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The United Kingdom Sports Council

Grant-in-Aid

Report and Accounts for the Year Ended

31 March 2005

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the year ended 31 March 2005

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## **Grant-in-Aid Accounts – year ended 31/03/05 Foreword**

### **Introduction**

The United Kingdom Sports Council, referred to hereafter as UK Sport, was established on 19th September 1996, and came into existence by Royal Charter from 1st January 1997. The mission of UK Sport is to work in partnership to lead sport in the UK to world-class success. Its overall goal is to help British athletes towards a top five finish in the medal table at the 2012 Olympic Games.

To achieve this, UK Sport focuses on World-Class Performance, ensuring athletes can access the support they need to compete and win at the highest level. This primary goal is supported by work in the areas of Worldwide Impact - building Britain's reputation on the global sporting scene, and World-Class Standards - ensuring British athletes succeed fairly and cleanly.

### **Funding**

UK Sport is primarily funded by Grant-in-Aid (GIA) from the Department for Culture, Media and Sport (DCMS). Funding is agreed with the DCMS as part of a rolling, three-year Funding Agreement. This agreement also includes strategic targets. The Spending Review 2004 has confirmed future GIA funding from 2005/06 to 2007/08.

### **Lottery distribution**

UK Sport became a Lottery distributor, by direction of the Secretary of State, in exercise of the powers conferred upon him by section 29 of the National Lottery etc. Act 1993, making an Order cited as the National Lottery etc. Act (Amendment of Section 23) Order 1999 which came into force on 1 July 1999. Under this Act, 16.6% of the Lottery proceeds were made available for distribution for sport. Of this amount 9.2% is distributed by UK Sport. The distribution of such funds, (governed by sections 24 and 25 of the National Lottery etc. Act 1993, as amended by the National Lottery Act 1998), is operated by UK Sport under the title of the UK Sport Lottery Fund.

### **Format of the accounts**

These accounts have been prepared in accordance with the Accounts Directions issued by the Secretary of State for Culture, Media and Sport, with the approval of the Treasury, in accordance with Article 14 of the Royal Charter on 26 March 2002.

Separate statutory accounts are prepared for Lottery funded activity.

Copies of both the Accounts Directions and the lottery accounts can be obtained from our Corporate Services at 40 Bernard Street, London, WC1N 1 ST.

## The Council

The Council is the equivalent of the Board of Directors. Council members are appointed by the Secretary of State for Culture, Media and Sport. Members of the Council during the period under review were:

Member	Start date	End date
Sue Campbell CBE (Interim Chair)	19.09.03	Term ended 18.3.05
(Chair)	19.03.05	4 years
Alistair Dempster**	01.07.98	3 years (extended to 30.06.05)
Professor Eric Saunders OBE	07.03.00	3 years (extended to 31.03.07)
Nick Bitel*	14.11.02	3 years
Louise Martin CBE*	14.11.02	3 years
Laura McAllister	14.11.02	3 years
Constance St Louis*	14.11.02	3 years
Lord Carter of Coles	27.11.02	3 years
Philip Carling	22.01.04	3 years
Tanni Grey-Thompson OBE	23.11.98	Term ended 22.11.04
Zahara Hyde-Peters	23.11.98	Term ended 22.11.04
Adrian Metcalfe OBE	23.11.98	Term ended 22.11.04
Gavin Stewart	23.11.98	Resigned 10.05.04
* Current members of the Audit Committee.		
** Member until 30 <sup>th</sup> June 2005.		

## Declaration of Interests

Council members generally have an interest in sport. Where their interests may conflict with their responsibilities, therefore, they are required to declare an interest. The register of interests is publicly available on our web site (please refer to the Contact Information section).

## The Panels

The Council's work is supported by a number of Panels, each chaired by a Council Member. The membership of the Audit Committee and Remuneration Panel comprises of Council Members only. Other Panels have a membership comprising both Council Members and other individuals of relevant expertise and experience. The Council ratifies all appointments to its Panels. The Panels report and make recommendations as appropriate to Council. At 31 March 2005, the following Panels were operational:

- Audit Committee – considers external and internal audit reports, oversees risk management processes and reviews the statutory accounts and other financial matters.
- Remuneration Panel – approves senior staff salaries and ensures that employment issues in UK Sport are dealt with professionally.
- Major Events Panel – makes recommendations to Council on Lottery (World Class Events Programme) awards and related policy matters.
- Drug-Free Sport Panel – provides advice and guidance to UK Sport's Drug-Free Sport team.
- High Performance Group – a co-ordinating body driving the development of the world-class high performance system in the UK.

## Contact information

### Principal Offices

UK Sport, 40 Bernard Street, London, WC1N 1ST  
www.uk sport.gov.uk

### External Auditors

The Comptroller and Auditor General 157-197 Buckingham Palace Road, London, SW1 W9SP  
Internal Auditors

Deloitte & Touche LLP, Hill House, 1 Little New Street, London, EC4A 4TR  
Littlejohn Fraser, 1 Park Place, London, E14 4HJ (National Governing Body audits)

Solicitors

Moorhead James, Kildare House, 3 Dorset Rise, London, EC4Y 8EN

Bankers

Barclays Bank, Business Banking, P.O. Box 15161R, 50 Pall Mall, London, SW1A 1QA

## **Principal activity and a review of the business**

### **World-Class Performance**

UK Sport aims to support athletes to succeed in world-class events; to develop skilled people to support UK world-class athletes; and to drive the development of a world-class high performance system for the UK.

UK Sport works in partnership with the Home Country Sports Councils, the Home Country Institutes, the British Olympic Association, the British Paralympic Association and the priority UK governing bodies of sport to maximise our expertise and resources. World-class performance can only be delivered by world-class personnel and the challenge in the Beijing Olympiad is to further develop people with world-class skills and competencies to support our athletes.

The main focus of the year was on Athens for the Olympic Games in August and the Paralympic Games in September. In the Olympics the British team, backed by over £70 million of Lottery funding from UK Sport's World Class Performance Programme, finished tenth in the medal table with nine gold, nine silver and 12 bronze medals. Britain's Paralympic team were topped only by China in the final medal table. The team won an impressive 94 medals – 35 gold, 30 silver and 29 bronze –backed by Lottery funding of over £15 million from UK Sport since the Sydney Games.

Prior to the Games, UK Sport announced details of a new partnership agreement with the British Olympic Association which would ensure that future Olympians benefit from a truly world-class support network. The partnership was cemented with UK Sport investing £800,000 in Team GB's pre-Games preparation camps in Cyprus and Barcelona.

The launch of a new business plan provided UK Sport with the opportunity to strengthen its focus on world-class performance, ensuring British athletes have all they need to compete and win at the highest level. This includes the backing of world-class support personnel which has led to the launch of two key initiatives:

The Practitioners Development Programme, which aims to help high calibre sports medicine and sports science graduates develop the competencies required to work with world-class athletes. The Programme provides one-year internships for successful applicants covering structured learning and on-the-job training in their particular field.

The Elite Coach Programme, which UK Sport hopes will produce 60 elite British coaches by 2012. The first intake of eight coaches were inducted onto the scheme in 2004, with tailor made programmes developed for each of them covering not just technical skills but also leadership and other qualities required of 'world-class personnel'.

In February 2005, UK Sport announced its Investment Strategy for summer Olympic sports for the Beijing Games. A 'no compromise' approach will see support more focused on those competitors with a realistic medal chance. Overall investment totals £75 million in the Beijing Olympiad, an increase of £5 million on the four years leading up to the Athens Games.

### **Worldwide Impact**

The aim is to establish the UK as an authoritative and leading player in world-class sport and to develop a sport-focused strategy for staging major international events across the UK.

The target is to bring best practice back to the UK through beneficial relationships with critically important sporting nations. UK Sport also provides clear strategic support for sports to bid for and stage major events to enhance and support the development of world-class performance.

A total of 13 grants were awarded by UK Sport through its Lottery-funded World Class Events Programme, which supports the bidding for and staging of major sporting events in the UK. The most significant awards made over the course of the year were:

- £950,000 to the 2008 World Short Course Swimming Championships in Manchester;
- £750,000 to the 2007 European Indoor Athletics Championships;
- £365,000 to the 2006 World Youth Sailing Championships in Weymouth;
- £350,000 to the 2005 Rowing World Cup in Eton; and
- £300,000 to the 2005 Paralympic World Cup in Manchester.

It was a successful year in terms of bidding for major events with a number of key successes, including Glasgow winning the right to host badminton's Sudirman Cup in 2007 and Manchester winning the battle for the 2008 World Short Course Swimming Championships.

Meanwhile, the economic benefits of hosting major events were confirmed in a report published by UK Sport. 'Measuring Success 2: The Economic Impact of Major Sports Events' analysed data from 16 World and European level events held in the UK between 1997 and 2003. It confirmed that staging major sporting events on home soil results in considerable, direct economic impacts on local communities, with nine of the 16 events studied generating additional expenditure in excess of £1.45 million.

To maintain and advance the UK's influence in world sport, UK Sport continued to provide financial support and assistance to around 500 British post-holders carrying positions of influence within international sports federations.

UK Sport also continued to play a key role in the global development of sport through the support of projects overseas, exchange visits and information sharing with other nations. During 2004, UK Sport's Development Assistance Programme has strengthened its international outreach through a series of partnership agreements. Projects across the globe are being delivered with the likes of the British Council, Youth Sport Trust, Foreign and Commonwealth Office, the Football Association, Voluntary Service Overseas (VSO) and Sport Relief.

### **World-Class Standards**

UK Sport promotes the highest standards of sporting conduct and explores its wider social applications. It continues to lead a world-class anti-doping programme for the UK and be responsible for improving the education and promotion of ethically fair and drug-free sport. In its role as the national anti-doping organisation, UK Sport conducted over 6,000 drug tests in 2004 across more than 40 sports. Around 98.5% of these produced a negative finding.

In the six months leading up to Athens, UK Sport embarked on the most comprehensive pre-Games testing programme ever conducted on Britain's Olympic and Paralympic athletes. Over 1,000 tests were conducted on competitors during this period, none of which produced a positive finding. In total, all but one of Britain's Olympic team were tested at least once, compared with 81% prior to Sydney; and 92.8% of the Paralympic team were tested at least once, compared with just 30% before the Sydney Games.

At the start of the year, UK Sport's anti-doping work was reviewed by independent consultants PMP with the aim of ensuring that the most effective structure and operation for the UK's national anti-doping programme was in place. During the course of the review, PMP gathered information through a variety of methods, including 39 face-to-face meetings with partner organisations and governing bodies. PMP concluded that UK Sport was doing an effective and efficient job and should therefore maintain its role as anti-doping agency, although areas were identified where improvements are required.

In April 2004, UK Sport's anti-doping work received an additional £1.2 million per year of Exchequer funds. One area to benefit in particular was education and information provision to athletes and support staff which saw a threefold increase in budget.

Outside of drug-free sport, golf became the latest sport to sign up to UK Sport's Sporting Conduct programme, whilst a new report – Sporting Conduct: An International Perspective – was published, which examined global initiatives that have been developed to promote the concept of fair play. Another publication – The Equality Standard: A Framework for Sport – was also launched. The Standard, which aims to guide sports and community organisations towards achieving equality, was a collaboration of the four home country sports councils and UK Sport.

### **National Audit Office report: UK Sport: Supporting Elite Athletes**

The National Audit Office conducted a review during 2004/05 of the World Class Performance Programme (WCPP), which underpins the nation's top athletes' hopes of Olympic and Paralympic success. The report was published on 27th January 2005 (HC 182-SE/2005/9 Session 2004–2005). The review recognised that whilst UK Sport's high level target of a top ten finish in the Olympic medal table in Athens had been met, there was room for improvement both in the management of the programme and, ultimately, in performance.

The NAO report's conclusions acknowledged dramatic improvements in the support that the UK's top sportsmen and women now enjoy as a result of the WCPP, but make a series of recommendations to drive further progress. The recommendations suggest that to maximise return on future investment, UK Sport should consider whether the number of athletes and sports supported by the WCPP should be reduced and that UK Sport should be more challenging when assessing and agreeing performance targets with sports.

Many of the suggestions contained within the report have already been addressed by UK Sport's new 'Performance Investment Strategy' which will guide all the organisation's Olympic and Paralympic investment decisions for the next four years up to Beijing. The strategy will ensure that funding is targeted at those athletes who have a realistic chance of making the podium in 2008, with more resources being available to fewer athletes.

In addition, UK Sport has been through a restructuring process which has sought to put in place a team of staff whose skills and experience means that they are better able to challenge plans put forward by individual sports. With the margins of victory in Athens being extremely small, UK Sport's technical experts are also exploring other scientific and technological innovations which could help to give the UK's athletes a competitive advantage.

## **Results**

### **Results for the Year**

UK Sport operating deficit for the year was £423k (2003/04- £576k). The net effect of Interest receivable, taxation and notional cost of capital brings this to a deficit of £309k (2003/04- £563k).

### **Reserves**

The income and expenditure reserve represents a deficit of £261k (2003/04- £143k). The income and expenditure and the reserves exclude £5.1m of GIA which was allocated to us but which we did not draw down during the year; made up of £1.3m relating to 2003/04 and £3.8m for 2004/05.

### **Funding agreement targets**

Performance against our set objectives is measured by a series of ministerial set targets and targets contained within our business plan for each of our key objective areas. Below is a summary of the details of UK Sport's performance against the targets set out in its funding agreement with the DCMS for the period from 2003-2006.



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### World-class performance

Criteria	Target	Actual
<b>Olympic and Paralympic success</b>		
Summer Olympic 2004: Team GB place in final medal table as measured by number of gold medals	8th-10th	10 <sup>th</sup>
Summer Paralympic 2004: Team GB place in final medal table as measured by number of gold medals	1 <sup>st</sup>	2 <sup>nd</sup>
Rising number of athletes finishing in top three, top 10, top 20 of the highest level of competition	n.a.	Increasing trend towards category A athletes (world top 3) – 23.06% of WCPP athletes in Nov 2004 compared with 13.57% in Apr 2001.
World Champions in Olympic / Non-Olympic sports	12	14
<b>Supporting winning athletes</b>		
Priority NGBs to have moved to a one-stop plan funding system as a result of a modernisation programme, including at least one in each home country by April 2006	10	10
Other modernisation programmes to have been implemented in NGBs between April 2003 and April 2006	40	126- The target was originally based on the number of medium to large scale projects which was exceeded due to the introduction of a two tier application system for projects less than £35,000.
Number of management audit results offering either limited or no assurance of an NGB's organisational health by April 2006	Decrease of 75%	n.a.
Notes -The number of World Champions will fluctuate from year to year depending on which events feature in the World Championship calendar for that year.		

### Worldwide Impact

Criteria	Target	Actual
<b>Staging world-class events in world-class style</b>		
Success rate in the number of events secured in an internationally competitive situation	50%	100%
Percentage of all bids and events funded by UK Sport that are evaluated by independent assessors	50%	20%
Greater influence in international decision making		
Percentage of partner sports to have an international strategy of at least four years' outlook by 2006	75%	50-60%
Percentage increase in the number of UK representatives holding positions of authority in international federations and organisations	10%	33%
Establishment of a UK Sport International Development Assistance Programme	Successfully launch programme.	Launched at start of financial year. Assess requirements for the next financial year.
Notes - The 2004 figure falls short of the target because the scale and nature of the events meant that UK Sport officer and NGB assessments were deemed to be the most efficient and cost effective means of evaluation.		



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**World-class standards**

Criteria	Achievements
<b>Information services</b>	
Achieve access to drug-free sport information services for athletes in the international and national testing pool.	<p>On-line athlete registration developed for athletes in the registered testing pool.</p> <p>Drug Information Database improved to provide more drug information accessible to athletes training and competing around the world (record number of hits prior to Olympics/Paralympics).</p> <p>Comprehensive pre-Games education programme was run for all Olympic and Paralympic athletes and support personnel. This included giving them all a Pre-Games Guide and the opportunity to attend an education workshop. In addition all athletes received packs of permitted medication.</p>
UK system meets agreed international certification standards and number of sports/governing bodies compliant with the national policy and World Anti-Doping Code.	<p>ISO 9001:2000 certification maintained through BSI audit.</p> <p>Draft UK National Anti-doping Policy published ready for roll-out in 2005.</p> <p>A consultant has been commissioned to work with the BPA and Paralympic Sports to assist them achieve compliance with the Code.</p> <p>On-line athlete whereabouts system for athletes in registered testing pool has been piloted and has now gone live with a number of sports.</p>
<b>Test distribution planning</b>	
Effective test distribution planning to increase deterrence. For high and medium risk sports (covering all Olympic and Paralympic sports GB competes in), achieve specified targets of minimum % volume of testing, using blood and urine testing as relevant in and/or out of competition.	<p>Blood testing protocols drafted and in use.</p> <p>DCO training programme continues with new e learning package being developed. Updated DCO manual issued which complies with the WADC.</p> <p>Pre-Olympic and Paralympic Testing Programmes, were highly successful. Over 1,000 tests conducted making it the most comprehensive programme conducted to date. A very high percentage of Olympic and Paralympic final teams were tested (99.6% Olympic, 92.8% Paralympic) a significant advance on Sydney and no positive cases for GB athletes.</p> <p>UK Sport recruited as adviser to WADA on the development of its computer management and Clearing House system (ADAMS).</p>

## **Future developments**

### **World-class Performance**

The focus for the forthcoming year is on working with the governing bodies to implement World Class Performance Programme plans for the Beijing Olympiad. The aim is to build on British Olympic and Paralympic success in Athens by reinforcing the best performing sports, supporting those that are developing and provoking positive change in those that are under-performing.

### **Worldwide Impact**

Events taking place over the next year with the support of Lottery funding through UK Sport's World Class Events Programme include:

- Orienteering World Cup in Guildford;
- Paralympic World Cup in Manchester;
- World Junior Wheelchair Basketball Championships in Birmingham; and
- Rowing World Cup in Eton.

### **World-class Standards**

The roll-out of the WADC will continue with the launch of the UK's new National Anti-Doping Policy. This will ensure the UK is fully compliant with the Code. A major new education initiative will be launched in the summer aimed at both elite athletes and younger age groups.

### **Post balance sheet events**

On 1<sup>st</sup> July 2005, John Steele was appointed as the new Chief Executive Officer.

### **Research and development**

UK Sport has a dedicated research resource for the organisation and external partners. It carries out, commissions and manages research projects as required by UK Sport. It also advises and assists staff and partners in the development of research proposals. Across the Home Country Sports Councils others liaise to co-ordinate research. The level of research and development expenditure in 2004/05 was £133k (2003/04 - £214k).

### **Employment**

UK Sport ensures that disabled people are given opportunities for suitable employment and that they are not discriminated against on the grounds of disability. UK Sport is committed to the development of positive policies to promote equal opportunity in employment.

Currently within UK Sport 7.35% (2003/04 7.59%) of staff describe themselves as non white European; no staff members classify themselves as disabled.

UK Sport involves employees in decisions which may affect their welfare through bringing together representatives of the management and trade unions in a working environment.

### **Prompt payment policy**

UK Sport aims to comply with the Better Payment Practice Code. Payment terms are agreed with suppliers at the outset, and invoices are paid in accordance with those terms. Any disputed invoices are referred to suppliers and are dealt with expeditiously. The target is to pay within 30 days. During 2004/05, 77.3% (2003/04 75.4%) of invoices were paid on time.

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**Audit**

UK Sport is required to have its accounts audited by a body approved by the Secretary of State. UK Sport appointed the Comptroller and Auditor General in January 1997. Audit fees for the year have been agreed at £20,000 (2003/04 £19,000).

<b>John Steele</b>	<b>Sue Campbell</b>
<b>Chief Executive and Accounting Officer United Kingdom Sports Council</b>	<b>Chair United Kingdom Sports Council</b>
13 <sup>th</sup> July 2005	13 <sup>th</sup> July 2005

### **Statement of the Council and Chief Executive's Responsibilities.**

The Royal Charter requires UK Sport to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, Media and Sport with consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of UK Sport'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 UK Sport is required to:

- observe the accounts direction issued by the Secretary of State for Culture, Media and Sport, 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 UK Sport will continue in operation; and
- ensure that expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

The Accounting Officer for the DCMS has designated the Chief Executive of UK Sport as the Accounting Officer for UK Sport. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by the Treasury and published in "Government Accounting" (HMSO).

<b>John Steele</b>	<b>Sue Campbell</b>
<b>Chief Executive and Accounting Officer United Kingdom Sports Council</b>	<b>Chair United Kingdom Sports Council</b>
13 <sup>th</sup> July 2005	13 <sup>th</sup> July 2005

## **Statement on internal control – Grant-in-Aid Accounts - 2004/05**

### **Scope of responsibility**

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of departmental policies, aims and objectives, set by department's Ministers, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The Council, through the Audit Committee, also have responsibility for maintaining a sound system of internal control.

There is no separation or difference between the mechanisms by which the Accounting Officer, together with the senior management team, gain assurance, from those that the Council uses to assure themselves that the systems of internal control are working effectively.

The Accounting Officer, management team, the Council and the Panels of the Council of UK Sport work in close collaboration to achieve full compliance with the recommendations of the Combined Code on Corporate Governance where applicable to UK Sport

I acknowledge my separate Accounting Officer responsibilities to Parliament, in particular responsibility for taking action should the Chair or the Council contemplate a course of action involving a transaction which I consider will infringe the requirements of regularity or propriety or which does not represent efficient or effective administration. I also acknowledge that under the terms of the UK Sport Financial Directions, neither the Chair nor the Council is permitted to give me instructions which conflict with my duties as Accounting Officer.

### **Commitment to corporate governance**

UK Sport is committed to achieving high standards in corporate governance throughout the organisation and to integrity and high ethical standards in all its dealings. Our approach is informed by:

- DAO (GEN) 13/00 and 09/03 HM Treasury's corporate governance requirements for central government; and
- Internal Control: Guidance for Directors on the Combined Code (the "Turnbull report").

### **Context**

We work with and through National Governing Bodies (NGBs) who are key partners in achieving excellence in sport through the World Class Performance Programmes. These bodies work directly with athletes, many of whom are funded directly by us, through athlete personal awards and education awards. Generally, four year awards are made in line with the performance investment strategy agreed by the Council at the beginning of each Olympic and Paralympic cycle. These awards are subject to annual review.

The World Class Events Programme aims to secure and stage world class events in the UK through supporting appropriate applications to bid for and stage such events.

### **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all 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 and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in UK Sport for the year ended 31 March 2005 and up to the date of

approval of the annual report and accounts, and accords with Treasury guidance.

### **Capacity to handle risk**

There is a regular process for identifying, assessing and managing the strategic risks of the organisation. This has been in place throughout the period under review and up to the date of approval of the annual report and accounts.

We have identified a number of strategic risks. Only a very few have been rated as high gross risk exposure. The three most significant are:

- The reliance of the organisation on third party bodies to deliver targets;
- Failure to play an appropriate part in international developments; and
- Reputation risk relating to those events that proceed without UK Sport funding.

This information is contained in the organisation's Risk Register which is regularly updated, and available from the Corporate Services Director.

### **The risk and control framework**

The risk register contains an assessment of gross risk based upon likelihood and impact. Controls to mitigate each risk are identified. Senior management assess the adequacy and effectiveness of the controls thereby determining the net exposure.

We have set up an Operational Planning Group with the purpose of developing and monitoring the operational plan and embedding the risk register.

### **Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Council and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

### **The Council**

The Chair of the Audit Committee reports the outcome of the Audit Committee meetings to the Council and the Council receive minutes of all of these meetings. The Council also regularly receive and review an Internal Control report in line with the Policy on Internal Control.

### **The Audit Committee**

The Audit Committee of the Council is comprised of Council Members. Its primary functions are to:

- Agree its internal audit strategy;
- Review with external and internal auditors and management the audit plan for the next year. Prioritisation of internal audit work is based upon level of risk;
- Review the Risk Register;
- Consider reports from management and both internal and external audit on the system of internal control and any material control weaknesses ;
- Discuss with management the actions taken on problem areas identified by Council Members,

Audit Committee Members and both external and internal audit reports; and

- Ensure the published financial statements are a true and fair reflection of the organisation's financial position.

Before producing this statement the Council, through the Audit Committee, has reviewed letters of assurance from internal auditors Deloitte and Touche and other relevant information confirming compliance throughout the period with a number of key internal control elements namely:

- The internal audit plan;
- Commitment to the philosophy of maintaining good corporate governance practices and an effective system of internal control;
- Confirmation that the processes that they are responsible for are operating effectively across UK Sport; and
- The actual processes used to identify, assess and manage risk and confirmation that remedial action has been taken on any weaknesses identified during the period.

There were no instances of fraud, malpractice or significant losses reported. Employees are aware of their responsibilities in respect of propriety and regularity and ways of rectifying any known breaches.

Any other issues that impact upon internal control are reported to the Audit Committee.

Before producing this statement the Council, through the Audit Committee has also reviewed:

- The internal audit plan, covering the scope of work, which changes from year to year, and the internal audit resources required;
- Internal Audit's annual assurance statement which shows the overall level of assurance achieved in the internal audit programme undertaken by Deloitte and Touche for 2004/05. Of the 9 Internal audit reports 1 was given full assurance, 7 were given substantial assurance and 1 was given limited assurance. The Audit Committee reviewed all reports with special emphasis on those in high risk areas and those receiving less than substantial assurance. In all cases, satisfactory management responses were provided for all internal audit recommendations; and
- An annual report is presented to the Audit Committee on the NGB audit and compliance reviews performed by Littlejohn Frazer on behalf of UK Sport. A total of 8 NGB audit and compliance reviews were completed during the year. These did not result in any change in the existing assurance rating of a NGB. All funded priority sports have now been subject to an audit and compliance review at least once since 2001. Of these, 17 have a "reasonable" assurance rating and 9 have "limited" assurance, and all were considered fit to receive and manage public funding.

The audit and compliance programmes were completed as set out on time and to budget.

#### **Internal audit**

Internal Audit works to an audit plan based upon risk and agreed with the Audit Committee. It provides assurance reports to support the internal control process.

There are two established internal audit functions in operation:

- Deloitte & Touche provide assurance on internal control at UK Sport; and
- Littlejohn Frazer carry out management audit and compliance check of NGBs.

#### **Other explicit review and assurance mechanisms**

The system of internal control is based upon a framework of corporate policies, regular management information, financial regulations, administrative processes and accountability. In addition to processes described above the other key controls in the system include:



### **Management Processes**

- Compliance with the DCMS Management Statement / Finance Directions and Accounts Directions;
- A new organisational structure following a detailed review, to support key business processes;
- Relevant processes have been implemented and are monitored to ensure that UK Sport recruits, develops and retains the appropriate calibre staff to support the delivery of our business plan. These include a job evaluation mechanism, competency based appraisals and performance related pay. Processes are in place to ensure that all relevant employment legislation is incorporated within our staff policies;
- Compliance with all current health and safety legislation. This includes ongoing risk assessments throughout the organisation;
- Systems for the assessment and control of grant applications ensuring that all applications receive sufficient and consistent processing in line with policy and financial directions of the Secretary of State;
- A fraud policy and response plan has been approved by the Audit Committee; and
- A conflict of interests register is in place and regularly updated.

### **Planning and budgeting**

- A three year Funding Agreement with the DCMS, with performance against key targets reviewed regularly internally and with the DCMS;
- A thorough planning process to produce the Business Plan 2005/06 – 2008/09, followed by the development of an operational plan; and
- A budgeting process with an annual budget approved by the Accounting Officer and the Council and regular financial management reports, which indicate spending against budget, together with a regular forecasting process.

### **Performance investment strategy**

A new Performance Investment Strategy has been developed which sets out a series of proposals to guide UK Sport's performance investment for the period April 2005 – March 2009. The strategy provides an open, transparent, logical process for arriving at the level of investment to National Governing Bodies and athletes. The proposals have been developed with UK Sport's Business Plan and performance objectives as the foundation.

The Performance Investment Strategy has been approved by Council resulting in award decisions made at the January and February Council meetings being based on the new strategy.

### **Anti-doping**

An agreed national anti-doping policy setting out publicly accountable standards for UK Sport and its partner organisations has been in place since January 2002 to demonstrate compliance, assess risks and implement plans for continuous improvement of policies and practices to monitor the achievement of drug free sport. A new UK National Anti-doping Policy, Model Rules for Governing Bodies and Procedures Guide will be launched in April 2005 to achieve compliance with the World Anti-doping Code.

The anti-doping process itself is a system of risk management to protect investment and participation in sport. Any mismanagement of this process would damage the reputation of UK Sport as well as the governing bodies that are UK Sport's partners. Our anti-doping processes have been certified under ISO 9001:2000 for the management of drug testing programme for human sport (6 monthly audits are

carried out by BSI under our ISO certification of our anti-doping processes).

An independent review of the Role of UK Sport as the National Anti-doping Organisation recommended changes to strengthen the management structure in the Drug-free Sport Directorate and to UK Sport's corporate governance to ensure the independence and transparency of this function. A new management and reporting structure has been agreed and is being implemented. An independent Scrutiny Panel is being set up for Drug-Free Sport which will report publicly. Its key role will be to review any potential conflicts of interest between UK Sport's Performance and Drug-Free Sport functions.

#### **Compliance with Combined Code Guidance on Internal Control**

We believe we were fully compliant throughout the year. We ensured that all the above stated processes and procedures were fully operational throughout the year and up to the date of approval of these accounts.

<b>John Steele</b>	<b>Sue Campbell</b>
<b>Chief Executive and Accounting Officer United Kingdom Sports Council</b>	<b>Chair United Kingdom Sports Council</b>
13 <sup>th</sup> July 2005	13 <sup>th</sup> July 2005

The United Kingdom Sports Council Grant-in-Aid Report and Accounts for  
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**The Certificate of the Comptroller and Auditor General to the United Kingdom Sports Council**

I certify that I have audited the financial statements on pages 19 to 34 which have been prepared under the historic cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 22 to 23.

**Respective responsibilities of the Council, the Chief Executive and Auditor**

As described on page 12 the United Kingdom Sports Council and the Chief Executive of the Council, as the Accounting Officer, are responsible for the preparation of financial statements in accordance with article 14 of the Royal Charter of the United Kingdom Sports Council and directions made thereunder by the Secretary of State for Culture, Media and Sport and for ensuring the regularity of financial transactions. The Chief Executive and the Council are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are in accordance with relevant legal and regulatory requirements and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view, and are properly prepared in accordance with the directions made by the Secretary of State for Culture, Media and Sport, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report, if in my opinion, the Foreword is not consistent with the financial statements, if the Council has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 13 to 17 reflects the Council's compliance with the Treasury's guidance 'Corporate Governance: statement on internal control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

I am not required to consider, nor have I considered whether the Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

**Basis of opinion**

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the United Kingdom Sports Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the United Kingdom Sports Council at 31 March 2005 and of its deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the directions made by the Secretary of State for Culture, Media and Sport; and
  - in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.
- I have no observations to make on these financial statements.

**John Bourn**  
Comptroller and Auditor General

15<sup>th</sup> July 2005

National Audit Office  
157-197 Buckingham Palace Road  
London  
SW1W 9SP

**Note:**

The maintenance and integrity of UK Sport's web site is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

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**INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005**

	Note	2004/05 £'000	2003/04 £'000
<b>INCOME</b>			
Grant in Aid	1	23,089	23,018
Other Operating Income	2	7,826	1,730
Transfer from Deferred Grant Reserve	11	502	501
		<u>31,417</u>	<u>25,249</u>
<b>EXPENDITURE</b>			
Staff Costs	3.1	3,184	3,242
Grants and Other Operating Costs	4	28,591	22,547
Notional Interest on Capital Employed		65	36
		<u>31,840</u>	<u>25,825</u>
<b>DEFICIT BEFORE TAXATION &amp; INTEREST</b>	5	<u>(423)</u>	<u>(576)</u>
Net Return on Pension Assets	18.4	(18)	(59)
Interest Receivable	6	81	43
Taxation	7	(14)	(7)
		<u>(374)</u>	<u>(599)</u>
Reversal of Notional Interest on Capital Employed		65	36
<b>DEFICIT FOR PERIOD</b>		<u>(309)</u>	<u>(563)</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	Note	2004/05 £'000	2003/04 £'000
Deficit For Period		(309)	(563)
Actuarial gain/(loss) recognised on the pension scheme	18.5	(401)	287
As re-stated		<u>(710)</u>	<u>(276)</u>
Prior year adjustment		0	(1,524)
Total gains and losses recognised since last annual report		<u>(710)</u>	<u>(1,800)</u>

There are no discontinued activities. The notes on pages 24 to 34 form part of these accounts

The United Kingdom Sports Council Grant-in-Aid Report and Accounts for  
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**BALANCE SHEET AS AT 31 MARCH 2005**

	Note	2004/05 £'000	2003/04 £'000
<b>Fixed Assets</b>			
Tangible Assets	8	446	537
<b>Current Assets</b>			
Debtors	9	1,516	960
Cash at bank and in hand		<u>105</u>	<u>372</u>
		1,621	1,332
<b>Creditors</b>			
Amounts falling due within one year	10	<u>(1,707)</u>	<u>(1,323)</u>
<b>Net Current Assets/(Liabilities)</b>		(86)	9
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>360</u>	<u>546</u>
Provision for dilapidation and un-expired lease	12	(175)	(140)
Pension Liabilities	18.2	(1,735)	(1,237)
<b>TOTAL ASSETS LESS ALL LIABILITIES</b>		<u><u>(1,550)</u></u>	<u><u>(831)</u></u>
<b>Represented by:</b>			
Deferred Grant Reserve	11	446	537
Pension Reserve	18.2	(1,735)	(1,225)
Revenue Reserve	13	<u>(261)</u>	<u>(143)</u>
		<u><u>(1,550)</u></u>	<u><u>(831)</u></u>

<b>John Steele</b>	<b>Sue Campbell</b>
<b>Chief Executive and Accounting Officer United Kingdom Sports Council</b>	<b>Chair United Kingdom Sports Council</b>
13 <sup>th</sup> July 2005	13 <sup>th</sup> July 2005

The notes on pages 24 to 34 form part of these accounts

The United Kingdom Sports Council Grant-in-Aid Report and Accounts for  
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**CASH FLOW STATEMENT**

	Note	2004/05 £'000	2003/04 £'000
<b>OPERATING ACTIVITIES</b>			
Revenue Grant-in-Aid received	1	23,089	23,018
Other receipts		7,351	1,733
Payments		<u>(30,781)</u>	<u>(25,072)</u>
Net cash outflow from operating activities	14	(341)	(321)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		<u>81</u>	<u>43</u>
Net cash inflow from returns on investment		81	43
<b>TAXATION</b>			
Taxation		(7)	(6)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to acquire tangible fixed assets		(411)	(157)
		<u>(418)</u>	<u>(163)</u>
Net cash outflow before financing		(678)	(441)
<b>FINANCING</b>			
Grant-in-Aid applied towards purchase of fixed assets		411	157
Decrease in cash		<u><u>(267)</u></u>	<u><u>(284)</u></u>

## **ACCOUNTING POLICIES**

### **1. Accounting Convention**

The accounts direction requires that, when material, accounts are prepared on a modified historical cost (MHCA) basis in which the income and expenditure account reflects the consumption of resources at their current value and the balance sheet shows the value of fixed assets, current asset investments and (if material) stocks at their value to the business by reference to current costs. It has been determined that in the current year adoption of MHCA would not have a material impact on the accounts, and hence no entries have been made.

Without limiting the information given, the accounts meet the requirements of the Companies Act 1985, the Accounting Standards issued or adopted by the Accounting Standards Board and HM Treasury guidance on accounts of Non-Departmental Public Bodies in so far as those requirements are appropriate.

### **2. Basis of Preparation**

These accounts have been prepared in accordance with the Accounts Direction issued by the Secretary of State for Culture, Media and Sport, with the approval of the Treasury, in accordance with Article 14 of the Royal Charter on 26 March 2002. A copy of that direction may be obtained from UK Sport at 40 Bernard Street, London, WC1N 1ST.

Separate accounts have been prepared for Lottery distribution activities. In accordance with existing directions however, consolidated accounts have not been prepared.

### **3. Grants Received**

Government Grant-in-Aid received of a revenue nature is credited to the income and expenditure account in the year in which it is received.

Grant-in-Aid relating to capital expenditure is credited to a deferred government grant reserve and is released to revenue over the expected useful lives of the assets it has been used to purchase.

### **4. Fees for Consultancy Services**

Income includes revenue received in respect of services for doping tests stated exclusive of VAT.

### **5. Tangible Fixed Assets**

There are no freehold land and buildings.

The assets of UK Sport are computers, computer software and other office equipment together with equipment used for sampling drug tests. These have been included in the accounts at current replacement cost.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life as follows:

Testing Equipment	5 years
Computer equipment and software	3 years
Office refurbishment	7 years

### **6. Research and Development**

Research and Development costs are written off as incurred and not carried forward as an asset.

### **7. Grants and Loans Awarded**

Grants payable are charged to the Income and Expenditure Account on an accruals basis. UK Sport may give financial assistance by way of grants and loans to any person or organisation in furtherance of the objectives of the Council.

### **8. Pension Costs**

The pension liabilities and assets are recorded in line with FRS17, with a valuation undertaken by an independent actuary. FRS17 measures the value of pension assets and liabilities at the Balance Sheet date, determines the benefits accrued in the year and the interest on scheme assets and liabilities. The value of benefits accrued is used to determine the pension charge in the Income and Expenditure Account and the interest on scheme assets and liabilities is shown in the Income and Expenditure Account. The change in the value of the assets and liabilities arising from asset valuations, changes in benefits, actuarial assumptions or change in the level of deficit attributable to members, is recognised in the Statement of Total Recognised Gains and Losses. The resulting pension liability or asset is shown on the Balance Sheet.

Further information on the pension scheme is available in Note 18 to the accounts.



### **9. Leases and provisions**

A 15 year lease was signed for the office premises at 40 Bernard Street with Bloomsbury Property Investment Limited at an annual rent of £441,300 with effect from 25 December 1999 to be reviewed every five years. All lease payments are expended in the year to which they relate.

Provision is made in the accounts to spread the estimated cost of dilapidations evenly over the life of the lease.

### **10. Charges to and from UK Sport**

UK Sport is required to apportion between its Grant-in-Aid and National Lottery distribution activities, the costs of services provided from its Grant-in-Aid budget that are directly and demonstrably attributable to the National Lottery distribution functions and vice versa. The costs so apportioned to the Lottery distribution activities are paid from the UK Sport Lottery Fund to the Grant-in-Aid account. The apportionment of the costs has been determined in the manner most appropriate to the particular service, for example staff numbers, staff time or floor space. In all cases the charges to the Lottery distribution activity have been calculated on a full cost recovery basis in accordance with HM Treasury's "Fees and Charges Guide".

### **11. Investment**

There are no fixed asset or trade investments. Bank interest is included in the Income and Expenditure Account.

### **12. Value Added Tax**

UK Sport is registered for VAT being involved in business and non-business activities for VAT purposes. UK Sport has agreed a methodology with HM Customs and Excise, which results in tax recovery rates of 23.5% for the business activity of drug - testing, and 12.22% for supporting activities. Income generated from Drug testing activities is subject to VAT at the standard rate, as appropriate.

### **13. Notional Costs**

Notional interest on capital is calculated on the basis of 3.5% (2003/04 – 3.5%) of average net assets.

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## NOTES TO THE ACCOUNTS

### 1. Grant-in-Aid

	2004/05	2003/04 £'000
Received from the DCMS	23,500	23,175
Applied towards		
Deferred grant in respect of Purchase of Tangible Fixed Assets (Note 9)	<u>(411)</u>	<u>(157)</u>
Total Grant-in-Aid applied towards Revenue Expenditure	<u>23,089</u>	<u>23,018</u>

A total of £27.3m (2003/04 £27.5m) Grant in Aid was made available during the year, although only £23.5m was drawn down. This includes a grant of £3m (2003/04 £3m) for the modernisation of Governing Bodies of Sport. It also includes a grant of £1.33m for Coaching. Under the End Year Flexibility Rules, an underspend of £1.3m in 2003/04 was bought forward into this financial year. This added to this year's underspending of £3.8m amounts to a total carried forward figure of £5.1m.

### 2. Other Operating Income

	2004/05 £'000	2003/04 £'000
Sales of Publications	-	1
Doping Control Receipts	686	554
Other	<u>7,140</u>	<u>1,175</u>
	<u>7,826</u>	<u>1,730</u>

Other income includes £5.9m (England- £5.16m, Scotland- £458k, Wales- £322k, Northern Ireland- £3k) receipt from the home countries. This relates to extra funding to cover commitments transferred from Lottery accounts.

### 3. Staffing and Management

#### 3.1 Staff costs

	2004/05 £'000	2003/04 £'000
Wages and Salaries (inc. any bonuses etc.)	2,343	2,803
Temporary and Agency Staff	98	46
Social Security Costs	204	228
Pension Costs: Current Service Cost	224	165
Past Service Costs	99	-
Impact on Settlement and Curtailment	216	-
Aggregate Staff Costs	<u>3,184</u>	<u>3,242</u>

#### 3.2 The average number of staff during the period was made up as follows:

	2004/05	2003/04
Function:		
Corporate Services	17	16
Communications	7	8
Performance Development	21	30
International Relations and Major Events	8	8
Drug Free Sport	<u>15</u>	<u>12</u>
	<u>68</u>	<u>74</u>

### 3.3 Salary and pension entitlements of senior members of UK Sport

			Salary, including performance pay (£k)	Salary, including performance pay (£k)	Real increase in pension at 60 (£k)	Real increase in pension at 60 (£k)	Total Accrued pension at 60 (£k)	Total Accrued pension at 60 (£k)
		Age	31/03/05	31/03/04	31/03/05	31/03/04	31/03/05	31/03/04
Liz Nicholl	Acting CEO*	52	80-85	65-70	0-2.5	0-2.5	5-10	0-5
Neil Shearer	Director	49	65-70	65-70	0-2.5	0-2.5	5-10	0-5
John Scott	Director	53	80-85	65-70	2.5-5	0-2.5	20-25	20-25
Tim Hollingsworth	Director**	37	5-10	-	0-2.5	-	0-5	0-5
Andrew Barnett	Head Comms**	37	70-75	55-60	0-2.5	0-2.5	0-5	0-5

The above are the full salary and pension costs for senior members of UK Sport. A proportion of remunerations above are charged to the lottery accounts in accordance with agreed apportionment formulae as noted in accounting policy note 10 above.

\* In December 2003 Liz Nicholl took over as Acting Chief Executive Officer and continued to fill this role as at 31 March 2005. Her remuneration for the year to 31 March 2005 was £ 82,078. She is a member of the London Pension Fund Authority Superannuation Scheme, to which UK Sport paid a contribution equivalent to 16.2% (2003/2004 - 12.5%) of salary.

\*\*In December 2004 Andrew Barnett left his post as Head of Communications. In March 2005 Tim Hollingsworth joined UK Sport as Director of Communications.

Please refer to note 18 for superannuation scheme details.

### 3.4 Chair

On 19 September 2003, Sue Campbell was appointed Interim Reform Chair for a period of 18 months on a non-pensionable annual salary of £25,835. The appointment was made permanent on 19 March 2005 and carried a non-pensionable salary of £36,707 (2003/2004 £26,351) in return for working on average 3 days per week.

### 3.5 Members' remuneration

UK Sport pays members remuneration of £200 per day (2003/04-£190 per day) for attendance at meetings (£100 for half day meetings (2003/04-£95)). Members cannot receive more than 36 payments a year; these amounted to £14,285 (2003/04 - £9,310) during the year as follows:

Council meetings:	£	£
	2004/05	2003/04
Nick Bitel	1,600	1,045
Lord Carter of Coles	-	190
Alastair Dempster	200	-
Phillip Carling	1,000	-
Tanni Grey-Thompson	200	190
Zahara Hyde Peters	200	855
Constance Louise	6,585	2,850
Laura McAllister	1,100	380
Louise Martin	1,600	380
Adrian Metcalfe	400	1,330
Eric Saunders	1,400	950
Gavin Stewart	-	1,140
	<u>14,285</u>	<u>9,310</u>

A proportion of remunerations above are charged to the lottery accounts in accordance with agreed apportionment formulae as noted in accounting policy 10 above.

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**4. Grants and Other Operating Costs**

	2004/05	2003/04
	£'000	£'000
NATIONAL SUPPORT		
Sports Bodies	14,119	11,028
Sports Services	4,264	3,021
United Kingdom Sports Institute	3,835	2,002
Support to National Centres	-	1,050
Communications	329	285
International Representation	1,713	1,030
Drug Free Sport	1,952	1,522
Other Expenses	230	226
	<u>26,442</u>	<u>20,164</u>
FINANCE AND MANAGEMENT SERVICES		
HQ office costs	1,229	1,357
Other Expenses	920	1,026
	<u>2,149</u>	<u>2,383</u>
	<u>28,591</u>	<u>22,547</u>

**5. Operating Result**

	2004/05	2003/04
	£'000	£'000
This is stated after charging:		
Travel, subsistence and hospitality:		
Chair and members	22	34
Employees	261	241
Consultants' fees and legal fees	467	523
Lease – 40 Bernard Street	570	560
Depreciation	421	492
Loss on disposal of Fixed Assets	81	2
Auditor's remuneration for audit work	20	19

**6. Investment Income**

	2004/05	2003/04
	£'000	£'000
Overnight and short term investment of bank balances	<u>81</u>	<u>43</u>

Interest rates vary from day to day and averaged approximately 3.1% (2003/04-2.3%) per annum between 1 April 2004 and 31 March 2005.

**7. Taxation**

	2004/05	2003/04
	£'000	£'000
Corporation Tax payable on interest received	<u>14</u>	<u>7</u>

UK Sport pays corporation tax at 19% on its investment income after deducting charges.

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## 8. Tangible Fixed Assets

	Leasehold Improvements £'000	IT Equipment £'000	Office Equipment £'000	Doping Equipment £'000	Total £'000
<b>Cost</b>					
At 1 April 2004	402	1,378	32	82	1,894
Additions	113	292	6	-	411
Disposals	-	(282)	(5)	-	(287)
At 31 March 2005	<u>515</u>	<u>1,388</u>	<u>33</u>	<u>82</u>	<u>2,018</u>
<b>Depreciation</b>					
At 1 April 2004	216	1,027	32	82	1,357
Charge for the year	73	346	2	-	421
Depreciation on Disposal	-	(201)	(5)	-	(206)
At 31 March 2005	<u>289</u>	<u>1,172</u>	<u>29</u>	<u>82</u>	<u>1,572</u>
<b>Net book value</b>					
At 31 March 2005	<u>226</u>	<u>216</u>	<u>4</u>	<u>-</u>	<u>446</u>
At 1 April 2004	<u>186</u>	<u>351</u>	<u>-</u>	<u>-</u>	<u>537</u>

## 9. Debtors

	2004/05 £'000	2003/04 £'000
Trade Debtors	667	497
Other Debtors	-	23
Prepayments and Accrued Income	849	440
	<u>1,516</u>	<u>960</u>
All amounts fall due within one year		

## 10. Creditors

	2004/05 £'000	2003/04 £'000
Trade Creditors	1,064	623
Corporation Tax	14	7
Other Taxation and Social Security	82	98
Accruals	547	595
	<u>1,707</u>	<u>1,323</u>
All amounts fall due within one year		

## 11. Deferred Grant Reserve

	2004/05 £'000	2003/04 £'000
Opening Balance	537	881
Cost of Tangible Fixed Assets funded by Grant-in-Aid	411	157
Net transferred to Income and Expenditure Account for the year	(502)	(501)
Balance at 31 March	<u>446</u>	<u>537</u>

The United Kingdom Sports Council Grant-in-Aid Report and Accounts for  
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## 12. Provision for dilapidation and rent

		2004/05 £'000
Opening balance at 1 <sup>st</sup> April 2004		140
Dilapidation for 40 Bernard Street Office		35
Balance as at 31 March 2005		<u>175</u>

A charge is made to ensure that funds are available at the end of the tenancy agreement to make good any dilapidations at 40 Bernard Street.

## 13. Revenue Reserves

	2004/05 £'000	2003/04 £'000
Income and Expenditure Account		
Opening Balance	(143)	420
Transfer from Pension Reserve *	191	0
Deficit for the period	(309)	( 563)
As at 31 March	<u>(261)</u>	<u>( 143)</u>

\* This relates to the difference between the actual contributions paid and the net present value of pension costs as valued by the actuaries in line with FRS17.

## 14. Reconciliation of Operating (Deficit)/Surplus to Net Cash Outflow from Operating Activities

	2004/05 £'000	2003/04 £'000
Operating Activities		
Deficit before taxation and interest	(423)	(576)
Depreciation of Tangible Fixed Assets	421	492
MHCA Adjustment	-	12
Loss on Disposal Fixed Assets	81	2
Transfer from Deferred Grant Reserve	(502)	(501)
Notional Interest on Capital Employed	65	36
(Increase)/Decrease in Debtors	(556)	56
Increase/(Decrease) in Creditors	376	270
Increase/(Decrease) in Provision	35	(53)
Pension Scheme: Non Cash Movement	162	(59)
Net cash outflow from operating activities	<u>(341)</u>	<u>(321)</u>

## 15. Reconciliation of Net Cash flow to Movement in Net Funds

	2004/05 £'000	2003/04 £'000
Increase/(Decrease) of Cash in Period	(267)	(284)
Movement in Liquid Resources	556	(56)
Changes in Net Funds	289	(340)
Net Funds at start of Period	1,332	1,672
Net Funds at end of Period	<u>1,621</u>	<u>1,332</u>

## 16. Analysis of Changes in Cash and Cash Equivalents during the Year

	2004/05 £'000	2003/04 £'000
Opening cash balance	372	656
Cash (outflow)/inflow	<u>(267)</u>	<u>(284)</u>
Cash balance as at 31 March	<u>105</u>	<u>372</u>

## 17. Financial Instruments

FRS13 - Derivatives and other financial instruments, require disclosure of the role, which financial instruments have played during the period, in creating or changing the risks the UK Sport faces in undertaking its role.

### Liquidity Risks

In 2004/05 £23.09m or 74% (2003/04, £23.02 m or 91.28%) of UK Sport's income derived from Grant in Aid from the DCMS. The remaining balance of £8.3m or 16% (2002/03, £2.2 m or 8.72%) derived from other operating activities. UK Sport are satisfied that they have sufficient liquid resources, in the form of cash and confirmed Grant in Aid for 2005/06 to cover all amounts due within one year. UK Sport are satisfied that they are not exposed to significant liquidity risks.

### Interest Rate Risks

Cash balances, which are drawn down as grant in aid to pay grant commitments and operating costs, are held in a Treasury Deposit Account, which on average carried an interest rate of 3.1% (2003/04, 2.3 %) in the year. The year-end cash balances held by UK Sport in the bank was £105K (2003/04, £372K.)

### Foreign Currency Risk

The Fund is not exposed to any foreign exchange risks.

## 18. Superannuation Scheme

The majority of staff of UK Sport (Grant-in-Aid and Lottery) are members of the London Pension Fund Authority (LPFA) Superannuation Scheme. UK Sport is one of several employers whose staff are scheme participants, and data given in this note refers to the whole scheme and to the identified UK Sport portion of it. There is a generic scheme for staff covered by the accounting policy note 8 above.

The amounts disclosed in these accounts are the portion deemed apportioned to the Grant-in-Aid funded part of the scheme. All scheme members are or were the employees of UK Sport. As such the pension deficit recorded in the Lottery Accounts would become part of the Grant-in-Aid pension deficit if at some future point there were no further Lottery Revenues and the fund wound up.

The pension is the defined benefit type and is funded by employees and employers at actuarially determined rates.

Employer's contribution in the year amounted to £378,489 or 16.2% of pensionable pay (2003/04 £198,092 or 12.5% of pensionable pay).

The scheme is subject to triennial valuations by the consulting actuaries to the LPFA and the latest valuation is 31<sup>st</sup> March 2001, and published in January 2002. The actuarial method used is market related, based on average yields and market values in the 12 months leading up to the valuation date.

Financial Reporting Standards 17 (FRS17) issued by the Accounting Standards Board requires that the following information, which has been prepared for us by Hymans Robertson (the Consulting Actuaries to the LPFA) for this purpose, be disclosed in these accounts with respect to the scheme:



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**18.1 Balance Sheet disclosure as at 31 March 2005<sup>1</sup>**

**Whole Pension fund assets**

	2005 Long term return % p.a.	Fund Value at 31/03/05 £'000	2004 Long term return % p.a.	Fund Value at 31/03/04 £'000
Equities	79%	1,215,800	81%	1,134,500
Bonds	11%	166,500	12%	166,800
Property	7%	109,800	6%	80,400
Cash	3%	51,700	2%	23,700
	100%	<u>1,543,800</u>	100%	<u>1,405,400</u>

**18.2 Net Pension assets for UK Sport**

	31/03/2005 £' 000	31/03/2004 £' 000	31/03/2003 £' 000
Estimated Assets	3,479	2,704	1,819
Present value of scheme liabilities <sup>2</sup>	(5,214)	(3,941)	(3,343)
Present value of unfunded liabilities <sup>3</sup>	0	0	0
Total value of liabilities	<u>(5,214)</u>	<u>(3,941)</u>	<u>(3,343)</u>
Net Pension Assets/(Liabilities)	<u>(1,735)</u>	<u>(1,237)</u>	<u>(1,524)</u>

Assumptions	31/03/2005 % p.a.	31/03/2004 % p.a.	31/03/2003 % p.a.
Price increases	2.90%	2.90%	2.50%
Salary increases	4.40%	4.40%	4.00%
Pension increases	2.90%	2.90%	2.50%
Discount rate	5.40%	6.50%	6.10%

<sup>1</sup> In order to assess the actuarial value of the London Pensions Fund Authority Pension Fund's liabilities as at 31 March 2005, Hymans Robertson have rolled forward the actuarial value of the liabilities reported as at 31 March 2001, allowing for changes in financial assumptions as prescribed under FRS 17. In addition, they have also considered the effect of contributions paid into, and estimated benefits paid from, the Fund by UK Sport and its employees.

<sup>2</sup> Hymans Robertson estimate that this liability comprises of approximately £3,454,276, £1,422,796 and £364,268 (2003 - £3,156,700, £908,600 and £0) in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2005. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable for certain types of employer. However, they are satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

<sup>3</sup> It is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 80% of pensioners are married at death and that their spouse will receive will receive a pension equal to 50% of the member's pension as at the date of the member's death.

Note that these figures exclude the capitalised cost of any early retirements or augmentations, which may occur during 2004/05.

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**Analysis of Amount Charged to Operating Profit**

**18.3 Amount Charged to Operating Profit**

	Year to 31/03/2005 £'000	Year to 31/03/2005 % of Payroll	Year to 31/03/2004 £'000	Year to 31/03/2004 % of Payroll
Service Cost	224	13.70%	165	9.10%
Past Service Costs	99	6.10%	-	-
Curtailment and Settlements	216	13.20%	-	-
Total Operating Charge (A)	<u>539</u>	33.00%	<u>165</u>	9.10%

**18.4 Projected Amount Credited to Other Finance Income**

	Year to 31/03/2005 £'000	Year to 31/03/2005 % of Payroll	Year to 31/03/2004 £'000	Year to 31/03/2004 % of Payroll
Expected Return on Employer Assets	186	11.40%	135	7.40%
Interest on Pension Scheme Liabilities	(204)	(12.50%)	(194)	(10.70%)
Net Return (B)	<u>(18)</u>	(1.10%)	<u>(59)</u>	(3.30%)
Net Revenue Account Cost (A-B)	<u>557</u>	39.80%	<u>224</u>	12.40%

**18.5 Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses.**

	Year to 31/03/2005 £'000	Year to 31/03/2004 £'000
Actual return less expected return on pension scheme assets	84	291
Experience gains and losses arising on the scheme liabilities	547	(4)
Changes in financial assumptions underlying the present value of the scheme liabilities	(1,032)	0
Actuarial gain/(loss) in pension plan	<u>(401)</u>	<u>287</u>
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	0	0
Actuarial gain/(loss) recognised in STRGL	<u>(401)</u>	<u>287</u>

### 18.6 Movement in Surplus/Deficit During the Year

	Year to 31/03/2005 £'000	Year to 31/03/2004 £'000
Surplus/(deficit) at beginning of the year	(1,237)	(1,524)
Current Service Cost	(224)	(165)
Employer contributions	460	224
Past service costs	(99)	0
Impact of settlements and curtailments	(216)	0
Net return on assets	(18)	(59)
Actuarial gains/(losses)	(401)	287
Surplus/(deficit) at end of year	<u>(1,735)</u>	<u>(1,237)</u>

### 18.7 History of Experience Gains and Losses

	Year to 31/03/2005 £'000	Year to 31/03/2004 £'000
Difference between the expected and actual return on assets	84	291
Value of assets	3,479	2,704
Percentage of assets	2.41%	10.76%
Experience gains/(losses) on liabilities	547	(4)
Present value of liabilities	5,214	3,941
Percentage of the present value of liabilities	(10.50%)	(0.10%)
Actuarial gains/losses recognised in STRGL	(401)	287
Present value of liabilities	5,214	3,941
Percentage of the present value of liabilities	(7.68%)	7.28%

The Actuarial Valuation for FRS 17 purposes has been allocated between the Lottery and Exchequer (GIA) accounts in accordance with accounting policy note 10.

### 19. Annual Commitments - Leases and Operating Licences

	2004/05 £'000	2003/04 £'000
Leases and service charges		
40 Bernard Street – expiring after at least 5 years	<u>668</u>	<u>644</u>

## 20. Grant Commitments

On the undertaking that funds are to be provided by the Department for Culture Media and Sport, UK Sport, at 31<sup>st</sup> March 2005, had entered into commitments to pay grants to governing bodies in respect of their approved programmes in the following years (these commitments at 31<sup>st</sup> March 2005 have not yet been recognised in the income and expenditure account nor balance sheet):

	2004/05 £'000	2003/04 £'000
2004/05		9,865
2005/06	5,984	418
2006/07	6,132	293
2007/08	5,432	-
2008/09	4,196	
	<u>21,744</u>	<u>10,576</u>

Of this total grant commitment, £20.5m (2003/04 - £6.5m) relates to Olympic and World Class Operations and £0m (2003/04 - £1.3m) is for modernisation of governing bodies. At year end we were awaiting acceptance of another £18.3m (2003/04 - £3.2 m) worth of grant offers which are not included in the figures above.

## 21. Contingent Liabilities

As at 31 March 2005 UK Sport had no contingent liabilities.

## 22. Related Party Transactions

UK Sport is a Non-Departmental Public Body sponsored by the DCMS.

The DCMS is regarded as a related party. During the period of 1 April 2004 to 31 March 2005 UK Sport has had various material transactions with the Department and with the sports councils for the home countries for which the DCMS is regarded as the sponsoring Department.

None of the Board members, key managerial staff or other related parties has undertaken any material transactions with UK Sport during the year.

As a matter of policy and procedure, Council members, Award Panel members and staff maintain publicly available registers of interests and declare any direct interests in grant applications made to UK Sport and any commercial relationships of the Council. If any member has an interest in an application, they exclude themselves from the relevant grant appraisal discussion and decision process within the Council.

The following transactions are considered to be disclosable Related Party Transactions:

### DISCLOSABLE RELATED PARTY TRANSACTIONS

	UKS Panel / Council member	Relationship
The four Home Country's Sports Councils agreed to fund various commitments that would normally be Lottery Funded by UK Sport. The total amount of funding received from the home countries was £5.9m.	Phillip Carling	Chair, Sports Council for Wales
	Lord Carter of Coles	Chair, Sport England
	Alastair Dempster	Chair, Sport Scotland
	Professor Eric Saunders OBE	Chair, Sports Council for Northern Ireland

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**AWARDS 2004/05**

<b>Panel Date</b>	<b>Council Date</b>	<b>Award</b>	<b>Benefiting Organisation</b>	<b>Panel/Council Member</b>	<b>Relationship</b>
21 June 2004	14 July 2004	£56,730	British Curling Association and British Wheelchair Curling Association	Anne Marie Harrison	Executive Director Scottish Institute of Sport

The British Curling Association makes use of the Scottish Institute of Sport's facilities.