,250) made in this group was to Dundee City Council for the Dundee International Sports Complex at Maryfield. Usage at this facility has more than doubled since previous monitoring.

Projects operated by commercial organisations (two of which were ski centres) showed decreased usage principally because they are highly weather dependent.

With only one exception, all projects monitored were complying with the conditions of award. The one non-compliance, differential subscriptions and playing rights for men and women members, was resolved and the club now operates equal rights.

5.2 Sports Facilities Programme

The Sports Facilities Programme replaced the Capital Programme in late 1999. It contained seven strands: school and community; local facilities; swimming pool upgrade; safety at sports grounds; football academies; regional facilities; and national facilities. Following a review carried out in 2003/04, the Sports Facilities Programme was replaced by the Building for Sport Programme in April 2004. No new awards were made under the Sports Facilities Programme in 2004/05, but **sportscotland** continues to make payments towards projects previously awarded under the Programme.

Monitoring

Thirty-one projects completed in 2002/03 were monitored in Year Two monitoring. Twenty projects were in the local facilities strand (award value of £1,209,256), eight in the school and community strand (£2,150,151), two in the national/regional strand (£1,886,400) and one in the safety at sports grounds strand (£176,343). The total value of the awards made was £5,522,149.

In the local facilities strand, sixteen of the awards were to voluntary sports clubs or local community associations with the remaining four awards being to local authorities/trusts. Awards to clubs/local associations helped with the upgrading and extension of existing facilities in about half of the projects with the other half being for the provision of new facilities including pavilions, sports halls and an indoor equestrian arena. Membership in about half of the clubs/associations has increased since the award was made, but it has decreased in about a quarter of clubs with little change in the others. For local authorities/trusts the four awards were for upgrade of facilities in three cases with the fourth being the provision of a skateboarding facility. Usage has increased in these facilities at two projects, decreased at another and at the new skateboarding facility the use is principally informal.

In the school and community strand, three projects were by voluntary sports clubs/local associations. The other five projects supported by an award were for local authorities, of which four were on school sites (two in Highland, one in Comhairle nan Eilean Siar and one in Clackmannanshire) with the fifth adjacent to a secondary school (in Midlothian). Most of these projects report good community use but in some of the more remote locations such use by local people needs to be encouraged through sports development initiatives. One of the projects allocated to this strand appears to be principally a local facility.

The two projects supported in the national/regional strand were the National Badminton Academy at Scotstoun Leisure Centre in Glasgow (award of £1,875,000) and the refurbishment of the gymnastics training centre at the Carnegie Centre in Dunfermline.

In terms of the conditions of award, five of the local facility projects were non-compliant at monitoring. These non-compliances related mainly to the provision of information, for example programmes of use, insurance, leases and pricing policy. Three of these non-compliant projects were resolved through Monitoring with two ongoing. In the school and community strand two projects were non-compliant at monitoring but these have now been resolved. In the National/Regional strand, there are still outstanding non-compliance issues regarding one project. These issues relate to the formation of a User Management Committee and the access agreement

for the facility (patterns of high level use have changed since the construction of the facility). **sportscotland** officers are continuing to seek resolution of these issues.

5.3 Building For Sport Programme

The Building for Sport Programme was launched in April 2004. It has two strands:

- Community Facilities
- Training and Competition Facilities

The Programme operates a two-stage application process: Stage 1 and Stage 2. At Stage 1, applicants provide outline details of their projects. **sportscotland** then determines if an application is eligible, ineligible or unlikely to compete for an award. Also, for those applications deemed eligible, **sportscotland** advises what priority the project would attract. The applicant may still submit a Stage 2 application even if **sportscotland** has advised that the project is unlikely to compete for an award. **sportscotland** makes, or does not make, awards in response to the Stage 2 application.

i) Stage 1 Applications

During 2004/2005 the outcome of the Stage 1 application process was as follows:

| | |
|----------------------------------|-----------|
| Eligible to compete for an award | 25 |
| Unlikely to compete for an award | 70 |
| Total submitted | 95 |

The reasons for applications being assessed as “unlikely to compete” were:

- project not financially viable
- project mainly maintenance and/or repair/replacement
- project ineligible (revenue not capital and/or no applicant contribution)
- small number of existing club members likely to benefit with no increased participation forecast
- too low a priority when compared to competing applications.

ii) Stage 2 Applications

During 2004/2005 the outcome of the Stage 2 application process was as follows:

| | |
|------------------|------------|
| Awards | 20 |
| No awards | 5 |
| Deferrals | 1 |
| Total considered | 26* |

* Includes 20 applications considered at Summary Stage under the Sports Facilities Programme.

During 2004/05 **sportscotland** made the following awards:

| Strand | Number | Value £ |
|-------------------------------------|------------------|-------------------------|
| Community Facilities | 18 | 2,629,644 |
| Training and Competition Facilities | 2 | 777,565 |
| Totals | <u>20</u> | <u>3,407,209</u> |

(Attribution costs included in awards)

iii) National & Regional Sports Facilities Strategy

In 2003/04 **sportscotland** set aside £21.2m of Lottery funding to add to £28.8m from the Scottish Executive to help implement the National and Regional Sports Facilities Strategy (NRSFS). The aim is to develop a network of national and regional facilities for key sports over the next five years. A two-stage application process has been adopted. This required all stage one applications to be submitted at the same time so that the available resources could be allocated across the country to the projects that could deliver the aims and objectives of NRSFS. Allocations at stage one are not firm commitments but an indication of the level of award that the successful applicants can expect at stage two provided the project is developed in line with the approved proposals and conditions.

Twelve stage one applications for 16 projects were received on 31 March 2004. Following assessment, six applicants received allocations for ten projects. The outcomes of the stage one process were announced on 29 July 2004 by Andy Kerr, the then Minister for Finance and Public Services. The total amount of Lottery funding allocated at stage one amounted to £19.7m.

5.4 Major Events

The Major Events programme finished in March 2004 and was not replaced in the new integrated funding process. However, during 2004/05 **sportscotland** continued to consider applications for funding of major events on an exceptional, case-by-case basis, and made six awards totalling £165,000 as follows:

| Event | Applicant | Award £ | Location |
|--|-------------------------|----------------|-----------------------------|
| UCI Mountain Bike World Cup (2004) | Rare Management | 40,000 | Fort William |
| World Women's Curling Championships | WWCC 2005 Ltd | 25,000 | Paisley |
| IRB U21 World Championship | Scottish Rugby Union | 20,000 | Various |
| World Youth Climbing Championships | WYCC Ltd | 20,000 | Ratho, Edinburgh |
| Mountain Bike World Cup (2005) | Rare Management | 40,000 | Fort William |
| Tour of Britain | Tour of Britain Ltd | 20,000 | Glasgow – Castle Douglas |
| Total | | 165,000 | |

Review

During 2004/05, **sportscotland** recognised that it still has an important role to play in major events in Scotland, working with key partners EventScotland and VisitScotland to deliver sports development outcomes. **sportscotland** will continue to consider events under the Integrated Investment Process in 2005/06.

5.5 Awards for All Programme

Awards for All is a small grants programme jointly operated by **sportscotland** and the other Scottish Lottery distributors, namely: the Heritage Lottery Fund, the Scottish Arts Council and the Big Lottery Fund.

The **sportscotland** part of the programme is directed at local voluntary sports clubs and other community organisations with an interest in sport, which have an annual gross income of under £20,000 and wish to fund developmental projects costing less than £10,000.

The aims of the programme are to encourage new people across the whole community to participate in a wide range of sports and to improve the quality of existing activities for those already taking part.

Awards ranging from £500 to £5,000 are made for both capital and revenue projects from a total annual grants budget for sport of £1 million.

During the course of 2004/05, **sportscotland** made 311 awards through the programme, with a total combined value of £1 million. The funding supported 58,615 participants across a range of 49 different sports.

The awards detailed below are a sample of projects assisted during the year, and indicate the scope of the programme. A complete breakdown of the awards by sport and local authority is set out in Appendix IV.

| Organisation | Award £ | Purpose |
|---------------------------|--------------------|--|
| Carrick Angling Club | 5,000 | To construct a platform that affords disabled anglers access to one of the club's boats. |
| Dalbeattie Youth Football | 2,415 | To purchase basic training equipment and strips for this new club. |
| Watsonian Hockey Club | 4,105 | To develop links between the club and five local schools to encourage 50 more young people into the sport. |

5.6 TOP Programme

The TOP Programme is a programme of the Youth Sport Trust, which offers sporting opportunities for primary-aged children. The main aims of the TOP Programme are to help children increase their physical activity and skill levels, encourage their involvement in sport, and support teachers and community coaches in further developing physical education and activity programmes.

During 2004/05, **sportscotland** made one award of £47,120 to West Dunbartonshire Council to assist with implementing the TOP Programme within the area. All 32 local authorities have now received Lottery Fund awards and are implementing the TOP Programme in schools and community groups throughout their authorities. A TOP Programme award provides funding to purchase specialised equipment and cover training costs for community leaders.

Since the programme was launched in April 2000, nearly £3.3 million has been awarded.

Review

The TOP Programme has been extended to December 2006 so that each local authority can complete the delivery of the programme. The programme is being integrated into *Active Schools*.

Monitoring

In 2004/05 monitoring of the TOP Programme was undertaken through the School Sport Coordinator Programme with School Sport Coordinators in secondary schools and Active Schools Coordinators (Primary) in a pilot programme providing **sportscotland** with information about activity sessions provided under the TOP Programme.

5.7 Social Inclusion Partnerships Programme

sportscotland launched the Social Inclusion Partnerships (SIP) Programme in February 2002 to address the Scottish Executive agenda of social inclusion across Scotland. The programme aims to provide opportunities for people living in Social Inclusion Partnership areas - or associated with a thematic SIP - to participate in sport and physical activity, and improve their quality of life.

It aims to assist communities to:

- develop through sport and physical recreation
- increase the quality and quantity of participation in sport and physical recreation with social, economic and health benefits
- promote capacity building by helping groups to establish and sustain projects developing voluntary and community organisations.

During 2004/05 **sportscotland** made 19 awards totalling £709,687, bringing the total commitment to almost £2.7m since the start of the programme. Awards made during 2004/05 contributed to providing sporting opportunities to people living in the SIP areas to participate in sport, and access facilities and coach education programmes. Some examples are given below:

| Organisation | Award £ | Purpose |
|---|------------------|--|
| Glasgow City Council (Greater Pollock SIP) Phases 1 and 2 | 98,337 52,950 | To provide transport for local primary schools for accessing local facilities, provide support to a community chest of various activities, and provide a range of coach education programmes for residents in the SIP. |
| Falkirk Council | 24,244 | To employ four link workers to work with volunteers delivering physical activity programmes in schools within four areas of the authority that link Active Schools to the sports development pathway. |
| Dundee Young Carers | 10,000 | To increase the opportunities for young carers to take part in physical activities by accessing outdoor education programmes and local sport facilities, providing coaching sessions and purchasing some equipment. The young carers are supported by key workers and encouraged to become active and stay active. |

Review

The application process for the SIP Programme closed at the end of March 2005, however existing projects will run up to the end of 2006/07. The designated SIPs are being aligned within Community Planning Partnerships and **sportscotland** will continue to invest in the area of regeneration and inclusion through the new Community Regeneration investment category, which will be introduced from April 2005 as part of the Integrated Investment process.

Monitoring

Due to limited staff resources no monitoring of this programme took place in 2004/05.

5.8 Scottish Institute of Sport Programme

The vision of Scotland as a country achieving and sustaining world-class performances in sport is one of the three key visions of Sport 21. In order to work towards turning this vision into reality **sportscotland**, supported by the Scottish Executive, established the Scottish Institute of Sport (the Institute) in 1998.

The programme had an initial financial commitment from **sportscotland** of approximately £20 million for the start-up period, and four full operational years up to 31 March 2003. Of this total, approximately £12 million was allocated to core expenditure by the Institute headquarters and the six Area Institutes of Sport. The remaining £8 million was set aside to fund the capital developments required to meet the training priorities of the Institute. It was ruled that these awards be made to facility providers rather than the Institute itself.

In March 2003, a further four-year extension to the Headquarters Programme up to 31 March 2007 was agreed, and an award of up to £16,060,001 was approved in-principle for Phase Two. Funding for the Area Institutes of Sport would be decided on an annual basis.

i) Headquarters

sportscotland awarded the national headquarters of the Institute a total of £4,010,722 for the second year of Phase Two of its operation, 2004/2005. This formal award was made from the four-year, in-principle commitment of £16 million given to the Institute in 2002/03. Consequently there is no entry relating to this in the table of awards in Section 4.2. In March 2005, **sportscotland** also confirmed that it would offer the Institute an award of £4,112,947 for Year Three, 2005/06 from that original commitment.

The Institute's sports programmes in athletics, badminton, curling, football, golf, hockey, judo, rugby and swimming are in varying stages of establishment. Each has a lead coach and this has been extended to include assistant coaches in badminton, curling, rugby and swimming. Sport-specific performance plans for each sport were endorsed by the Institute and Governing Bodies of Sport in 2004/05.

At the end of March 2005, there were 249 athletes on Institute programmes. Sports-specific programmes are supported by investment in more generic programmes designed to help Scottish athletes reach the cutting edge. These are Sports Science, Sports Medicine, Performance Lifestyle, Video Analysis and Strength and Conditioning.

Review

Following a major review of the Institute in 2002/03, and the decision to extend the programme, **sportscotland** is now carrying out ongoing annual monitoring and reviews. The next major review is planned for Autumn 2005.

Monitoring

Included within the KPMG review of the Institute was a number performance measures consisting of outcome targets. **sportscotland** has added progress measures and actions to give a wider understanding of the Institute's performance. These measures will be the basis for determining the Institute's performance over the four years of the award. Outcome targets and progress measures will be judged annually on a sport-by-sport basis. Actions will be the basis of ongoing discussions between the Institute and **sportscotland**. Outcome targets and progress measures provide a basis for ongoing monitoring of the Institute's progress over the four-year funding.

Some outcomes against targets for the year were:

| Outcome Targets | 2004-05 Target | 2004-05 Actual |
|--|---------------------------|---------------------------|
| Total Medals | 21-23 | 22 |
| Gold | - | 10 |
| Silver | - | 7 |
| Bronze | - | 5 |
| Olympics | 5 | 3 |
| Paralympics | 13-15 | 14 |
| European Championships | 1 | 1 |
| World Championships | 2 | 4 |
| % of eligible Institute athletes on World Class Performance Programmes (or comparable measure) | 35% | 38% |

Success Stories

Some examples of the Institute's sporting successes during the year are illustrated below:

- The Scottish team won 15 medals at the Paralympics in Athens. All but one of these athletes were supported by the Institute
- In tennis, Andrew Murray became US Open Junior Champion
- Chris Hoy won an Olympic gold medal in cycling in Athens
- Campbell Walsh won an Olympic silver medal in canoe slalom in Athens
- Katherine Grainger won an Olympic silver medal in rowing in Athens.

Progress measures also are used to provide information on the Institute's work:

| Progress Measure | 2003 | 2004 | 2005 |
|---|-------------|-------------|-------------|
| No of Institute athletes - in core sports | 146 | 150 | 204 |
| No of Institute athletes – individual athletes | 26 | 28 | 45 |
| No/% of Institute athletes resident in Scotland | 162/94% | 157/88% | 223/90% |
| No of Institute staff | 30 | 37 | 48 |
| No of athletes leaving the Institute – retiral | No info | 5 | 14 |
| No of athletes leaving the Institute – injury | No info | 0 | 1 |
| No of athletes leaving the Institute – deselection | No info | 19 | 10 |
| Administration costs as a % of expenditure | 35.1 | 29.4 | 31.6 |
| Staff costs as a % of expenditure | 33.0 | 40.8 | 41.0 |
| Value of all budget savings | £10K | £16K | £40K |
| Value of all revenue generation excluding sponsorship | £102K | £165K | £217K |
| Value of all sponsorship agreements | Nil | Nil | Nil |

ii) Area Institutes

The Institute is complemented by a network of six Area Institutes of Sport, designed to provide programmes for nationally identified, locally based developing athletes, with a view to helping them become the Scottish Institute of Sport athletes of the future.

The six Area Institutes support 323 athletes locally, from seven core Institute sports and eight network sports. Since Winter 2001, 67 new Scottish Institute of Sport athletes have come from the Area Institute structure.

One of the main achievements of the first phase of development has been to bring together 51 partners. This has now increased to over 60 when the national governing bodies of sport are included. Their commitment and support are a major strength in the development of this concept. Collaboration is also increasing between the Scottish Institute of Sport, Area Institutes of Sport and national governing bodies, which has led to enhanced programmes being available to athletes over the past 12 months.

The six Area Institutes are Central Scotland, East of Scotland, Grampian, Highland, Tayside and Fife, and West of Scotland. In 2004/2005 **sportscotland** made six awards totalling £737,842. Future investment in the Area Institutes, from April 2005 – March 2009, will be based on four-year operating plans developed during 2004/05. Awards will be agreed annually, with funding of up to £165,000 available for each Area Institute.

Monitoring

In December 2003, **sportscotland** commissioned an evaluation study of the programme in order to ensure that the Area Institutes operate to best effect, and establish whether their structure and management provide the most effective way of supporting and developing young talented athletes.

A number of recommendations from this study were presented to a joint Board meeting between **sportscotland** and the Scottish Institute of Sport early in 2004/05. These recommendations were agreed and implemented, and will direct the activities of the Area Institutes over the next two years.

iii) National Training Facilities

In 2004/05 no additional awards were made towards the provision of national training facilities to support the work of the Institute. The refurbishment works to the Palace of Art in Glasgow were completed and the facility was officially opened on 29 April 2004. This now serves as a base for the West of Scotland Institute of Sport and, in addition, provides facilities for strength and conditioning, boxing, weightlifting and judo.

Statement

The Financial Directions require **sportscotland** to report on the progress and financing, both current and future, of all projects awarded £5 million or more. The Institute headquarters is the only such project to date and **sportscotland** reports on its progress in the paragraphs above. The following section reports on its current and future funding.

In 2004/05, **sportscotland** paid out £3,801,255 towards the second year of Phase Two of the programme. Also, in March 2005, **sportscotland** offered the Institute an award for Year Three of Phase Two, totalling up to £4,112,947. This was in response to the Institute's formal application and annual review. In addition, **sportscotland** has earmarked sufficient funds to support projected expenditure for Year Four, and will make a firm award on the basis of a formal application from the Institute in 2005/06.

| Year | Award £ | |
|----------------------|---------------------------|----------------|
| 2003/04 - Year One | 3,700,000 | |
| 2004/05 - Year Two | 4,010,700 | |
| 2005/06 - Year Three | 4,112,947 | |
| 2006/07 - Year Four | <u>4,236,334</u> | (in-principle) |
| Total | <u>£16,059,981</u> | |

At the outset of the Institute's headquarters programme, **sportscotland** recognised that this groundbreaking enterprise would be unlikely to attract significant levels of partnership funding. As a result, it was predicted that central funds, either from the Lottery Fund or grant-in-aid, would be required to meet the bulk of its running costs. So far, this has proved to be the case in practice.

Note: The Institute also produces its own annual report giving detailed information on its activities during the year.

5.9 United Kingdom Programmes

i) World Class Performance Programmes

In late 2004, **sportscotland**, UK Sport and the four home country sports councils approved ten one-stop plans for the sports of athletics, swimming, sailing, rowing, cycling, judo, gymnastics, triathlon, equestrianism and canoeing. This work has helped develop athlete pathways to support athletes in their preparations for the Olympic games in Beijing in 2008, and London in 2012.

Monitoring

sportscotland does not monitor UK World Class Performance Programmes. UK Sport is responsible for monitoring and evaluating them and for reporting the results.

6 Integrated Investment Process

sportscotland Lottery and Exchequer functions were integrated during 2002/03 following the outcome of a major organisational review by management consultants KPMG. One of the review's key recommendations was to introduce a more partner-focused application process to help develop more effective relationships in Scottish sport. Consequently **sportscotland** undertook an extensive review of all its Lottery programmes and procedures, and consulted partners to help establish criteria for a new one-stop integrated investment process for Governing Bodies of Sport and Local Authorities.

6.1 Governing Bodies of Sport

A successful pilot was carried out during 2003/04 and, following a review, the final process was rolled out to all partner Governing Bodies of Sport during 2004/05. Under the integrated investment process, each Governing Body works closely with **sportscotland** to prepare both a strategic and a detailed business plan in order to develop a customised application for investment. Each Lottery programme and Exchequer investment is aligned to an investment category. Investment can be made against any investment category relevant to projects in their business plan. The investment categories cover the following areas which relate directly to targets in our Corporate Plan and Sport 21, Scotland's national strategy for sport: Athlete Support, National Coach Support, Elite Coach Development, Player Improvement, Club Development, Coaching (Scottish Governing Body), Organisational Development and Volunteer Development.

Strategic Plans are assessed and integrated investments discussed at the relevant decision-making panel meetings, which look at the sport as a whole rather than applications to different programmes at different times.

During 2004/05, integrated investments were made to 56 Governing Bodies totalling £4,905,218 from Lottery funds. Exchequer funding was also given as part of the total investment from **sportscotland**.

A summary of integrated investments made during 2004/05 is attached as Appendix III.

6.2 Local Authorities

During 2004/05, **sportscotland** has been working towards establishing criteria and procedures for a fully integrated investment process for Local Authorities based on similar principles to those given above for Governing Bodies of Sport, but taking into account that Local Authorities have more complex structures.

Integrated investment panel papers were introduced as an interim measure, including information on the SIP and TOP programmes as well as the Exchequer-funded *Active Schools*.

In 2004/05, **sportscotland** made 9 awards totalling £261,879 under the Player Improvement category to Local Authority groups, and one award of £15,000 to an Area Institute of Sport under the Elite Coach Development category, but these awards were not part of a fully integrated investment process. The first fully integrated investment awards will be made in 2005/06.

7 Monitoring Overview

7.1 Introduction

sportscotland monitors projects during their implementation in order to ensure compliance with conditions of award and expenditure of funds on approved items. The extent of monitoring varies with the nature of the project and the degree of risk **sportscotland** has assigned to it. In general, all projects involving building and construction works, and with long implementation periods, received monitoring over longer periods and have more site visits than revenue projects.

sportscotland undertakes post-completion monitoring of a sample of capital projects through site visits, to ensure that recipients of awards continue to comply with awards conditions, and to investigate the extent to which projects have delivered the benefits claimed in the original application. All award recipients form the population from which **sportscotland** draws its samples for post-completion monitoring.

7.2 Procedures

Through the life of a project or award, project managers work closely with award recipients to monitor the implementation of awards. This monitoring involves the comparison of progress and costs against the agreed project proposals; vetting the agreed project proposals; vetting claims for awards; and combining desk work with site visits both during the project and on completion.

For all Lottery Fund programmes, **sportscotland** uses standard questionnaires to gain information from award recipients during post-completion monitoring of awards. The questionnaires focus on:

- The impact on sport in terms of increased participation, higher standards of performance, improved coaching provision and access to better sports facilities
- Compliance with the conditions of award in terms of the ownership and operation of facilities and confirmation by the applicant that the award was used for the purposes intended.

Thereafter, depending on the programme, **sportscotland** selects a sample of awards to examine in more depth and to provide detailed information on the impact of the awards and the programmes themselves. Lessons learned and feedback from such monitoring exercises help to shape programmes and the assessment process in the future.

Where the Lottery Fund works with other distributors, such as in the cross-distributor programme Awards for All, ongoing monitoring is undertaken by the programme operator, the Big Lottery Fund.

7.3 Summary

A summary of monitoring activity during 2004/05 is set out below. Detailed monitoring reports are included in the individual programme reports in Section 5.

| Programme | Monitor Implementation | Monitor Post Implementation |
|-------------------------------------|-------------------------------|------------------------------------|
| Capital | ✓ | ✓ |
| Sports Facilities | ✓ | ✓ |
| Building for Sport | ✓ | |
| Awards for All* | | |
| School Sport Co-ordinator | ✓ | ✓ |
| TOP | ✓ | ✓ |
| Social Inclusion Partnerships | ✓ | |
| Scottish Institute of Sport | ✓ | ✓ |
| Area Institutes of Sport | ✓ | ✓ |
| National Facilities (linked to SIS) | ✓ | ✓ |

* Undertaken by Awards for All Unit

In 2004/05 the Monitoring Team was short-staffed throughout the year. This and the lack of a computerised records system of integrated investments to partner organisations resulted in no monitoring of awards made under the integrated investment process taking place. A new computer-based records system is scheduled to be introduced in 2005/06 at which time the Monitoring Team will review its approach to monitoring these investments.

School Sport Coordinator Programme

The School Sport Coordinator Programme was wound up at the end of March 2004. In 2004/05 **sportscotland** collected information about the fifth year of the School Sport Coordinator Programme as it evolved into Active Schools.

Three hundred and twenty eight schools from 30 local authorities were involved in the programme and monitoring questionnaires were returned for 319 of these schools (97.3% return rate). The main findings of the monitoring were:

- Across these 319 schools, 66 different activities were provided
- In the year, there were 103,336 activity sessions and 3,573,803 participant sessions. Most participant sessions were delivered to S1/2 pupils (1,766,694 sessions) with fewer to S3/4 (1,153,290 sessions) and to S5/6 (655,994 sessions)
- Three-fifths of participant sessions were attended by male pupils (60%) with female pupils attending two fifths (40%)

- Most activity sessions took place after school (52%). Other activity sessions took place at lunchtime (31%), at weekends (10%), in the evenings (6%) and before school (1%)
- Most deliverers of activities were teachers (64%). Other deliverers were community coaches (19%), pupils (11%) and parents (6%).

Across all the schools, the top five most popular activities were as follows:

| | | |
|---|---|----------------------------|
| By activity sessions: | 1 | Football |
| | 2 | Basketball |
| | 3 | Badminton |
| | 4 | Rugby |
| | 5 | Movement, Dance & Exercise |
| By participant sessions: | 1 | Football |
| | 2 | Basketball |
| | 3 | Rugby |
| | 4 | Hockey |
| | 5 | Badminton |
| By participant sessions for boys: | 1 | Football |
| | 2 | Rugby |
| | 3 | Basketball |
| | 4 | Badminton |
| | 5 | Volleyball |
| By participant sessions for girls: | 1 | Football |
| | 2 | Hockey |
| | 3 | Movement, Dance & Exercise |
| | 4 | Netball |
| | 5 | Basketball |

7.4 Ethnic Monitoring of Lottery Applications and Awards

sportscotland has endorsed the Statement of Principle on Minority Ethnic Group Access to Lottery Funding Opportunities.

In support of this Statement **sportscotland** records information on whether a project is directed at or of particular relevance to a specific ethnic minority community for applications to appropriate Programmes.

In 2004/05 **sportscotland** received no applications for projects directed at, or of particular relevance to a specific ethnic minority community.

8 Performance Indicators

8.1 Quantitative

Since April 1998 **sportscotland** has produced a number of key process indicators covering efficiency and economy for the Lottery Fund Programmes. **sportscotland** has agreed these indicators with the Department for Culture, Media and Sport and the Scottish Executive. The indicators are produced quarterly and show the performance for the quarter, year to date and cumulatively (since the start of the Lottery). Shown below are the indicators for some of the Programmes operated under the Lottery Fund. Where Programmes have been subsumed within the new integrated funding approach, indicators cannot be produced as there is no computerised records system currently.

Indicators are not produced for the Awards for All Programme because applications are handled by the Big Lottery Fund. For the indicator - administration costs per completed application - all Lottery Fund programmes are included. Indicators for the year 2003/04 are shown to allow year on year comparison.

Building for Sport Programme

Indicator: Average number of days taken to process each application 2004/05.
Target: 120 days

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|--------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Days | Days | Days | Days |
| Quarter 04/05 | 0 | 75 | 62 | 104 |
| Year to Date 04/05 | 0 | 75 | 68 | 72 |
| Cumulative 04/05 | 0 | 75 | 68 | 72 |

Additional Indicator: Average number of days taken to process each Stage 1 application 2004/05. Target: 8 days.

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|--------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Days | Days | Days | Days |
| Quarter 04/05 | 46 | 19 | 0 | 35 |
| Year to Date 04/05 | 46 | 30 | 30 | 31 |
| Cumulative 04/05 | 18 | 18 | 18 | 19 |

TOP Programme

Indicator: Average number of days taken to process each application 2004/05.
Target: 30 days

| | 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
|--------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Days | Days | Days | Days |
| Quarter 04/05 | 0 | 29 | 0 | 0 |
| (03/04) | 0 | 39 | 19 | 0 |
| Year to Date 04/05 | 0 | 29 | 29 | 29 |
| (03/04) | 0 | 39 | 29 | 29 |
| Cumulative 04/05 | 38 | 38 | 38 | 38 |
| (03/04) | 39 | 39 | 38 | 38 |

Social Inclusion Partnerships Programme

Indicator: Average number of days taken to process each application 2004/05.
Target: 50 days

| | 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
|--------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Days | Days | Days | Days |
| Quarter 04/05 | 28 | 37 | 67 | 31 |
| (03/04) | 158 | 44 | 59 | 39 |
| Year to Date 04/05 | 28 | 29 | 43 | 38 |
| (03/04) | 158 | 64 | 64 | 58 |
| Cumulative 04/05 | 67 | 67 | 67 | 62 |
| (03/04) | 78 | 73 | 73 | 71 |

Notes for Performance Indicators

The following definitions have been used in determining the indicators:

- **Applications outstanding:** all applications that can be processed
- **Cases completed:** all applications on which a decision has been taken
- **Working days:** the number of working days between the date the application is received to the date on which the decision is made. This is calculated by taking 5/7 of the total number of days
- **Administration costs:** all Lottery Fund expenses.

Administration costs cover the following:

- dealing with enquiries about all of the programmes

- continuing to process and assess applications for capital awards
- monitoring of construction projects and monitoring and evaluation of programmes; the working up of new programmes
- the processing and assessing of applications for revenue awards
- consultations
- operating systems reviews and developments
- publicity, staff recruitment and continuing development
- the preparation of reports for Government
- all costs associated with the operation of the Lottery Fund office.

Note: Depreciation, notional cost of capital and insurance do not affect the Lottery Fund's cash flow and are financial book entries. Corporation tax is excluded because it is separately disclosed from administration costs in the income and expenditure account.

Additional Indicators from 2002/03

In 2002/03 **sportscotland** agreed with the Scottish Executive to produce a number of additional indicators. These indicators, for the year 2004/05, are shown below as well as 2003/04 indicators to allow year-on-year comparison.

The average balances held in the National Lottery Distribution Fund

This indicator is reported on a quarterly and year to date basis. For each indicator the average balance is that held at the end of each month in each period divided by the number of months in the period.

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|--------------------|-------------------------------|--------------------|--------------------|--------------------|
| Quarter 04/05 | £62,361,212 | £60,594,795 | £57,784,086 | £57,635,632 |
| (03/04) | £76,456,907 | £74,128,670 | £70,821,400 | £68,511,173 |
| Year to Date 04/05 | £62,361,212 | £61,478,003 | £60,246,698 | £59,593,765 |
| (03/04) | £76,456,907 | £75,292,789 | £73,802,325 | £72,479,537 |

The uncommitted balances held in the National Lottery Distribution Fund

This indicator provides information on the uncommitted balances at the end of each quarter.

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|---------------|-------------------------------|--------------------|--------------------|--------------------|
| Quarter 04/05 | £19,611,848 | £21,218,946 | £21,161,384 | £10,242,779 |
| (03/04) | £17,046,115 | £15,464,079 | £16,019,831 | £17,156,528 |

The average balance held in the Lottery Fund bank account

This indicator is reported on a quarterly and year to date basis. For each indicator the average balance is that held at the end of each month in each period divided by the number of months in the period.

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|--------------------|-------------------------------|--------------------|--------------------|--------------------|
| Quarter 04/05 | £2,161,029 | £1,931,903 | £1,863,765 | £2,167,182 |
| (03/04) | £1,558,637 | £978,222 | £1,104,858 | £1,636,477 |
| Year to Date 04/05 | £2,161,029 | £2,046,466 | £1,985,565 | £2,030,970 |
| (03/04) | £1,558,637 | £1,268,430 | £1,213,906 | £1,319,549 |

Administration costs as a % of income

This indicator is reported on a quarterly and year to date basis. Administration costs are as noted above.

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|--------------------|-------------------------------|--------------------|--------------------|--------------------|
| Quarter 04/05 | 13.49% | 9.99% | 14.26% | 15.28% |
| (03/04) | 11.76% | 12.36% | 13.38% | 14.15% |
| Year to Date 04/05 | 13.49% | 11.64% | 12.47% | 13.23% |
| (03/04) | 11.76% | 12.07% | 12.51% | 12.97% |

Administration costs as a % of total awards made

This indicator is reported on a quarterly, and year-to-date basis. Administration costs are as noted above, and the total awards made refers to awards approved in the period.

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|--------------------|-------------------------------|--------------------|--------------------|--------------------|
| Quarter 04/05 | 44.98% | 15.04% | 18.96% | 36.90% |
| (03/04) | 47.56% | 7.38% | 19.24% | 25.82% |
| Year to Date 04/05 | 44.98% | 23.66% | 21.70% | 24.88% |
| (03/04) | 47.56% | 12.36% | 15.69% | 17.83% |

Total administration costs

This indicator is reported on a quarterly, year-to-date and annual basis. Administration costs are as noted above.

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|--------------------|-------------------------------|--------------------|--------------------|--------------------|
| Quarter 04/05 | £665,484 | £550,849 | £694,953 | £857,823 |
| (03/04) | £543,681 | £598,508 | £636,944 | £783,141 |
| Year to Date 04/05 | £665,484 | £1,216,333 | £1,911,286 | £2,769,109 |
| (03/04) | £543,681 | £1,142,185 | £1,779,129 | £2,562,270 |

8.2 Qualitative

In addition to measuring the efficiency and economy of the Lottery Fund using the key process indicators, **sportscotland** also sought qualitative feedback on performance from customers in the Building for Sport Programme, which was introduced in April 2004.

A questionnaire was sent to 68 Stage 1 applicants in 2004 and another, slightly different, questionnaire was sent to 25 Stage 2 applicants again in 2004. A total of 21 completed questionnaires from Stage 1 applicants were returned (31% response rate) with 12 Stage 2 questionnaires returned (50%).

Stage 1 Findings

Findings from the Stage 1 questionnaires were:

- Generally applicants had a good understanding of the reasons for the two-stage process in the Building for Sport Programme although most saw it as a process designed to help **sportscotland** rather than minimising the time and cost of making abortive applications
- Five applicants noted some misgivings about the level of consideration given to their projects by **sportscotland** with some noting they would have wanted to discuss their projects with the panel
- One third of respondents (33%) noted they had difficulty in completing any part of the application form. The majority of these difficulties related to forecasting user numbers with proof of land ownership and projecting costs also mentioned
- Just over a half (52%) of respondents had sought guidance from **sportscotland** in completing their application
- All respondents who had had face to face contact with **sportscotland** were either satisfied or fairly satisfied
- Two thirds (67%) of respondents were satisfied/fairly satisfied with the performance of **sportscotland** in handling their application.

Stage 2 Findings

Findings from the Stage 2 questionnaires included:

- The type of organisation least likely to complete and return a feedback questionnaire was a local authority. Of nine feedback questionnaires sent to local authorities only one was returned
- Respondents generally had a broader appreciation of the purposes of the two-stage application process, in particular they appeared to understand the benefits to applicants as well as to **sportscotland**
- More than nine-tenths (92%) of respondents rated **sportscotland's** handling of their Stage 1 application as good or fairly good. A few respondents noted they would have preferred an on-line application process

- Two thirds of respondents (67%) found the application form fairly easy or easy to complete. Clubs in particular found the application form more difficult to complete with two noting it was fairly difficult and one difficult
- Half of respondents (50%) had found a particular part of the application form difficult to complete with half of these being clubs. Difficulties were similar to those identified by the Stage 1 respondents with future usage being problematic as well as project costs
- Over nine-tenths (92%) found the information requested in the application form reasonable or fairly reasonable
- Over nine-tenths (92%) had sought guidance from **sportscotland**. All but one respondent (whose application **sportscotland** had rejected) rated the assistance they had received as good or fairly good
- Two thirds (67%) of respondents rated their face to face contact with **sportscotland** as good or fairly good
- Over four-fifths (83%) of respondents were satisfied or fairly satisfied with the performance of **sportscotland** in handling their application
- When asked if they had any comments or suggestions on the Building for Sport programme respondents noted two main concerns: the cost of making an application; and the level of funding available.

sportscotland benchmarked the scores given by respondents against those received in 2000, 2001, 2002 and 2003 for the Sports Facilities Programme. As the questions in the Building for Sport Programme questionnaires were the same, it is possible to compare benchmark scores from 2000 to 2004. Benchmark scores are based on a four-point scale with 1 equating to good, 2 fairly good, 3 fairly poor and 4 poor. Where the 2004 benchmark score is lower than previous scores there has been an improvement.

Stage 1 Applications

The benchmarks for 2000, 2001, 2002, 2003 and 2004 are as follows:

| Benchmark | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|-------------|-------------|-------------|-------------|-------------|
| Ease of completing form | 1.75 | 1.86 | 1.89 | 2.00 | 2.24 |
| Guidance during application | 2.20 | 2.13 | 1.79 | 2.00 | 1.36 |
| Written contact with sportscotland | 2.23 | 2.03 | 1.92 | 2.06 | 1.77 |
| Telephone contact with sportscotland | 2.02 | 1.96 | 1.64 | 2.12 | 1.56 |
| Face to face contact with sportscotland | 1.33 | 1.60 | 1.31 | 1.80 | 1.10 |
| Handling of application | 2.51 | 2.24 | 1.95 | 2.19 | 2.19 |

Stage 2 Applications

The benchmarks for 2000, 2001, 2002, 2003 and 2004 are as follows:

| Benchmark | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|-------------|-------------|-------------|-------------|-------------|
| Handling of Stage 1 application | 1.69 | 1.35 | 1.51 | 1.61 | 1.58 |
| Ease of completing application form | 2.43 | 2.14 | 2.37 | 2.24 | 2.33 |
| Reasonableness of information requested | 1.51 | 1.37 | 1.56 | 1.67 | 1.50 |
| Guidance during application | 1.67 | 1.20 | 1.41 | 1.56 | 1.64 |
| Written contact with sportscotland | 2.06 | 1.43 | 1.50 | 1.69 | 1.70 |
| Telephone contact with sportscotland | 1.92 | 1.17 | 1.73 | 1.55 | 1.67 |
| Face to face contact with sportscotland | 1.59 | 1.15 | 1.32 | 1.44 | 1.13 |
| Handling of application | 2.03 | 1.27 | 1.64 | 1.89 | 1.75 |

Lottery Fund

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

The Scottish Executive has requested that **sportscotland** include the full Statement of Account for 2004/05, prepared pursuant to Section 35 of the *National Lottery etc Act 1993*. It is included in this Appendix.

The Accounts were approved by the Council and signed on its behalf on 21 June 2005. In addition to providing detailed financial information, the Accounts give further information about activities during the year, and list **sportscotland's** Council members.

sportscotland

Lottery Fund

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

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**, the name which is used throughout this report to account for the whole of 2004/05.

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.

Results

- 4 The accounts relate to the year ended 31 March 2005 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. The table below shows the total funds held under the stewardship of the National Lottery Distribution Fund (NLDF) and the commitments made on these funds.

| | 2005 | 2004 |
|--|-------------------|-------------------|
| | £ | £ |
| Total Fund | 56,992,120 | 65,031,974 |
| Awards Committed, Offered and Accepted | 33,796,658 | 46,631,031 |
| Awards Committed and Offered; Not Accepted | 952,683 | 2,924,883 |
| Unallocated Balance before NRSFS commitments | <u>22,242,779</u> | <u>15,476,060</u> |
| National & Regional Sports Facilities Strategy (NRSFS) | <u>12,000,000</u> | <u>0</u> |
| Unallocated Balance after NRSFS commitments | <u>10,242,779</u> | <u>15,476,060</u> |

£12m of the unallocated balance has been earmarked for the National and Regional Sports Facilities Strategy (NRSFS) along with £10m of the Awards Committed, Offered and Accepted balance. This totals to the £22m Lottery

input to the NRSFS. A further £28m has been committed to this project through Exchequer funding. During the year to 31 March 2005, £28,977,187 (2003/04 £33,565,723) was called down from the NLDF towards the payment of approved awards and the administration of the National Lottery Fund. Administration costs including depreciation and notional costs for the year totalled £3,167,157 (2003/04 £3,243,197). During the year 2004/05, Lottery administration costs became part of the **sportscotland** integrated budget process, which aligns all relevant costs to the overall **sportscotland** corporate objectives.

Review of Activities

- 5 Throughout 2004/05, **sportscotland** underwent a fundamental shift in the way it invested funds in Scotland, moving from investing through specific Lottery or Exchequer programmes to a process of integrated Lottery and Exchequer funding through integrated investment categories. This meant that organisations no longer applied for specific Lottery or Exchequer funding in the majority of cases, but instead submitted a detailed business plan setting out planned areas of targeted expenditure. Organisations could then develop an application for investment against any of the new integrated investment categories relevant to projects in their business plan. However, the funds and accounting records are kept separate so that individual sets of accounts can be produced.
- 6 Accordingly, **sportscotland** ceased to operate a number of its previous Lottery distribution programmes (namely: Sports Facilities, Talented Athletes, Junior Groups, School Sport Co-ordinators, National Coach Support, Performance Coach Development and Developing the Potential of Young People in Sport). Instead, it introduced eight new integrated funding streams (namely: Athlete Support, Player Improvement, Club Development, Coaching (Governing Body), Coach Support, Elite Coach Development, Volunteer Development, and Organisational Development).
- 7 Despite the end of the Sports Facilities programme, **sportscotland** continued to invest in sports facilities through the new Building for Sport programme.
- 8 The TOP programme was also phased out during 2004/05, as part of the shift towards integrated investment; however, one new award was made.
- 9 **sportscotland** also continued to operate in partnership with the Scottish Arts Council, the National Heritage Memorial Fund, and the Big Lottery Fund (formerly the Community Fund and the New Opportunities Fund) to administer the Awards for All programme.
- 10 **sportscotland** continued to make awards through the Lottery funded Social Inclusion Partnerships programme, and also continued to support the Scottish Institute of Sport through Lottery funding, committing to hold available funding up to £16 million for the 4 year period 03/04 to 06/07.

Fixed Assets

- 11 During the year to 31 March 2005 a total of £40,793 (2003/04 £100,912) has been spent on acquiring fixed assets for **sportscotland** Lottery Fund activities.

Retained Reserves

- 12 Accumulated funds totalling £39,342,746 (2003/04 £36,194,083 Restated) were held on the balance sheet at the end of the year.

Future Developments

- 13 The launch of **sportscotland's** Equity Strategy will take place in Autumn 2005, with its implementation to follow thereafter.
- 14 The Active Schools implementation will continue, with the target of completing roll out across the 32 Local Authorities by the end of the next financial year. The evaluation of the investment by Loughborough University and partners continues.
- 15 A new strategy for Coaching in Scotland is to be developed in the first six months of the financial year 05/06, with a view to launching a *Coaching Scotland* strategic document in late autumn 2005.
- 16 Discussions are ongoing within Stage 2 of National and Regional Sports Facilities Strategy (N&RSFS) to explore options for developing N&RSFS projects in the remaining two areas.
- 17 **sportscotland** will continue to co-ordinate the *Sport 21* implementation process at the strategic level and will continue to deliver actions which will contribute to the delivery of the targets of *Sport 21 2003-2007*. A review of *Sport 21* will commence in October 2005.
- 18 The Chief Executive tendered his resignation and left the organisation on 6 May 2005.
- 19 The Chairman's term of office ends on 30 June 2005.

Payment of Creditors

- 20 In line with Treasury guidance the **sportscotland** Lottery Fund has a policy to pay all authorised 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 authorised invoices, including disputed invoices once the dispute has been settled, on time in these terms.
- 21 During the year ended 31 March 2005 the Lottery Fund paid 100% of all authorised invoices received within the terms of its payment policy.

22 The **sportscotland** Lottery Fund observes the principals of the Better Payment Practice Code.

Appointment of Auditors

23 The accounts are audited by auditors appointed by the Auditor General for Scotland. For the year 2004/05 the appointed auditors were KPMG LLP. The Auditor General gave approval for KPMG LLP to take over the audit of the **sportscotland** Lottery Fund from Audit Scotland for the final two years of the current round of appointments (i.e. 2004/05 and 2005/06). The audit fee is shown in Note 5.

Equal Opportunity in Employment and Disabled Employees

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

Employee Involvement

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

26 All related party transactions are shown in Note 17.

Members

The Members of the **sportscotland** Council at 31 March 2005, all of whom have been Members throughout the year, are listed below:

Alastair Dempster (Chairman)

Ian Mason

Louise Martin CBE

Ritchie Campbell

Wai-yin Hatton

Dr. Linda Leighton-Beck

Alan Jones

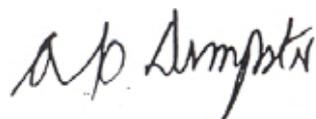
Atholl Duncan

Fraser Wishart

Steven Grimmond

Kim Atkinson (Until 26.1.05)

Stephen Wright



Alastair Dempster
Chairman
21 June 2005



S Harris
Acting Accountable Officer
21 June 2005

Statement of sportscotland and Chief Executive'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 Scottish Education Department 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 Executive.



S Harris
Acting Chief Executive
21 June 2005

Statement on the Systems of Internal Control

As Accountable Officer, I have responsibility for maintaining a sound system of internal control which supports the delivery of **sportscotland** policies, aims and objectives, as set by the Scottish Executive Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Government Accounting*.

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** 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 2004/05 and have been reviewed during the year with a view to establishing their effectiveness and improving their robustness.

Senior Management risk-management reviews, during which we identified our objectives and risks and determined a control strategy for each of the significant risks, continue on a six monthly cycle. The work of the review group continued to be strengthened during the year by the inclusion of the Chairman of the Audit Committee. Further risk management has been incorporated more fully into our corporate planning and decision-making process.

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

- Delivery of the established programme of workshops to identify and keep up to date the register of risks facing the organisation.
- Reviewing the system of key performance and risk indicators.
- Maintaining the organisation-wide risk register.
- Reviewing reports from the Internal Auditors on internal control activities and updating/implementing change as appropriate.

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

Best Value continues to be a focus in all areas of work within **sportscotland** and the continued communication of this principle supports all staff in its delivery. The principles of *Following the Public Pound* are being instilled in all systems.

sportscotland's Freedom of Information systems were fully operational by the statutory deadline of 1 January 2005 and all staff were trained and prepared in readiness for the requests that have ensued from that date. All Freedom of Information requests received to date have been completed within the statutory timescales.

Following the announcement of the Efficient Government Review, **sportscotland** submitted proposals which were acceptable to Ministers. These proposals related to efficiencies to be achieved as the integration process within the business is implemented.

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

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

A handwritten signature in black ink, appearing to read 'Stewart Harris', with a long horizontal flourish extending to the right.

Stewart Harris
Acting Chief Executive
21 June 2005

Independent Auditors' Report

To the members of the Scottish Sports Council (trading as sportscotland) Lottery Fund, the Scottish Parliament, the Auditor General for Scotland.

We have audited the financial statements on pages 10 to 32 under the National Lottery etc Act 1993. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with the accounting policies set out on pages 15 to 18.

This report is made solely to the Scottish Sports Council Lottery Fund and to the Auditor General for Scotland, in accordance with sections 21 and 22 of the Public Finance and Accountability (Scotland) Act 2000. Our audit work has been undertaken so that we might state to those two parties those matters we are required to state to them in an auditor's report and for no other purpose. In accordance with the Statement of Responsibilities of Auditors and Audited Bodies prepared by Audit Scotland, this report is also made to the Scottish Parliament as a body. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scottish Sports Council Lottery Fund and the Auditor General for Scotland, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Scottish Sports Council Lottery Fund, the Chief Executive and Auditor

As described on page 5 the Scottish Sports Council Lottery Fund and the Chief Executive are responsible for the preparation of the financial statements and for ensuring the regularity of expenditure and receipts. The Scottish Sports Council Lottery Fund and the Chief Executive are also responsible for the preparation of the Foreword. Our responsibilities, as independent auditor, are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by the auditing profession's ethical guidance.

We report our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the National Lottery etc Act 1993 and directions made thereunder and whether, in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. We also report if, in our opinion, the Foreword is not consistent with the financial statements, if the Scottish Sports Council Lottery Fund has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the statement on pages 6 and 7 complies with Scottish Executive guidance on statements on the system of internal control. We report if, in our opinion, it does not comply with the guidance, or if the statement is misleading or inconsistent with other information we are aware of from our audit. We are not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the Scottish Sports Council Lottery Fund's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Foreword and consider whether it is consistent with the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinions

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice, which requires compliance with relevant United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts shown in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Scottish Sports Council Lottery Fund and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Scottish Sports Council Lottery Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error, and that, in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

In forming our opinion, we have considered the adequacy of the disclosures made in note 1.4 to the financial statements concerning the uncertainty over the value of the National Lottery Distribution Fund at 31 March 2005. In view of the significance of this uncertainty, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Unqualified opinion on the financial statements

In our opinion the financial statements give a true and fair view of the state of affairs of the Scottish Sports Council Lottery Fund at 31 March 2005 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Lottery etc Act 1993 and directions made thereunder.

Unqualified opinion on regularity

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



KPMG LLP
Chartered Accountants
Registered Auditor
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Date: 21 June 2005

sportscotland

National Lottery Fund

Income and expenditure account for the year ended 31 March 2005

| | Notes | 2005 £000 | 2005 £000 | 2004 £000 Restated | 2004 £000 Restated |
|---|-------|--------------|---------------|--------------------------|--------------------------|
| Income | | | | | |
| National Lottery Fund proceeds | 2.1 | | 20,937 | | 19,748 |
| sportscotland | 2.2 | | 0 | | 191 |
| Interest receivable | | | 99 | | 64 |
| Other operating income | 2.3 | | 36 | | 87 |
| | | | <u>21,072</u> | | <u>20,090</u> |
| Expenditure | | | | | |
| Grants committed and paid during the year | 3.1 | | 4,481 | | 2,597 |
| Net grant commitments | 3.3 | | 5,958 | | 12,728 |
| Staff costs: direct | 4 | 1,837 | | 1,580 | |
| indirect | 4 | 0 | 1,837 | 151 | 1,731 |
| | | | <u>1,837</u> | <u>1,580</u> | |
| Depreciation | 5 & 7 | | 66 | | 27 |
| Other operating charges: direct | 5 | 1,261 | | 1,430 | |
| indirect | 5 | 0 | | 24 | |
| | | | <u>1,261</u> | | <u>1,454</u> |
| | | | <u>13,603</u> | | <u>18,537</u> |
| Operating surplus before tax | | | 7,469 | | 1,553 |
| Notional costs | | | 60 | | 12 |
| Other finance costs | 15 | | 5 | | (2) |
| Corporation tax | 6 | | (19) | | (13) |
| Increase in fund | | | <u>7,515</u> | | <u>1,550</u> |

All the results of the Fund relate to continuing activities

Statement of total recognised gains and losses for the year ended 31 March 2005

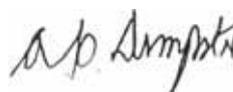
| | | | |
|-----------------------------|----|--------------|--------------|
| Increase in fund | | 7,515 | 1,550 |
| Revaluation of fixed assets | | 0 | 0 |
| Pension Fund Actuarial Gain | 15 | 147 | 235 |
| Total Increase in funds | | <u>7,662</u> | <u>1,785</u> |

sportscotland
Lottery Fund
Balance sheet at 31 March 2005

| | Notes | 2005 £000 | 2005 £000 | Restated 2004 £000 |
|--|-------|--------------|--------------|--------------------------|
| Fixed assets | | | | |
| Tangible assets | 7 | | 109 | 145 |
| Current assets | | | | |
| Investments – balance held in NLDF | 8 | | 56,992 | 65,032 |
| Debtors | 9 | | 50 | 75 |
| Bank and cash-in-hand | | | 3,129 | 426 |
| | | | 60,171 | 65,533 |
| Creditors: amounts falling due within one year | 10 | | 20,740 | 29,084 |
| Net Current Assets | | | 39,431 | 36,449 |
| Pension Provision | 11 | | 73 | 79 |
| Net assets excluding pension liability | | | 39,467 | 36,515 |
| Pension asset/(liability) | 15 | | (125) | (321) |
| Net assets including pension liability | | | 39,342 | 36,194 |
| Represented by | | | | |
| Revaluation reserve | 14 | | 13 | 13 |
| Provisions | 11 | | 13,266 | 17,780 |
| Income and Expenditure account excluding pension reserve | | 26,188 | | 18,722 |
| Pension reserve | 15 | (125) | | (321) |
| Income and Expenditure account including pension reserve | 12 | | 26,063 | |
| | | | 39,342 | 36,194 |



S Harris
 Acting Chief Executive 21 June 2005



A Dempster
 Chairman 21 June 2005

sportscotland

Lottery Fund

Cash flow statement for the year ended 31 March 2005

| | Notes | 2005 £000 | Restated 2004 £000 |
|---|-------|--------------|--------------------------|
| Net cash inflow from operating activities | (a) | 2,657 | 270 |
| Returns on investments and servicing of finance | (b) | 99 | 64 |
| Taxation | (b)/6 | (12) | (16) |
| Capital expenditure and financial investment | (b)/7 | <u>(41)</u> | <u>(101)</u> |
| Increase in cash during the year | (c) | <u>2,703</u> | <u>217</u> |

(a) Reconciliation of operating deficit to net cash outflow from operating activities

| | 2005 £000 | Restated 2004 £000 |
|---|----------------|--------------------------|
| Operating surplus after taxation and interest | 7,515 | 1,550 |
| Add: taxation charge | 19 | 13 |
| Other Finance Costs | (49) | (50) |
| Less: bank interest receivable | <u>(99)</u> | <u>(64)</u> |
| Operating surplus | 7,386 | 1,449 |
| Depreciation charges | 66 | 27 |
| Revaluation write off | 10 | 4 |
| Loss on disposal | 0 | 69 |
| Decrease in investments | 8,040 | 13,818 |
| Decrease/(Increase) in debtors | 25 | (7) |
| (Decrease) in creditors | (8,351) | (4,661) |
| (Decrease) in provisions for hard commitments | <u>(4,519)</u> | <u>(10,429)</u> |
| Net cash outflow from operating activities | <u>2,657</u> | <u>270</u> |

(b) Gross cash flows

| | 2005 £000 | Restated 2004 £000 |
|--|---------------------|--|
| Returns on investments and servicing of finance | | |
| Interest received | <u>99</u> | <u>64</u> |
| Taxation | | |
| Corporation tax paid | <u>12</u> | <u>16</u> |
| Capital expenditure and financial investment | | |
| Purchase of tangible fixed assets | 41 | 101 |
| Proceeds from disposal of fixed assets | <u>0</u> | <u>0</u> |
| | <u>41</u> | <u>101</u> |

(c) Analysis of changes in cash during the year

| | 2005 £000 | Restated 2004 £000 |
|-----------------------------------|---------------------|--|
| Cash and bank balance at 1 April | 426 | 209 |
| Net cash inflow | <u>2,703</u> | <u>217</u> |
| Cash and bank balance at 31 March | <u>3,129</u> | <u>426</u> |

sportscotland
Lottery Fund

**Reconciliation of movement of funds
for the year ended 31 March 2004**

| | Balances held in NLDF £000 | Balances at SLF £000 | 2005 Total £000 | 2004 Total £000 |
|----------------------------------|---------------------------------------|---------------------------------|----------------------------|----------------------------|
| Opening balances | 65,032 | (46,310) | 18,722 | 17,200 |
| National Lottery Fund proceeds | 20,937 | 0 | 20,937 | 19,748 |
| Drawn down in year by SLF | (28,977) | 28,977 | 0 | 0 |
| Interest on cash balances | 0 | 99 | 99 | 63 |
| Income from sportscotland | 0 | 0 | 0 | 191 |
| Other operating income | 0 | 36 | 36 | 88 |
| Grants paid | 0 | (4,481) | (4,481) | (2,597) |
| Net grant commitment | 0 | (5,958) | (5,958) | (12,728) |
| Expenditure | 0 | (3,167) | (3,167) | (3,243) |
| | <u>56,992</u> | <u>(30,804)</u> | <u>26,188</u> | <u>18,722</u> |

sportscotland

Lottery Fund

Notes to the accounts for the year ended 31 March 2005

1 Accounting policies

1.1 Basis of accounting

The 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 Companies Act 1985, the National Lottery etc Act 1993, 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 company'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 as described by FRS 3 "Reporting Financial Performance".

Comparative figures shown relate to the year to 31 March 2004.

Going Concern

The financial statements are prepared 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 Income and Expenditure Account, 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 Balance Sheet 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 of soft commitments are shown in a note to the Balance Sheet. 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 FRS 21 'Events after the balance sheet date'.

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 Income and Expenditure Account.

1.3 Tangible fixed assets and depreciation

Fixed assets are valued by reference to their current replacement costs. The basis of this revaluation is through indices found in Price Index Numbers for Current Cost Accounting published by the Office for National Statistics at 31 December 2004. Any type of asset purchased with a value of £500 or more is capitalised. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the revalued amount, less estimated residual value of each asset evenly over its expected useful life, as follows:

| | |
|--------------------|---------|
| Fixtures | 5 years |
| Equipment | 4 years |
| Computer equipment | 4 years |

Prior to 31 March 2004 fixtures and fittings and equipment had estimated useful economic lives of 10 and 7 years, respectively. From 1 April 2004 useful economic lives of fixtures and fittings and equipment have been estimated at 5 years and 4 years, respectively. This represents a change in management's estimate of the useful economic life of fixed assets. The impact of this change is an increase in the depreciation charge for the year of £ 36,000.

The accounting treatment of indexation is based on the reason for the change in value. Where management believes this reason to be the consumption of economic benefits, the effect of the indexation charge is accounted for in the Income and Expenditure Account. Increases and decreases in the value of fixed assets due to market fluctuations are accounted for through the statement of total recognised gains and losses in the revaluation reserve.

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 in which an asset is disposed.

1.4 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 balance sheet date, has been certified by the Secretary of State for Culture, Media and 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 balance sheet and is stated at the lower of cost or market value. The balance in the accounts is based on an Interim Statement of balance produced by DCMS which is subject to the completion of the Statement of Assurance of Payments due to the National Lottery Distribution Fund for 2004-05 by the National Lottery Commission and the completion of the audit of the National Lottery Distribution Fund accounts for 2004-05 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.

1.5 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 the taxable profits.

1.6 Post-retirement benefits

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 (the STSS).

STSS

The **sportscotland** Lottery Fund 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**. The **sportscotland** Lottery fund 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 FRS 17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

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 the **sportscotland** Lottery Fund. 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.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus / deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

1.7 Leases

Rentals paid under operating leases are charged to the income and expenditure account in the year to which the invoice relates.

1.8 Notional costs

In line with HM Treasury Fees and Charges Guide the **sportscotland** Lottery Fund includes notional costs for cost of capital.

As the financing structure of **sportscotland** does not include specific interest bearing debt, and to ensure that the income and expenditure account bears an appropriate charge for the use of capital in the year, a notional interest charge of 3.5% is included. This charge is based only upon the **sportscotland** Lottery Fund's own capital employed.

2 Income

2.1 Proceeds from the National Lottery

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

2.2 sportscotland

| | 2005 £000 | 2004 £000 |
|-------------------------|---------------------|---------------------|
| Recovery of staff costs | 0 | 191 |

The cost of any **sportscotland** Lottery Fund resources used on **sportscotland** have been recovered in full based on a time recording system.

2.3 Other operating income comprises:

| | 2005 £000 | 2004 £000 |
|----------------------|---------------------|---------------------|
| Repayment of grant | 23 | 59 |
| Miscellaneous income | 13 | 28 |
| | <u>36</u> | <u>87</u> |

3 Grants paid and net grant commitment

| | 2005 £000 | 2004 £000 |
|---|---------------------|---------------------|
| 3.1 Annual grants committed and paid during the year | | |
| Capital and Revenue | 4,481 | 2,597 |
| | 2005 £000 | 2004 £000 |
| 3.2 Grants paid during year | | |
| Paid and committed during year | 4,481 | 2,597 |
| Committed in previous years | 18,792 | 27,993 |
| | <u>23,273</u> | <u>30,590</u> |
| | 2005 £000 | 2004 £000 |
| 3.3 Net grant commitments | | |
| Hard commitments made during year | 13,632 | 16,160 |
| Less: amounts paid and committed during year | (4,481) | (2,597) |
| Less: amounts de-committed during year | (3,193) | (835) |
| Net grant commitment at 31 March | <u>5,958</u> | <u>12,728</u> |
| | 2005 £000 | 2004 £000 |
| 3.4 Net grant commitments split | | |
| Capital programmes | 3,484 | 9,304 |
| Revenue | 2,474 | 3,424 |
| | <u>5,958</u> | <u>12,728</u> |
| | 2005 £000 | 2004 £000 |
| 3.5 Grants paid during the year by programme | | |
| 3.5.1 Capital Facilities | | |
| National | 60 | 33 |
| Regional | 0 | 76 |
| Local | 269 | 1,163 |
| Swimming Pools | 356 | 0 |
| Safety at Sports Grounds | 30 | 0 |
| Football Academies | 286 | 1,367 |
| Community Facilities | 9 | 0 |
| Sports Facilities Programme | 9,879 | 13,409 |
| | <u>10,889</u> | <u>16,048</u> |

| | 2005 £000 | 2004 £000 |
|--|---------------------|---------------------|
| 3.5.2 Revenue Funding | | |
| Talented Athletes (Athlete Support) | 2,151 | 1,468 |
| Talented Identification | 0 | 75 |
| Major Events | 105 | 119 |
| UK WCPP | 458 | 0 |
| SIP | 710 | 502 |
| Junior Groups | 661 | 1,240 |
| Awards for All | 980 | 910 |
| National Coach Support | 1,029 | 646 |
| Coach Development | 144 | 45 |
| School Sports Co-ordinators | 0 | 4,837 |
| TOP Programme | 513 | 398 |
| Organisational Development | 165 | 0 |
| Volunteer Development | 40 | 0 |
| Coaching | 43 | 0 |
| Player Improvement | 436 | 0 |
| Club Development | 242 | 0 |
| Scottish Institute & Area Institutes | 4,707 | 4,302 |
| | <u>12,384</u> | <u>14,542</u> |
| Total grants paid during the year | <u>23,273</u> | <u>30,590</u> |

4 Employees

| | 2005 £000 | Restated 2004 £000 |
|--|---------------------|--|
| 4.1 Total staff costs comprise: | | |
| Wages and salaries | 1,532 | 1,456 |
| Social security costs | 128 | 113 |
| Other pension costs | 177 | 162 |
| Aggregate staff costs | <u>1,837</u> | <u>1,731</u> |

All employment contracts are within **sportscotland** and the relevant amounts charged to Lottery. During the year 2004/05, Lottery employment costs became part of the **sportscotland** integrated budget process, which aligns all relevant costs to the overall **sportscotland** corporate objectives.

| | 2005 | 2004 |
|--|-------------|-------------|
| 4.2 The average monthly employee full time equivalents during the year was: | | |
| | <u>56</u> | <u>54</u> |

4.3 The salary and pension entitlements of the most senior members of the sportscotland Lottery Fund are as follows:

| Name | | Salary £000's | Benefit s £000's | Pension Increase at 60 £000's | Total Accrued Pension at 60 £000's |
|---------------|-------------|------------------|------------------------|--|--|
| I Taylor | 2005 | 36 | 8 | - | - |
| | 2004 | - | - | - | - |
| I Robson | 2005 | 29 | 2 | - | 4 |
| | 2004 | 75 | 7 | 1 | 3 |
| I D Robertson | 2005 | 57 | - | 1 | 9 |
| | 2004 | 55 | - | 1 | 8 |
| S G Harris | 2005 | 49 | - | 1 | 8 |
| | 2004 | 44 | - | 1 | 7 |
| C Pearson | 2005 | 46 | 1 | 1 | 9 |
| | 2004 | 43 | 1 | 1 | 8 |
| S Paulding | 2005 | 26 | - | - | - |
| A Dempster | 2005 | 28 | - | None payable | |
| | 2004 | 29 | - | None payable | |

All salaries shown are the full cost (100%) to the **sportscotland** group. All salaries are split between the **sportscotland** Lottery Fund and **sportscotland** through a quarterly process that assesses every employee and their split of work between the two companies. The split for the **sportscotland** Lottery Fund during 2004/2005 was 43% with the balance, 57%, going to **sportscotland**.

Benefits in kind relate to the provision of a car for which individual employees are required to make a contribution to cover the cost of personal use. Additionally, I Taylor's benefits includes payments made for taxable temporary accommodation costs.

I Robson resigned as Chief Executive on 31 July 2004 and I Taylor started as Chief Executive on 18 October 2004. The salaries noted are the actual received for the time in post.

S Paulding was appointed to the post of Acting Achieving Excellence Director on 1 August 2004. The salary noted is the actual received for the time in post.

The Chairman, A Dempster, is remunerated in full through sportscotland with no charge going to the sportscotland Lottery Fund.

Council members are not remunerated.

The Lottery operates a car leasing scheme for essential users. Car Leasing payments made by the Lottery Fund to our Fleet suppliers during 2004/05 were £53,238 (2003/04 £48,623).

Cash Equivalent Transfer Values (CETV) have not been requested from SPPA for senior members of staff and therefore are not disclosed.

5 Other operating charges

The operating result is after charging:

| | 2005 £000 | 2004 £000 |
|------------------------------------|---------------------|---------------------|
| Administration expenses | 1,034 | 1,207 |
| Travel and subsistence | 73 | 66 |
| Recharge from sportscotland | 0 | 30 |
| Auditors' remuneration – External | 18 | 16 |
| – Internal | 6 | - |
| Operating rentals | 66 | 56 |
| Loss on disposal of assets | 0 | 69 |
| Revaluation write off | 10 | 4 |
| Notional costs | 60 | 12 |
| Provision for early retirement | (6) | (6) |
| Depreciation | 66 | 27 |
| | <u>1,327</u> | <u>1,481</u> |

During the year 2003/04, Lottery administration costs became part of the **sportscotland** integrated budget process, which aligns all relevant costs to the overall **sportscotland** corporate objectives.

6 Corporation tax

| | 2005 £000 | 2004 £000 |
|---------------------|---------------------|---------------------|
| Corporation tax | 18 | 12 |
| Under tax provision | 1 | 1 |
| | <u>19</u> | <u>13</u> |

7 Tangible fixed assets

| | Total £000 | Fixtures and Fittings £000 | Equip- ment £000 |
|---|----------------------|--|--------------------------------|
| Cost at 1 April 2004 | 296 | 93 | 203 |
| Revaluation at 31 March 2005 | (11) | 2 | (13) |
| Additions to 31 March 2005 | 41 | 0 | 41 |
| Disposals to 31 March 2005 | (4) | 0 | (4) |
| Cost at 31 March 2005 | <u>322</u> | <u>95</u> | <u>227</u> |
| Aggregate depreciation at 1 April 2004 | 151 | 60 | 91 |
| Revalued aggr depr at 31 March 2005 | (1) | 1 | (2) |
| Charge for the year | 66 | 34 | 32 |
| Disposals to 31 March 2005 | (3) | 0 | (3) |
| Aggregate depreciation at 31 March 2005 | <u>213</u> | <u>95</u> | <u>118</u> |
| Net Book Value at 31 March 2005 | <u>109</u> | <u>0</u> | <u>109</u> |
| Net Book Value at 31 March 2004 | <u>145</u> | <u>33</u> | <u>112</u> |

8 Investments

| | 2005 £000 | 2004 £000 |
|------------------------------------|---------------------|---------------------|
| National Lottery Distribution Fund | <u>56,992</u> | <u>65,032</u> |

As at 31 March 2005 the fund has been shown at market value. If it had been included at cost value the figure would have been £57,207

The balances are based on the distribution of National Lottery Funds set out in the National Lottery Act 1998.

9 Debtors

| | 2005 £000 | 2004 £000 |
|--------------------------------|---------------------|---------------------|
| Trade debtors | 2 | 11 |
| Other debtors | 0 | 9 |
| Prepayments and accrued income | 48 | 55 |
| | <u>50</u> | <u>75</u> |

10 Creditors: amounts falling due within one year

| | 2005 £000 | 2004 £000 |
|--|---------------------|---------------------|
| Trade creditors | 53 | 89 |
| Corporation tax | 19 | 12 |
| Hard commitments payable within one year | 20,451 | 28,772 |
| Other creditors | 73 | 95 |
| Accruals and deferred income | 144 | 116 |
| | <u>20,740</u> | <u>29,084</u> |

11 Provisions

| | 2005 £000 | 2005 £000 | 2004 £000 |
|--|---------------------|---------------------|---------------------|
| Capital | | | |
| Balance as at 1 April | | 24,988 | 31,018 |
| Amounts committed during the year | | <u>5,379</u> | <u>10,259</u> |
| Total hard commitments | | 30,367 | 41,277 |
| Amounts paid during the year | 10,880 | | |
| Amounts paid and committed during the year | 9 | | |
| Amounts de-committed during the year | <u>1,886</u> | <u>12,775</u> | <u>16,289</u> |
| Hard capital commitments at 31 March | | <u>17,592</u> | <u>24,988</u> |

| | 2005 £000 | 2005 £000 | 2004 £000 |
|--|---------------------|---------------------|---------------------|
| Revenue | | | |
| Balance as at 1 April | | 21,643 | 30,878 |
| Amounts committed during the year | | 8,252 | 5,902 |
| Total hard commitments | | <u>29,895</u> | <u>36,780</u> |
| Amounts paid during the year | 7,913 | | |
| Amounts paid and committed during the year | 4,471 | | |
| Amounts de-committed during the year | <u>1,306</u> | | |
| | | <u>13,690</u> | <u>15,137</u> |
| Hard revenue commitments at 31 March | | <u>16,205</u> | <u>21,643</u> |
| Total hard commitments at 31 March | | <u>33,797</u> | <u>46,631</u> |

At 31 March 2005 a total of £20,451,050 (2003/04 £28,771,983) is payable within one year and disclosed in Note 10. This is after charging £6,192 for the retirement provision below. A further £13,266,417 (2003/04 £17,780,050) is payable within two to five years and shown on the face of the accounts under Provisions.

Pension Provision

A provision was created in 2001/02 for the early retirement of a member of staff. This is based on the annual value of payments incurred by **sportscotland** Lottery Fund and an estimate of life expectancy based on the national average.

| | 2005 £000 | 2004 £000 |
|---------------------------------------|---------------------|---------------------|
| Opening balance at 1 April | 79 | 85 |
| Additional provisions during the year | 0 | 0 |
| Released during the year | (6) | (6) |
| Closing balance at 31 March | <u>73</u> | <u>79</u> |

12 Income and Expenditure Account

| | 2005 £000 | 2004 £000 |
|---|---------------------|---------------------|
| Represented by: | | |
| Balance as at 1 April | 18,401 | 16,929 |
| Change in fund for the year | 7,515 | 1,550 |
| Transfer to income & expenditure – pension scheme | (49) | (38) |
| Pension reserve movement | 196 | (40) |
| Balance as at 31 March | <u>26,063</u> | <u>18,401</u> |

13 Soft capital commitments

| | 2005 £000 | 2005 £000 | 2004 £000 |
|---|--------------|--------------|--------------|
| Balance as at 1 April | | 2,925 | 3,790 |
| Amounts committed during the year | | 3,380 | 8,961 |
| Total soft commitments | | 6,305 | 12,751 |
| Amounts transferred to hard commitments | 5,352 | | |
| Amount de-committed during the year | 0 | | |
| | | 5,352 | 9,826 |
| Soft commitments at 31 March | | 953 | 2,925 |

14 Revaluation Reserve

| | 2005 £000 | 2004 £000 |
|--|--------------|--------------|
| Balance as at 1 April | 13 | 13 |
| Revaluation movement on cost at 31 March | 0 | 0 |
| Revaluation movement on depreciation at 31 March | 0 | 0 |
| Revaluation reserve balance as at 31 March | 13 | 13 |

15 Pension and Similar Obligations

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 (the STSS). Both schemes are defined benefit schemes and **sportscotland** contributes 250% and 208% (2003-04: 240% and 208%) of employee contributions to the respective schemes. The charge in the financial statements reflects the costs incurred by **sportscotland** during the year for the STSS £3k (2003-04:£3k) and SPF £174k (2003-4:£159k).

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the projected unit method. The latest actuarial valuation of the SPF was as at 31 March 2005. The STSS was last valued at 31 March 1996.

The 2004 and 2003 comparatives within this note have been restated to reflect the fact that the pension liability has been calculated in accordance with the Treasury Resource Accounting Manual using a 3.5% discount rate rather than the 5.5% discount rate used in previous years.

All employment contracts are within sportscotland and the relevant amounts charged to Lottery. During the year 2004/05, Lottery employment costs became part of the **sportscotland** integrated budget process, which aligns all relevant costs to the overall **sportscotland** corporate objectives.

The split for the **sportscotland** Lottery Fund during 2004/2005 was 43% with the balance, 57%, going to **sportscotland**.

Due to the process above the SPF calculation now takes **sportscotland** and the **sportscotland** Lottery Fund as one entity for the purposes of FRS17. Therefore the % split above has been utilised to account for the opening balances and all subsequent pension movements within the Lottery accounts. However, to show the full value of the fund at 31 March 2005, the full assets and liabilities are shown in this note. Correspondingly, the **sportscotland** Group accounts will hold 57% of the pension opening balances and subsequent pension movements but again will show the full assets/liabilities of the fund.

The Scottish Teachers Superannuation Scheme

The STSS operates on a notionally funded basis. It is a multi-employer scheme and it is not possible to identify each institution's share of the notional assets and liabilities. Therefore contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the results for the year is the contribution payable to the scheme for that year.

| | STSS |
|---|-------------|
| Rate of return of investments in excess of the rate of increase in salaries | 2% |
| Rate of return on investments in excess of above rate | 1.5% |
| Market value of the notional fund at the date of the last valuation | £4,370m |
| Deficiency on the fund | £230m |

The actuarial valuation of the STSS indicate a notional deficiency of £40 million which requires a supplementary provision by employers of 0.75% per annum for a period of 40 years. However, the auditors of the scheme stated that they were unable to form a view on the accuracy of the liabilities included within those accounts.

The Strathclyde Pension Fund (SPF)

SPF operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 31 March 2005 by a qualified independent actuary.

The major assumptions used by the actuary were:

| | 31 March 2005 | 31 March 2004 | 31 March 2003 |
|---|--------------------------|--------------------------|--------------------------|
| Rate of increase in salaries | 4.4% | 4.4% | 4.0% |
| Rate of increase in pensions in payment and deferred pensions | 2.9% | 2.9% | 2.5% |
| Discount rate applied to scheme liabilities | 6.5% | 6.5% | 6.1% |
| Inflation assumption | 2.9% | 2.9% | 2.5% |

The assets in the scheme and the expected rates of return were:

| | Long term rate of return 31 March 2005 | Value at 31 March 2005 | Restated Long term rate of return 31 March 2004 | Restated Value at 31 March 2004 | Restated Long term rate of return 31 March 2003 | Restated Value at 31 March 2003 |
|-------------------------------------|---|-------------------------------|--|--|--|--|
| | | £000 | | £000 | | £000 |
| Equities | 7.7% | 8,331 | 7.7% | 7,037 | 8.0% | 5,234 |
| Government securities | 4.8% | 1,507 | 5.1% | 1,371 | 4.8% | 857 |
| Property | 5.7% | 1,080 | 6.5% | 821 | 6.0% | 814 |
| Cash | 4.8% | 358 | 4.0% | 401 | 4.0% | 256 |
| Total market value of assets | 7.0% | 11,277 | 7.1% | 9,630 | 7.2% | 7,160 |
| Present value of scheme liabilities | | 11,568 | | 10,377 | | 9,341 |
| Deficit in the scheme | | 0 | | 0 | | 0 |
| Related deferred tax asset | | 0 | | 0 | | 0 |
| Net pension (liability) | | (291) | | (747) | | (2,181) |

The amount of this net pension liability has a consequential effect on reserves.

Analysis of amount recognised in statement of total recognised gains and losses

| | 2005 | Restated 2004 | Restated 2003 |
|--|-------------|----------------------|----------------------|
| Actual return less expected return on scheme assets | 372 | 1,356 | (2,430) |
| Experience gains and (losses) arising on scheme liabilities | (29) | 49 | (103) |
| Changes in assumptions underlying the present value of scheme liabilities | - | - | - |
| Actuarial gain/(loss) recognised in statement of total recognised gains and losses | 343 | 1,405 | (2,533) |

Analysis of the amount charged to operating profit

| | | Restated |
|--|-------------|-----------------|
| | 2005 | 2004 |
| | £000 | £000 |
| Current service cost | 458 | 414 |
| Past service cost | - | - |
| Previously unrecognised surplus deducted from past service cost | - | - |
| Gains/(losses) on settlements or curtailments | - | - |
| Previously unrecognised surplus deducted from the settlement or curtailment losses | - | - |

Analysis of amount credited to other finance income

| | | Restated |
|--|-------------|-----------------|
| | 2005 | 2004 |
| | £000 | £000 |
| Expected return on pension scheme assets | 701 | 536 |
| Interest on pension scheme liabilities | (690) | (582) |
| Net Return | 11 | (46) |

Movement in (Deficit) during the year

| | | Restated |
|--|-------------|-----------------|
| | 2005 | 2004 |
| | £000 | £000 |
| (Deficit) in scheme at beginning of year | (747) | (2,181) |
| Current service cost | (458) | (414) |
| Contributions paid | 560 | 489 |
| Past service cost | - | - |
| Other finance income/cost | - | - |
| Net Return on Assets | 11 | (46) |
| Actuarial gain | 343 | 1,405 |
| (Deficit) in the scheme at end of year | (291) | (747) |

History of experience gains and losses:

| | Value at 31 March 2005 £000 | Restated Value at 31 March 2004 £000 | Restated Value at 31 March 2003 £000 |
|---|--------------------------------------|--|--|
| Difference between the expected and actual return on assets | 372 | 1,356 | (2,430) |
| Value of assets | 11,277 | 9,630 | 7,160 |
| Percentage of assets | 3.3% | 14.1% | (33.9%) |
| Experience gains/(losses) on liabilities | (29) | 49 | (103) |
| Total present value of liabilities | 11,568 | 10,377 | 9,341 |
| Percentage of the total present value of liabilities | (0.3%) | 0.5% | (1.1%) |
| Actuarial gains/losses recognised in STRGL | 343 | 1,405 | (2,533) |
| Total present value of liabilities | 11,568 | 10,377 | 9,341 |
| Percentage of the total present value of liabilities | 3.0% | 13.5% | (27.1%) |

16 Amounts committed in respect of National Lottery grants

At 31 March 2005 the **sportscotland** Lottery Fund has commitments totalling £17,591,795 for capital grants.

Conditional on funds being made available by the NLDF there were commitments to pay grants to various bodies and organisations in respect of expenditure on facilities of £5,379,409 (2003/04 £10,258,811). During the year to 31 March 2005, there are further commitments of £952,683 (2003/04 £2,924,883) for capital awards where offers have been made but which are subject to acceptance of the relevant conditions.

17 Related party transactions

The **sportscotland** Lottery Fund is administered by **sportscotland**.

sportscotland is regarded as a related party.

During the year the **sportscotland** Lottery Fund had a number of material transactions with **sportscotland**.

All committee members of the **sportscotland** Lottery Fund are members of **sportscotland** and Directors of the **sportscotland** Trust Company.

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

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

| | |
|-----------------------------|-------|
| | £000 |
| Awards for All | 980 |
| Scottish Institute of Sport | 3,801 |

Members of Council and Lottery committees have a declared interest in the grant awards listed below. The amounts represent both hard and soft commitments:

| | £000 |
|---|------|
| T R Campbell – Badminton Scotland | 178 |
| I Mason – Scottish Amateur Swimming Assc. | 106 |
| Perth & Kinross Council | 7 |
| A Jones – Highland Council | 165 |
| Aberdeen Council | 103 |
| Basketball Scotland | 100 |
| S Grimmond – Dundee City Council | 7 |
| K Atkinson – Angus Council | 8 |
| Scottish Squash | 198 |
| Midlothian Council | 34 |
| Dr L Leighton-Beck – The Great Northern Partnership SIP | 7 |

The **sportscotland** members and their associated organisations during the year to 31 March 2005 are detailed below:

| | |
|--------------------|---|
| A Dempster | St Andrews Link Trust Scottish Football Partnership UK Sport Commonwealth Games (Scotland) Endowment Fund Scottish Institute of Sport |
| T R Campbell | Scottish Badminton Union British Badminton Olympic Committee British Olympic Association |
| I Mason | Scottish Amateur Swimming Assc. Perth & Kinross Council British Swimming High Performance Swimming Ltd |
| W-Y Hatton | Karate Union of Great Britain Ayrshire and Arran NHS Board Ayrshire Special Games Trust |
| Dr L Leighton-Beck | Cults Otters ASC Moray Youthstart Social Inclusion Partnership Great Northern Partnership SIP NHS Aberdeen |
| F Wishart | Scottish Professional Footballers Association Scottish Football Partnership |

| | |
|--------------|--|
| A J Jones | Caledonia Community Leisure Ltd The Highland Council Alan Jones Associates Aberdeen City Council Basketball Scotland |
| A Duncan | Watsonian Rugby Club Hibernian FC |
| S Grimmond | Dundee City Council Dundee Ice Arena |
| S Wright | Fair Pley Ltd Hitsport Ltd |
| L Martin CBE | Commonwealth Games Council for Scotland Commonwealth Games (Scotland) Endowment Fund UK Sport Scottish Sports Aid Foundation |
| K Atkinson | University of Aberdeen Angus Council Midlothian Council Scottish Universities Sports Federation Council Scottish Squash |

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

All transactions with related parties have been completed at arm's length.

18 Operating Leases

At 31 March 2005 the **sportscotland** Lottery Fund had annual commitments under non-cancellable operating leases for the following year as detailed below:

| | 2005 £000 | 2004 £000 |
|---------------------------------|---------------------|---------------------|
| Plant & Machinery | | |
| Expiry within one year | 0 | 0 |
| Expiry within two to five years | <u>0</u> | <u>0</u> |
| Other | | |
| Expiry within one year | 17 | 60 |
| Expiry within two to five years | <u>66</u> | <u>22</u> |

19 Losses

The **sportscotland** Lottery Fund had no write-offs during the year. Although the two awards under investigation at the 31 March 2004 balance sheet date remain unresolved, there has been significant movement in both cases.

20 Restatement of 2003-04 financial statements

As described in note 15, the discount rate used to calculate the pension liability under FRS17 has changed from 5.5% to 3.5%. This change has the following impact on the 2003-04 financial statements:

| Description | 2003-04 Financial Statements £000 | Adjustment £000 | Comparative in the 2004-05 Financial Statements £000 |
|---|--|--------------------|--|
| Increase in Fund | 1,507 | 43 | 1,550 |
| Net Assets including Pension liability | 36,023 | 171 | 36,194 |

Lottery Fund

Awards of £100,000 and Over

1 April 2004 - 31 March 2005

Building for Sport Programme

| Organisation | Project Cost £ | Award £ |
|---|---------------------------|--------------------|
| Aberdeen City | | |
| Glendale Organisation Limited – Changing Facilities at Danestone Country Park | 258,500 | 130,250 |
| Argyll and Bute | | |
| Mull & Iona Community Enterprise – Mull & Iona Swimming Pool Project | 1,442,897 | 195,897 |
| Argyll & Bute Council – Oban High School – Community & Regional Sports Facility | 667,131 | 275,565 |
| Falkirk | | |
| Falkirk Council – Dawson Community Centre | 275,000 | 108,500 |
| Glasgow City | | |
| Glasgow City Council – Greenfield Football Centre | 1,060,000 | 201,000 |
| Highland | | |
| Highland Council – Portree Community High School – New Swimming Pool | 2,451,000 | 302,000 |
| Highland Council – Grantown Grammar Sports Facilities | 1,818,000 | 302,000 |
| North Ayrshire | | |
| North Ayrshire Council – Dalry Primary School Community Sports Hall | 2,473,166 | 303,000 |
| Orkney Islands | | |
| Orkney Islands Council – Sanday Healthy Living Centre | 240,000 | 121,000 |
| Orkney Islands Council – Pierowall Healthy Living Centre | 742,000 | 201,000 |
| Scottish Borders | | |
| Scottish Borders Council – Eyemouth Leisure Centre Development Project | 884,694 | 301,000 |
| Stirling | | |
| University of Stirling – National Training Centre for Tennis | 1,300,000 | 502,000 |
| 12 Awards | 13,612,388 | 2,943,212 |

Note: Attribution costs are included in awards.

Area Institutes of Sport Programme

| Organisation | Award £ |
|--|----------------|
| Central Area Institute of Sport | 128,635 |
| West of Scotland Area Institute of Sport | 150,000 |
| Highland Area Institute of Sport | 123,000 |
| East of Scotland Area Institute of Sport | 150,000 |
| Tayside and Fife Area Institute of Sport | 134,207 |
| 5 Awards | 685,842 |

Social Inclusion Partnerships Programme

| Organisation | Award £ |
|--|------------|
| Inverclyde Leisure (Early Years Development) | 112,850 |

Integrated Investment Process

| Organisation | Award £ |
|---------------------------------------|------------------|
| Scottish Athletics Limited | 171,370 |
| Scottish Badminton Union | 185,631 |
| Amateur Boxing Scotland Limited | 124,090 |
| Scottish Canoe Association | 112,370 |
| Royal Caledonian Curling Club | 244,360 |
| Scottish Cyclists Union | 163,650 |
| Scottish Disability Sport | 174,383 |
| Scottish Golf Union | 270,133 |
| Scottish Hockey Union | 747,826 |
| Scottish Judo Federation | 240,530 |
| Scottish Lawn Tennis Association | 164,000 |
| Royal Yachting Association Scotland | 180,350 |
| Scottish Target Shooting Federation | 115,000 |
| Snowsport Scotland | 144,910 |
| Scottish Squash | 131,669 |
| Scottish Amateur Swimming Association | 367,500 |
| Scottish Triathlon Association | 141,650 |
| 17 Awards | 3,679,422 |

Lottery Fund

Integrated Investment Process

**Summary of Awards by Governing Body of Sport
1 April 2004 - 31 March 2005**

| Governing Body of Sport | Lottery Fund Investment £ | Total Investment £ |
|--------------------------------|--|-----------------------------------|
| Angling – National | 6,750 | 11,000 |
| – Sea Angling | 9,710 | 11,000 |
| – Coarse Angling | 2,500 | 2,500 |
| Archery | 19,530 | 22,530 |
| – Field Archery | 500 | 500 |
| Athletics | 171,370 | 410,221 |
| Badminton | 185,631 | 332,301 |
| Basketball | 83,550 | 221,850 |
| Bobsleigh | 20,000 | 20,000 |
| Bowling (Women) | 29,500 | 29,500 |
| Bowling (Men) | 25,000 | 25,000 |
| Boxing | 124,090 | 149,090 |
| Canoeing | 112,370 | 170,617 |
| Cricket | 88,000 | 310,274 |
| Croquet | 1,500 | 1,500 |
| Curling | 244,360 | 337,360 |
| Cycling | 163,650 | 242,860 |
| Disability Sport | 174,383 | 204,133 |
| Equestrian | 68,213 | 105,313 |
| Fencing | 23,517 | 32,167 |
| Fitness | 2,500 | 2,500 |
| Football (Women) | 83,864 | 217,364 |
| Golf (Women) | 57,500 | 57,500 |
| Golf (Men) | 270,133 | 310,133 |
| Gymnastics | 94,500 | 307,646 |
| Handball | 3,000 | 3,000 |
| Hang/Paragliding | 1,000 | 1,000 |
| Hockey * | 747,826 | 967,326 |
| Ice-Skating | 18,250 | 18,250 |
| Judo | 240,530 | 348,530 |
| Ju-Jitsu | 2,000 | 2,000 |
| Karate | 24,833 | 24,833 |
| Lawn Tennis | 164,000 | 227,000 |
| Modern Pentathlon | 15,850 | 15,850 |
| Mountaineering | 19,177 | 59,500 |
| Movement and Dance | 6,000 | 8,500 |
| Netball | 49,675 | 121,500 |

| | | |
|---------------------|------------------|------------------|
| Orienteering | 67,822 | 80,322 |
| Rowing | 42,137 | 77,137 |
| Rugby League | 15,000 | 20,000 |
| Rugby Union (Women) | 40,000 | 40,000 |
| Rugby Union (Men) | 75,000 | 530,000 |
| Sailing/Yachting | 180,350 | 303,537 |
| Shinty | 64,750 | 115,750 |
| Shooting | 115,000 | 115,000 |
| Skiing | 144,910 | 185,410 |
| Squash | 131,669 | 176,669 |
| Sub Aqua | 9,333 | 17,500 |
| Swimming | 367,500 | 671,500 |
| Table Tennis | 36,933 | 51,933 |
| Triathlon | 141,650 | 186,650 |
| Tug of War | 2,000 | 2,000 |
| Volleyball | 63,920 | 151,500 |
| Water Skiing | 34,448 | 48,573 |
| Weightlifting | 13,034 | 13,034 |
| Wrestling | 5,000 | 5,000 |
| Totals | 4,905,218 | 8,123,663 |

Note: Some integrated investment totals include monies awarded to individual athletes under the Athlete Support category.

* The investment to hockey covers more than one year due to a change of funding period.

Lottery Fund

Awards for All Programme

Summary of Awards by Local Authority Area 1 April 2004 - 31 March 2005

| Local Authority | Number | Value £ |
|-----------------------|------------|------------------|
| Aberdeen City | 3 | 10,250 |
| Aberdeenshire | 20 | 72,574 |
| Angus | 5 | 19,547 |
| Argyll and Bute | 10 | 35,046 |
| City of Edinburgh | 8 | 27,075 |
| Glasgow City | 26 | 86,354 |
| Clackmannanshire | 2 | 7,152 |
| Dumfries and Galloway | 7 | 23,333 |
| Dundee City | 6 | 14,341 |
| East Ayrshire | 5 | 15,917 |
| East Dunbartonshire | 5 | 15,712 |
| East Lothian | 11 | 40,352 |
| East Renfrewshire | 2 | 6,900 |
| Falkirk | 8 | 20,908 |
| Fife | 25 | 74,584 |
| Highland Council | 33 | 119,432 |
| Inverclyde | 11 | 38,033 |
| Midlothian | 3 | 14,190 |
| Moray | 5 | 15,771 |
| North Ayrshire | 10 | 27,407 |
| North Lanarkshire | 26 | 77,627 |
| Orkney Islands | 1 | 5,000 |
| Perth and Kinross | 1 | 2,500 |
| Renfrewshire | 19 | 50,000 |
| Scottish Borders | 10 | 27,350 |
| Shetland Islands | 7 | 30,755 |
| South Ayrshire | 1 | 5,000 |
| South Lanarkshire | 19 | 52,155 |
| Stirling | 4 | 8,295 |
| West Dunbartonshire | 7 | 22,597 |
| West Lothian | 5 | 16,095 |
| Western Isles | 5 | 14,671 |
| Scotland Wide | 1 | 3,077 |
| Totals | 311 | 1,000,000 |

Summary of Awards by Sport 1 April 2004 - 31 March 2005

| Sport | Number | Value £ |
|---------------------------------|------------|------------------|
| Aeromodel Flying | 3 | 7,525 |
| American Football | 5 | 21,298 |
| Angling | 7 | 19,273 |
| Archery | 6 | 22,232 |
| Association Football | 102 | 257,119 |
| Athletics | 5 | 15,890 |
| Baseball | 1 | 4,791 |
| Basketball | 9 | 33,163 |
| Baton Twirling | 1 | 2,155 |
| Bowls | 28 | 89,119 |
| Boxing | 7 | 25,753 |
| Canoeing | 6 | 13,043 |
| Cricket | 8 | 33,329 |
| Curling | 3 | 8,965 |
| Equestrian | 8 | 30,926 |
| Fencing | 2 | 6,995 |
| Golf | 8 | 35,729 |
| Gymnastics | 5 | 19,380 |
| Handball | 1 | 4,990 |
| Hockey | 3 | 11,879 |
| Ice Skating | 1 | 3,792 |
| Judo | 9 | 39,113 |
| Jujitsu | 1 | 4,000 |
| Karate | 1 | 3,865 |
| Lacrosse | 1 | 5,000 |
| Lawn Tennis | 8 | 23,890 |
| Mountaineering | 2 | 4,650 |
| Multi Sports | 3 | 9,000 |
| Netball | 3 | 8,250 |
| Orienteering | 2 | 6,050 |
| Rambling | 3 | 6,152 |
| Roller Hockey | 2 | 5,078 |
| Rowing | 3 | 15,000 |
| Rugby League | 5 | 20,371 |
| Rugby Union | 5 | 17,459 |
| Sailing/Yachting | 9 | 34,991 |
| Shinty | 4 | 11,223 |
| Shooting | 3 | 6,667 |
| Skateboarding | 1 | 5,000 |
| Skiing | 4 | 17,220 |
| Squash | 2 | 9,800 |
| Sub Aqua | 6 | 24,871 |
| Surfing | 2 | 8,550 |
| Swimming, Diving and Water Polo | 3 | 8,092 |
| Table Tennis | 3 | 13,680 |
| Taekwondo | 2 | 9,882 |
| Trampolining | 1 | 4,730 |
| Weightlifting | 2 | 5,000 |
| Wrestling | 2 | 5,070 |
| Totals | 311 | 1,000,000 |

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