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**The United Kingdom Sports Council**

**Grant-in-Aid**

**Annual Report and Accounts for the Year Ended**

**31 March 2004**

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The United Kingdom Sports Council Grant-in-Aid Annual Report and  
Accounts for the year ended 31 March 2004

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## Foreword and Annual Report

### History and Background of the United Kingdom Sports Council

The United Kingdom Sports Council (referred to as “UK Sport” hereafter) was established on 19 September 1996 (and came into existence from 1 January 1997), by Royal Charter, as one of two successor bodies to the GB Sports Council. Its core purpose is “**working in partnership to lead sport in UK to world-class success**” by supporting:

Winning athletes;  
World class events; and  
Ethically fair and drug free sport.

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.

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 £19,000 (2002/03 - £18,500)

### Organisational Structure

#### **Chief Executive Officer**

The head of UK Sport is the Chief Executive Officer who is also the Accounting Officer. The CEO is supported by the Leadership Group comprising three executive directors and a senior manager heading each of the four departments of the organisation and the Lottery Fund.

#### **The Council**

The Council is the equivalent of the Board of Directors and comprises Members appointed by the Secretary of State for Culture, Media & Sport.

#### **Committees**

The Council’s work is supported by a number of Committees, each chaired by a Council Member and each (with the exception of the Audit Committee, which comprises Council Members only) having a membership comprising both Council Members and other individuals of relevant expertise and experience. The full Council ratifies all appointments to its Committees. The Committees report and make recommendations as appropriate to Council.

At 31 March 2004, the following Committees were operational:

**UK Awards Panel** – makes recommendations to Council on Exchequer grant and Lottery (World Class Performance Programme) awards and related policy matters;

**Major Events Panel** – makes recommendations to Council on Lottery (World Class Events Programme) awards and related policy matters;

**Communications Panel** – reviews all UK Sport communication activities;

**UK High Performance Board** (previously called the UKSI Leadership Group) – a coordinating body driving the development of the world class high performance system in the UK;

**Drug-Free Sport Panel** – provides advice and expertise to UK Sport’s Drug-Free Sport team;

**International Panel** - provides advice and guidance to Council on strategies for securing and extending UK influence in international sport; and

**Audit Committee** – considers external and internal audit reports, and oversees risk management processes, reviews the statutory accounts and other financial matters.

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Council Members

The members of the Council during the period under review were:

	Members	Date of Appointment
Chair	Sue Campbell CBE	19 September 2003
	Sir Rodney Walker	6 July 1998 3 yrs (extended to 18 September 2003 when appointment expired)
Members	Zahara Hyde Peters *	Reappointed 23 November 2001
	Adrian Metcalfe OBE	Reappointed 23 November 2001
	Gavin Stewart	Reappointed 23 November 2001 (Resigned 18 May 2004)
	Tanni Grey-Thompson OBE	Reappointed 23 November 2001
	Alastair Dempster *	1 July 1999 (re-appointed 1 July 2002) (Chair, Sport Scotland)
	Gareth Davies	9 September 1999 (reappointed 1 April 2002, resigned 30 September 2003) (Chair, Sports Council for Wales)
	Professor Eric Saunders OBE	7 March 2000 (reappointed 1 April 2003) (Chair, Sports Council for Northern Ireland)
	Nick Bitel *	14 November 2002
	Lord Carter of Coles	27 November 2002 (Chair, Sport England)
	Constance St Louis	14 November 2002
	Louise Martin CBE	14 November 2002
	Laura McAllister	14 November 2002
	Anne Ellis	1 October 2003, (resigned 31 January 2004) (Chair, Sports Council for Wales)
	Phillip Carling	1 February 2004 (Chair, Sports Council for Wales)

\* Members of the Audit Committee

Board members generally have an interest in sport. Where board members interest may conflict with their responsibilities, they are required to declare an interest. To that end attention is drawn to the information provided in note 23.

Fixed Assets

UK Sport's accounting policy on fixed assets is set out in note 1.5 (page 21) to these accounts.

Research and Development

UK Sport has a dedicated research team. This team is inter-alia, a research resource for internal staff 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. Others across the Home Country Sports Councils liaise to coordinate research.

For a full list of research publications, please contact UK Sport at 40 Bernard Street, London, WC1N 1ST.

Lottery Distributor

The Secretary of State appointed UK Sport as a lottery distributor on 1 July 1999. Over £132m (2002/03 £114 m) of lottery money has been distributed in grants to sporting bodies and individuals since that appointment. At the end of the year a further £17.4m of commitments which have been accepted by

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grantees were outstanding (2002/03 - £37m). Lottery funds are accounted for separately. To achieve a complete understanding of the operations of UK Sport it is necessary to consider both accounts. A copy of the lottery accounts can be obtained from our Corporate Services at 40 Bernard Street, London, WC1N 1ST.

At the beginning of the year some commitments were transferred from Lottery to Exchequer funding as a means of dealing with the projected shortfalls in Lottery revenues. During the year further sums were de-committed from Lottery for the same reasons, to be paid from the Exchequer accounts. (see further details under "Funding" below)

### Employment Issues

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 7.59% (2002/03-8.25%) of staff describe themselves as non white European however 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 2003/04 75.4% (2002/03 - 82.9%) of invoices were paid on time.

### Corporate Governance

As a Non-Departmental Public Body established by Royal Charter whose Council members are appointed by the Secretary of State for Culture, Media and Sport, UK Sport is different from a limited liability company and some aspects of the Code of Best Practice, issued by the Cadbury Committee on the financial aspects of Corporate Governance, are not applicable. However, UK Sport has adopted the Code of Best Practice, which has been developed by the Department for Culture, Media and Sport (referred to as "DCMS" hereafter) and is based on the recommendations of the Cadbury Committee. UK Sport complies with that Code of Best Practice in all material respects. In line with Treasury requirements, these accounts contain a Statement on Internal Control on page 13, a culmination of our full and on-going assessment of risk to which UK Sport is exposed.

### The Euro

The activities of UK Sport are largely national. Although some exposure to transactions in Euros is likely, it is not currently considered that these will be significant. Our financial systems are capable of dealing with a new currency and procedures can be easily revised to accommodate it. Costs of ensuring compliance are not expected to be significant.

### Operating and Financial Review

#### Results for the Year

UK Sport's operating deficit for the year was £576,000 (2002/03 - deficit of £551,000 as restated) the net effect of pensions, interest receivable and taxation bringing this to a deficit of £563,000 (2002/03 - deficit of £543,000).

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Reserves

The deficit on revenue reserves now stands at £143,000 (2002/03 surplus of £420,000 as restated from a surplus of £437,000), representing 1.0% of current year spending (2002/03 2.0%). The income and expenditure and the reserves do not include £4.325m (2002/03-£4.1m) of Grant-in-Aid which was allocated to us but which we did not draw down during the year.

The reserves for the year have been restated in accordance with Financial Reporting Standard 3 paragraph 29 as a result of the change in accounting policy to accommodate the reporting requirements under Financial Reporting Standard 17 which sets out the requirements for accounting for retirement benefits.

Funding

UK Sport is primarily funded by Grant-in-Aid from the DCMS. The level of funding is agreed with the DCMS as part of a rolling three year Funding Agreement. The current agreement covers the three financial years up to and including 2003/04. This agreement also includes an agreed set of strategic targets.

In 2004/05 we expect to conclude an agreement with the Home Countries Sport Council Lottery Funds for contributions to fund any shortfall in our Lottery revenues. This is estimated at around £9 m for 2004/05 alone.

The levels of funding in the next Funding Agreement (commencing 2003/04) were the subject of the Governments 2002 Comprehensive Spending Review and provided new Grant-in-Aid allocations confirmed through 2005/06 as follows:

Year	Grant-in-Aid
2003/04	£19.6m
2004/05	£25.8m
2005/06	£27.5m

Targets

Performance against our set objectives is measured by a series of ministerially set targets and targets contained within our business plan for each of our key objective areas.

Ministerial Targets

Some UK Sport targets for 2001-3, set as part of the funding agreement with the DCMS were:

	Cumulative 2001-2003		2003		2002		2001	
	Target	Achieved	Target	Achieved	Target	Achieved	Target	Achieved
Number of Major Events staged by the UK and supported by UK Sport, via the World Class Events Programme	19	13	9	7	5	1	5	5
Aggregate number of Medals won at major international championships (able-bodied)	203	260	74 <sup>1</sup>	88	75	96 <sup>2</sup>	54 <sup>3</sup>	76
Aggregate number of Medals won at major international championships (disability sport)	347	432	46 <sup>4</sup>	99	170	161	131	172

Figures relate to calendar years. Medals available in any year relate to the number and type of championships held.

### 1 - Changes to previously published targets

The target for 2003 able-bodied medals was published as 86 in the DCMS Annual Report 2004 on Sponsored Bodies. The net reduction to 74 after adjustments to several sports including archery, athletics, diving, gymnastics and sailing.

### 2 - Changes to previously published achievements

The achievement figure for 2002 of 96 able-bodied medals was published as 84 in both the DCMS Annual Reports for 2003 and 2004 on Sponsored Bodies as well as in the 2003 UK Sport Annual Report and Accounts. The net increase from 84 to 96 medals results from the European Short-course Swimming and Cross-country Championships being held in December 2002 as well as the later inclusion of some sailing class results. These had not been included in the Achieved figures when the Annual Report was initially compiled.

### 3 - Changes to previous years comparative Target figures

The 2001 target figure of 54 was previously published in both the DCMS Annual Reports for 2002 and 2003 on Sponsored Bodies and UK Sport' Grant-in-Aid 2003 Annual Report and Accounts as 46 when Waterskiing and Orienteering target medals were erroneously excluded.

### 4 - Disabled Sport Medals in 2003

The discrepancy between the target shown in this table and the original target of 135 medals published in the DCMS Annual Report 2004 on Sponsored Bodies, reflects the cancellation of the 2003 European Disabled Swimming Championships for which an indicative target of 89 medals had been set.

Further details of our agreed targets, measures and milestones are contained in our new funding agreement and in our business plan, copies of both can be obtained from our Corporate Services Team at 40 Bernard Street, London, WC1N 1ST.

### Aims and Objectives

UK Sport was established to focus on high performance sport in the UK. Our purpose is to lead the UK to sporting excellence by supporting:

- world class athletes;
- world class events; and
- ethically fair and drug-free sport.

### Strategy

The strategy of UK Sport is set out in our new business plan, copies of which can be obtained from our Corporate Services Team at 40 Bernard Street, London, WC1N 1ST.

### Activities

UK Sport's work is split into three main areas:

**Winning Athletes** – Working in partnership with national governing bodies, UK Sport invests Lottery funds in World Class Performance Programmes to support Britain's most talented sportsmen and women. These have been developed by 35 Olympic and Paralympic sports and support approximately 600 elite sportsmen and women. Money invested is used for: world class coaches; sports science and medical support; warm weather training and acclimatisation; competing at international events; athlete development programmes; access to appropriate training facilities; and the post of a Performance Director to bring all these elements together. UK Sport also co-ordinates the network of facilities and

services that are delivered to athletes locally by Sports Institutes in England, Northern Ireland, Scotland and Wales.

**World Class Events** – UK Sport is responsible for co-ordinating major events across the UK through the World Class Events Programme. It distributes approximately £1.6m of Lottery funding each year to support their bidding and staging costs, as well as providing technical and specialist support. The aim is to secure events of strategic importance that deliver lasting sporting, economic, social and cultural benefits.

**Ethically Fair and Drug-free Sport** – As the country's national anti-doping agency, UK Sport is responsible for the development, implementation and management of the UK's anti-doping policy. As part of this, UK Sport co-ordinates the nation's testing programme, which each year sees over 6,000 tests carried out across more than 40 sports. The testing programme acts to: *protect* (the athletes who want to compete drug-free); *deter* (the athletes who consider cheating by the misuse of prohibited substances); and *detect* (the athletes who do cheat). A comprehensive information programme is part of the anti-doping programme, including web based drug information database and freephone drug information line; this information base provides the foundation for the education of athletes about the dangers of drug misuse in sport.

In addition:

- UK Sport, as the Government's principal point of contact internationally for sport, works hard to raise the UK's profile and influence by supporting representation on international sporting bodies;
- UK Sport is involved in an ongoing programme of exchange visits and information sharing with other countries to learn more about how they carry out their sporting business; and
- UK Sport manages the Modernisation programme, a Government-funded initiative which provides support to national governing bodies of sport, helping them modernise and work towards overall objectives of increasing participation in sport and developing talent.

#### Significant Events

##### **Winning Athletes**

This year saw a number of new British world champions emerge. Swimmers James Gibson and Katy Sexton returned from the World Championships in Spain in July 2003 with gold medals in the breaststroke and backstroke respectively. Cath Bishop and Katherine Grainger ensured one British pair won a gold medal at the World Championships in Milan.

Technological support and research funded by UK Sport contributed to Kristan Bromley's historic win in the Bob Skeleton World Cup. The Bath-based athlete became the first British man to win an overall winter sports world cup.

During the course of the year the United Kingdom Sports Institute element of the performance directorate evolved. UKSI now reflects the network of high performance support services throughout the Home Countries and their Sports Institutes. Out of the UKSI structure at UK Sport came the development of the new technical team, led by the appointments of Mike Whittingham and Peter Keen.

UK Sport's support to the World Class Performance Programmes continued in the vital 12 months preceding the Athens Olympic and Paralympic Games. Funding enabled the 600 supported athletes to access warm weather training camps, sports science and sports medicine, to compete at World level competitions and numerous bespoke sports specific projects to enhance performance.

The Athlete Career Education UK (or ACE UK) programme licence agreement with Australia came to an end in 2004. This was repositioned and re-launched in February 2004 as Performance Lifestyle, a UK specific programme that will enable athletes to balance sport and personal commitments more effectively.



In November 2003 the third annual World Class Coaching Conference was staged at The Belfry. Up to 300 of the UK's leading coaches and World Class Performance Programme staff took part in a series of workshops and keynote addresses. Planning for the 2004 event is now underway.

#### **World Class Events**

Seven major events were staged across the UK in 2003/04 with the support of National Lottery funding from UK Sport's World Class Events Programme. The largest individual recipient of funding was the World Badminton Championships in Birmingham in July/August 2003, which received an award of £280,000 from UK Sport.

Several commitments were made towards the staging costs of future major events on home soil, including the 2005 European Eventing Championships at Blenheim, to which UK Sport has committed £275,000. UK Sport also committed £950,000 of National Lottery funding towards the staging costs of the 2008 World Short Course Swimming Championships in Manchester, should the bid be successful.

UK Sport hosted its 5th Major Events Conference in London in November 2003. The annual gathering, which consisted of a series of seminars and workshops for event organisers and national governing bodies, featured keynote addresses from Keith Mills, Chief Executive of London 2012, and Alec McGivan, Director of Sport at the DCMS.

In November 2003, UK Sport published *Major Sports Events: The Guide* – an invaluable free resource for event organisers. The publication is available to download for free from the UK Sport website. ([www.uk sport.gov.uk](http://www.uk sport.gov.uk))

UK Sport gave its full support to Britain's bid for the 2012 Olympic and Paralympic Games, which received Government backing in May 2003. UK Sport has since continued to lend advice and support to London 2012. A UK Sport member of staff was also seconded to the bid company.

#### **Ethically Fair and Drug-free Sport**

UK Sport continued to play a leading and proactive role in the international fight against the misuse of drugs in sport, most notably contributing to each key stage of consultation on the World Anti-Doping Code prior to its agreement in March 2003. The Code will see the harmonisation of anti-doping policies and procedures across different sports and countries, and is due to be implemented in August 2004. UK Sport has played the lead role in the UK to ensure that that national policy meets the standards set out in the Code, as well as assisting national governing bodies to ensure they are fully compliant by the August 2004 deadline.

Over the course of the year UK Sport conducted over 6,000 tests on UK and overseas competitors, covering more than 40 sports. Over 98% of these tests returned a negative result. Sports receiving most tests during the period under review were football, athletics and rugby league.

As one of the first moves to World Anti-Doping Agency Code (or WADA Code) compliance, UK Sport launched its Drugs Results Database in February 2004. The online service will provide details of all positive findings from the testing programme, with cases posted up to 20 days after the disciplinary process, as set out in the Code.

An independent review of arrangements for the governance, structure and operation of the national anti-doping programme in the UK was commissioned by UK Sport in January 2004. The review, conducted by PMP consultants, concluded that the role of national anti-doping organisation should remain within UK Sport but that the management and reporting structure should be reformed.

A thorough pre-Olympics and Paralympics testing programme has been developed which will see every

member of the British team tested at least once before they go to Athens. In addition, a comprehensive set of drug-free sport education and information materials will be distributed to all British representatives.

UK Sport's work in these three areas is underpinned by other key Exchequer-funded projects and programmes:

#### **Modernisation**

This programme was established in 2000 to help governing bodies of sport become fit for purpose, in order to increase participation, develop talent, deliver international success or a combination of all three. In 2003 a significant milestone was reached through the publication of the "Investing in Change" report. It explains what the modernisation process should mean to the national governing bodies and offers practical advice on the structures, systems and processes available to become more efficient and effective.

#### **Equity**

Work began on UK Sport's Equality and Diversity Strategy in 2003 through the appointment of a full time equity officer. This work has involved partnership working with a number of sporting bodies throughout the UK. In November the UK Strategy Framework for Women and Sport was launched at a meeting of the International Working Group on Women's Sport. The document sets targets for participation, leadership and performance at world class levels.

#### **International**

To maintain and advance the UK's influence in world sport, UK Sport continued to provide financial support and assistance to more than 400 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. UK Sport announced an award to support a unique sports development programme aimed to help tackle the rapid spread of HIV/AIDS in Africa. The new initiative run by VSO – the international development charity – will use sport to deliver education to out-of-school children in Malawi, the third poorest country in Africa with one of the highest HIV infection rates.

#### **Operations**

Over the course of the review period changes took place at both Chair and Chief Executive level. In September 2003, Sue Campbell took over from Sir Rodney Walker to become Interim Reform Chair for a period of 18 months. Liz Nicholl took over from Richard Callicott as Acting Chief Executive and continued to fill this rôle as at 31 March 2004.

From January 2004, UK Sport embarked on a full and thorough business planning process for the period from 2005-2009. This was ongoing as at 31 March 2004 and the outcomes will be communicated and implemented over the course of the next 12 months.

#### Significant Future Events

As an organisation, UK Sport is now primarily focused on the forthcoming Olympic and Paralympic Games in Athens in 2004 where the investment of Lottery funds through the World Class Performance Programme will be judged. In addition to this:

- the business planning process as outlined above will be completed and roll-out will begin;
- the World Anti-Doping Code will be implemented which will see the issuing of a revised national anti-doping policy in the UK to ensure full compliance;

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

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- the Cycling World Cup in Manchester;
- the Junior Outdoor Target Archery World Championships at Lilleshall;
- the World Bowls Championships in Ayr; and
- the World Wheelchair Curling Championships in Glasgow.

Post Balance Sheet Events.

After the year end agreement was reached with the former Chief Executive Officer and former Director in charge of Drug Free Sport on the terms of the termination of their contracts of employment. Provision for the severance costs had already been made in these accounts. No other Post Balance Sheet Events warrant reporting.

**Liz Nicholl**

**Sue Campbell**

Acting Chief Executive and Accounting Officer of the United Kingdom Sports Council

Chair of the United Kingdom Sports Council

14 July 2004

14 July 2004

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 the Council 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. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she 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).

**Liz Nicholl**

**Sue Campbell**

Acting Chief Executive Officer and Accounting  
Officer of the United Kingdom Sports Council

Chair of the United Kingdom Sports Council

14 July 2004

14 July 2004

## Statement on Internal Control

### Accounting Officer's Responsibilities

The Accounting Officer has responsibility for maintaining a sound system of internal control that supports the achievement of departmental policies, aims and objectives, set by the department's Ministers, whilst safeguarding the public funds and departmental assets for which she is personally responsible, in accordance with the responsibilities assigned to her 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, assure ourselves from those that the Council uses to assure itself that the system of internal controls is working effectively.

The Accounting Officer, management team, the Council and the Committees of the Council of UK Sport work in close collaboration to achieve full compliance with the recommendations of the Turnbull Committee on Internal Control.

The Accounting Officer acknowledges her 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 she considers will infringe the requirements of regularity or propriety or which does not represent efficient or effective administration. She acknowledges also that under the terms of the UK Sport Financial Directions, neither the Chair nor the Council is permitted to give her instructions which conflict with her duty as Accounting Officer.

### Commitment to Corporate Governance

The UK Sport Council 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 of Sport (NGBs) who are key partners in achieving excellence in sport through the World Class Performance Programmes by developing "winning athletes". 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 at the beginning of each Olympic and Paralympic cycle, which are subject to annual review and confirmation of Lottery budgets for the forthcoming year.

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.

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 two most significant ones are:

- The reliance of the organisation on key partner organisations for delivery of our objectives; and
- Athletes not receiving adequate non-financial support.

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

### Internal Control

The system of internal control is designed to meet the needs of UK Sport and the risks to which it is exposed and to manage rather than eliminate the risk of failure to meet its objectives. In pursuing these objectives, internal controls can only provide reasonable and not absolute assurance against material mis-statement, error, losses, fraud or the breaches of law or regulation. We have in place a formal Policy

on Internal Control which has been approved by Council and the Audit Committee, it defines internal control processes and rôles and responsibilities.

### Management

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:

- An annual business planning process;
- An appropriate organisational structure to support key business processes;
- Regular review by the Executive Directors of the register of strategic risks and the adequacy and effectiveness of controls to mitigate/manage these risks;
- Compliance with all current health and safety legislation. This includes ongoing risk assessments throughout the organisation;
- 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. A staff "quality of work life" survey was carried out in April 2002 and will be updated during 2004. Processes are in place to ensure that all relevant employment legislation is incorporated within our staff policies;
- A three year Funding Agreement with the Department for Culture, Media and Sport (DCMS), with performance against key targets reviewed annually internally and with the DCMS;
- Compliance with the DCMS Management Statement / Finance Directions and Accounts Directions;
- A detailed 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;
- 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 by the UK Sport Awards Panel and the Major Events Panel;
- A fraud policy and response plan have been approved by the Audit Committee and implemented;
- 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; and
- 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).

During 2003/04:

- The business plan for 2005/06 to 2008/09 was started and since the year end has been concluded; and
- A review of organisational structure is on-going and should be concluded in 2004/05; and

The following are also in the pipeline for 2004/05:

- The Drug Free Sport operations will be required to demonstrate compliance with the World Anti-Doping and the additional technicalities that the compliance with the code will require will be implemented in 2004/05; and
- We are still working towards compliance with BS7799 (The British Standard – Information Technology: Code of Practice for Information Security Management) and are implementing the necessary action to achieve compliance in 2004/05.

### Management Accounting Processes

- Regular cash flow forecasts of Lottery income and expenditure are produced; and
- An analysis of commitments is verified to our Grant Management System (GMS)/ source documents and commitments are incorporated in the general ledger on a monthly basis.

UK Sport World Class Performance Programme awards in support of athletes are made on the basis of agreed performance based criteria to those sports with a recent history of medal success and/or data showing evidence of medal potential. Prioritisation criteria were agreed by the UK Sports Council to guide World Class Performance Programme funding decisions. Awards to priority sports are normally made for four years subject to an annual review by the UK Awards Panel.

Partnership Action Plans are in place for all summer Olympic and Paralympic sports that receive Lottery funds. These record actions for the governing body and UK Sport officers, helping to ensure continuous improvement of UK governing body programmes. Partnership Action Plans are also a monitoring and reporting mechanism and help direct the work programme of Performance Development Consultants within the Performance Services Directorate. They cover grant award conditions, actions required following monitoring and evaluation reports, agreed actions under the Modernisation programme, actions required following management audit, any compliance issues, compliance with the anti-doping policy statement and actions in respect of major events and international strategies.

Contributing to this is the anti-doping programme that prioritises testing on high-risk sports and lottery funded athletes and helps to verify that sports that UK Sport invests in are committed to drug free sport.

### 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.

### Internal Audit

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.

The service being provided by Deloitte was re-tendered during the year; the contract was renewed with them for a further three years.

### Audit Committee

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

- Review with management the audit plan for the next year, using risk based prioritisation;
- Risk management and corporate governance
- Receive and review the Internal Control Report;
- Consider reports from management and both internal and external audit on the system of internal control and any material control weaknesses ; and
- Discuss with management the actions taken on problem areas identified by Council Members, Audit Committee Members and both external and internal audit reports.

UK Sport's review of the system of internal control is informed by the work of internal auditors and Executive Directors who have the responsibility for the development and maintenance of the internal control framework. It is also informed by comments made by the external auditors in their management letter and by other reports.

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:

- 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;

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- 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;
- There is a business continuity plan and a formal Incident Management process is in place. Further work needs to be done during 2004/05 particularly with regard to the consideration of human resource and damage assessment; and
- Any other issues that impact upon internal control are reported.

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

- The audit plan covering the scope of work which changes from year to year and the resourcing of internal audit;
- Internal Audit's annual assurance statement which shows that the overall level of assurance achieved in the internal audit programme undertaken by Deloitte and Touche for 2003/04 was significantly better than the previous year. 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
- Littlejohn Frazer's NGB audit and compliance assurance report is presented to the Audit Committee twice per annum. A total of 6 (2002/03-14) reviews of NGBs were completed during the year. Three produced a reasonable level of assurance; the others were categorised as limited. A programme of follow-up audits to those NGBs categorised as limited or no assurance resulted in three NGBs improving their assurance rating from limited to reasonable. In all cases specific actions were agreed with the NGBs and embedded in Partnership Action Plans (referred to above)
- The audit and compliance programmes were completed as set out on time and to budget

Compliance with Turnbull 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 these accounts.

We do accept however that we will need to continually ensure that risk management processes are imbedded throughout the organisation.

**Liz Nicholl**

**Sue Campbell**

Acting Chief Executive Officer and Accounting  
Officer of the United Kingdom Sports Council

Chair of the United Kingdom Sports Council

14 July 2004

14 July 2004



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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 18 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 21 to 22.

Respective responsibilities of the Council, the Chief Executive and Auditors

As described on page 12 the United Kingdom Sports Council and the Chief Executive Officer of the Council, as the Accounting Officer, are responsible for the preparation of financial statements and for ensuring the regularity of financial transactions. The Chief Executive Officer and the Council are also responsible for the preparation of the Foreword and Annual Report. My responsibilities, as independent auditor, are guided by the Auditing Practices Board and the auditing profession's ethical guidance.

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 and Annual Report 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 16 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 Accounting Officer's 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 2004 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  
13 September 2004

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

The maintenance and integrity of the United Kingdom Sports Council website 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 website.

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**INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH  
2004**

	Note	2003/04 £'000	2002/03 £'000 As restated
<b>INCOME</b>			
Grant in Aid	2	23,018	15,513
Other Operating Income	3	1,730	2,297
Transfer from Deferred Grant Account	12	501	502
		<u>25,249</u>	<u>18,312</u>
<b>EXPENDITURE</b>			
Staff Costs	4.1	(3,242)	(3,097)
Grants and Other Operating Costs	5	(22,547)	(15,734)
Notional Interest on Capital Employed		(36)	(32)
		<u>(25,825)</u>	<u>(18,863)</u>
<b>OPERATING DEFICIT</b>	6	(576)	(551)
Net return on Pension Assets		(59)	(56)
<b>DEFICIT BEFORE TAXATION &amp; INTEREST</b>		<u>(635)</u>	<u>(607)</u>
Interest Receivable	7	43	38
Taxation	8	(7)	(6)
		<u>(599)</u>	<u>(575)</u>
Reversal of Notional Interest on Capital Employed		36	32
<b>DEFICIT FOR PERIOD</b>		<u>(563)</u>	<u>(543)</u>
Retained Surplus brought forward		420	975
Effect of Prior Year adjustment		0	(12)
Retained (Deficit)/Surplus carried forward	14	<u>(143)</u>	<u>420</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	Note	2003/04 £'000	2002/03 £'000 As restated
Deficit For Period		(563)	(543)
As previously stated		<u>(563)</u>	<u>(543)</u>
Surplus/(Deficit) on Pension Fund arising in the year	19.5	287	(593)
As re-stated		(276)	<u>(1,136)</u>
Prior year adjustment		(1,524)	
<b>Total gains and losses recognised since last annual report</b>		<u>(1,800)</u>	

There are no discontinued activities.

The notes on pages 21 to 34 form part of these accounts

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**BALANCE SHEET AS AT 31 MARCH 2004**

	Note	2003/04 £'000	2002/03 £'000 As restated
Fixed Assets			
Tangible Assets	9	537	886
Current Assets			
Debtors	10	960	1,016
Cash at bank and in hand		<u>372</u>	<u>656</u>
		1,332	1,672
Creditors			
Amounts falling due within one year	11	<u>(1,323)</u>	<u>(1,052)</u>
Net Current Assets		9	620
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>546</u>	<u>1,506</u>
Provision for dilapidation and unexpired lease	13	(140)	(193)
Pension Liabilities	19.2	<u>(1,237)</u>	<u>(1,524)</u>
<b>TOTAL ASSETS LESS ALL LIABILITIES</b>		<u><u>(831)</u></u>	<u><u>(211)</u></u>
Represented by:			
Deferred Grant Reserve	12	537	881
Pension Reserve	14.1	(1,225)	(1,512)
Revenue Reserve	14.2	<u>(143)</u>	<u>420</u>
		<u><u>(831)</u></u>	<u><u>(211)</u></u>

**Liz Nicholl**

**Sue Campbell**

Acting Chief Executive Officer and Accounting Officer of the United Kingdom Sports Council      Chair of the United Kingdom Sports Council

14 July 2004

14 July 2004

The notes on pages 21 to 34 form part of these accounts

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**CASH FLOW STATEMENT**

	Note	2003/04 £'000	2002/03 £'000
<b>OPERATING ACTIVITIES</b>			
Revenue Grant-in-Aid received	2	23,018	15,513
Other receipts		1,733	2,361
Payments		<u>(25,072)</u>	<u>(18,113)</u>
Net cash outflow from operating activities	15	(321)	(239)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		<u>43</u>	<u>38</u>
Net cash inflow from returns on investment		43	38
<b>TAXATION</b>			
Taxation		(6)	(10)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to acquire tangible fixed assets		(157)	(808)
		<u>(163)</u>	<u>(818)</u>
Net cash outflow before financing		(441)	(1,019)
<b>FINANCING</b>			
Grant-in-Aid applied towards purchase of fixed assets		157	808
Decrease in cash		<u><u>(284)</u></u>	<u><u>(211)</u></u>

## 1.0 ACCOUNTING POLICIES

### 1.1 Accounting Convention

The accounts have been prepared on the modified historical cost basis. The accounts direction requires the inclusion of fixed assets at their value to the business by reference to current costs. With effect from last financial year, fixed assets have been included in the accounts at Current Replacement Cost. Previously the Council believed that modified historic costs were not materially different from historic costs and therefore showed fixed assets in the balance sheet at historical cost. No prior period adjustments have been made as these are also not considered to be material. 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.

### 1.2 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.

### 1.3 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.

### 1.4 Fees for Consultancy Services

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

### 1.5 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

### 1.6 Research and Development

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

### 1.7 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.

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### 1.8 Pension Costs

The accounting policy on Pensions Costs has been changed to accommodate the full reporting requirements of Financial Reporting Standard 17 on "Retirement benefits". We now charge the annual cost of the contributions to the scheme in the income and expenditure account as well as recognise any changes in the value of the fund in our reserve. A prior year adjustment has been made to reflect the effect of this change on last year's accounts.

Financial Reporting Standard 17 data is produced by the actuaries for the whole scheme and is not split between Exchequer and Lottery businesses. We effect this split by allocating the results of the valuation to each business as a proportion of cumulative contributions to date.

Details about the valuation of the pension fund and the recharges are in note 19.

### 1.9 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.

### 1.10 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".

### 1.11 Investment

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

### 1.12 Stocks

Stocks are valued at the lower of cost, or net current replacement cost if materially different, and net realisable value. Stocks held at the end of this financial year have no realisable value (2002/03 - Nil).

### 1.13 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 Dope testing, and 12.22% for supporting activities. Income generated from Dope testing activities is subject to VAT at the standard rate, as appropriate.

### 1.14 Notional Costs

Notional interest on capital is calculated on the basis of 3.5% (2002/03 - 6%) of average net assets.

## 2. Grant-in-Aid

	2003/04 £'000	2002/03 £'000
Received from the DCMS	23,175	16,321
Applied towards Deferred grant in respect of Purchase of Tangible Fixed Assets (Note 9)	(157)	(808)
Total Grant-in-Aid applied towards Revenue Expenditure	23,018	15,513

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A total of £27.5m (2002/03 £19.6m) Grant in Aid was made available during the year, although only £23.175m was drawn down. This includes a grant of £3m (2002/03 £3m) for the modernisation of Governing Bodies of Sport. It also includes a grant of £3m for the lottery shortfall and a grant of £0.88m for Coaching. Under the End Year Flexibility Rules, an underspend of £4.045m in 2002/03 was bought forward into this financial year.

3. Other Operating Income

	2003/04 £'000	2002/03 £'000
Sales of Publications	1	2
Doping Control Receipts	554	1,160
Other	1,175	1,135
	<u>1,730</u>	<u>2,297</u>

The 2002/03 Doping Control Receipts included receipts for extra testing for the 2002 Manchester Commonwealth Games. Other than pre-Games testing of UK competitors, 978 tests were undertaken over the 10 days of competition.

4.0 Staffing and Management

4.1 Staff costs

	2003/04 £'000	2002/03 £'000
		As restated
Wages and Salaries	2,512	2,566
Temporary and Agency Staff	46	115
Social Security Costs	228	212
Other Pension Costs	212	204
Severance Pay	244	-
Aggregate Staff Costs	<u>3,242</u>	<u>3,097</u>

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

Function:	2003/04	2002/03
Corporate Services	16	17
Communications	8	7
Performance Development	14	11
UKSI - Central Services	16	21
International Relations and Major Events	8	9
Anti Doping	<u>12</u>	<u>12</u>
	<u>74</u>	<u>77</u>

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4.3 Salary and pension entitlements of most senior members of UK Sport

		Age	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)
		31/03/04	31/03/03	31/03/03	31/03/03	31/03/03	31/03/04	31/03/03
Richard Callicott	Former CEO*	57	80-85	80-85	0-2.5	0-2.5	0-5	0-5
Liz Nicholl	Acting CEO*	51	65-70	65-70	0-2.5	0-2.5	0-5	0-5
Neil Shearer	Director	48	65-70	60-65	0-2.5	0-2.5	0-5	0-5
John Scott	Director	52	65-70	60-65	0-2.5	0-2.5	20-25	15-20
Michele Verroken	Director*	49	55-60	50-55	0-2.5	0-2.5	10-15	10-15
Andrew Barnett	Head Comms.	36	55-60	50-55	0-2.5	0-2.5	0-5	0-5

A proportion of remunerations above are charged to the lottery accounts in accordance with agreed apportionment formulae as noted in accounting policy note 1.10 above.

\*In December 2003 Liz Nicholl took over as Acting Chief Executive and continued to fill this role as at 31 March 2004. On the same date Michele Verroken stepped down as Director in charge of Drug Free Sport.

The former Chief Executive of UK Sport, Richard Callicott was appointed on 23 August 1999, his remuneration for the year to 31 March 2004 was £84,300 (2002/03 - £82,012). He is a member of London Pension Fund Authority Superannuation Scheme, to which UK Sport paid a contribution equivalent to 12.5% (2002/03 - 12.5%) of salary.

Please, refer to note 19 for superannuation scheme details.

4.4 Chair

On 19 September 2003, Sue Campbell took over from Sir Rodney Walker to become Interim Reform Chair for a period of 18 months on a non-pensionable annual salary of £25,835

Sir Rodney Walker was appointed as Chair of UK Sport on 6 July 1998. The appointment, which was extended from 3 to 5 years, ended on 18 September 2003 and carried a non-pensionable salary of £39,623 (2002/03 £38,751) in return for working, on average, 3 days per week.

4.5 Members' remuneration

UK Sport pays members remuneration of £190 per day (2002/03-£190 per day) for attendance at meetings (£95 for half day meetings (2002/03-£95)). Members cannot receive more than 12 payments a year; these amounted to £8,550 (2002/03 - £10,438) during the year as follows:

Council meetings:	£	2003/04	£	2002/03
Nick Bitel		1,045		285
Lord Carter of Coles		190		-
Gareth Davies		0		190
Alastair Dempster		0		760
Tanni Grey-Thompson		190		0
Zahara Hyde Peters		855		1,140
Constance Louise		2,850	*	380
Laura McAllister		380		380
Louise Martin		380		380
Adrian Metcalfe		1,330		2,088
Craig Reedie		-		950
Eric Saunders		190		1,140
Gavin Stewart		1,140		2,745*
		<u>8,550</u>		<u>10,438</u>

\* of the £2,850 £950 relates to meetings attended during the 2002/03 financial year.

\* of the £2,745 £560 relates to meetings attended during the 2001/02 financial year.



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5. Grants and Other Operating Costs

	2003/04	2002/03
	£'000	£'000
NATIONAL SUPPORT		
Sports Bodies	11,028	4,991
Sports Services	3,021	1,777
United Kingdom Sports Institute	2,002	1,864
Support to National Centres	1,050	1,550
Communications	285	235
International Representation	1,030	912
Drug Free Sport	1,522	1,917
Other Expenses	226	213
	20,164	13,459
 FINANCE AND MANAGEMENT SERVICES		
HQ office costs	1,357	1,143
Other Expenses	1,026	1,132
	2,383	2,275
	22,547	15,734

6. Operating Result

	2003/04	2002/03
	£'000	£'000
This is stated after charging:		
Travel, subsistence and hospitality:		
Chair and members	34	33
Employees	241	316
Consultants' fees	523	642
Lease – 40 Bernard Street	560	595
Depreciation	492	496
Loss on disposal of Fixed Assets	2	6
NAO Remuneration as auditors	19	19
Provision for Severance Settlements	244	-

7. Investment Income

	2003/04	2002/03
	£'000	£'000
Overnight and short term investment of bank balances	43	38

Interest rates vary from day to day and averaged approximately 2.3% (2002/03-2.9%) per annum between 1 April 2003 and 31 March 2004.

8. Taxation

	2003/04	2002/03
	£'000	£'000
Corporation Tax payable on interest received	7	6

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

9. Tangible Fixed Assets

	Leasehold Improvements £'000	IT Equipment £'000	Office Equipment £'000	Doping Equipment £'000	Total £'000
Cost					
At 1 April 2003	403	1,296	33	80	1,812
Additions	6	151	0	0	157
Disposals	0	( 35)	0	0	( 35)
MHCA Adjustment	( 7)	( 34)	( 1)	2	( 40)
At 31 March 2004	402	1,378	32	82	1,894
Depreciation					
At 1 April 2003	164	659	23	80	926
Charge for the year	56	426	10	0	492
Depreciation on Disposal	0	(33)	0	0	( 33)
MHCA Adjustment	( 4)	( 25)	( 1)	2	( 28)
At 31 March 2004	216	1,027	32	82	1,357
Net book value					
At 31 March 2004	186	351	0	0	537
At 1 April 2003	239	637	10	0	886

The Modified Historical Cost Adjustment ("MHCA") is derived from various indices maintained by the Office of National Statistics and the Department of Trade and Industry

<u>10. Debtors</u>	2003/04 £'000	2002/03 £'000
Trade Debtors	497	548
Other Debtors	23	59
Prepayments and Accrued Income	440	409
	<u>960</u>	<u>1,016</u>
All amounts fall due within one year		

<u>11. Creditors</u>	2003/04 £'000	2002/03 £'000
Trade Creditors	623	761
Corporation Tax	7	6
8		
Other Taxation and Social Security Accruals	98	125
	<u>595</u>	<u>160</u>
	<u>1,323</u>	<u>1,052</u>
All amounts fall due within one year		

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12. Deferred Grant Account

	2003/04 £'000	2002/03 £'000
Opening Balance	881	575
Cost of Tangible Fixed Assets funded by Grant-in-Aid	157	808
Net transferred to Income and Expenditure Account for the year	(501)	(502)
Balance at 31 March	537	881

13. Provision for dilapidation and rent

	2003/04 £'000	2002/03 £'000
Dilapidation for 40 Bernard Street Office	140	93
Dilapidation for Walkden House	0	100
Provision as at 31 March	140	193

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. The provision for Walkden House is no longer required.

14.1 Pension Reserves

	2003/04 £'000	2002/03 £'000 As restated
Pension Reserves opening balance	(1,512)	0
Prior year adjustment	0	(919)
Actuarial gains	287	(593)
As at 31 March	(1,225)	(1,512)

14.2 Revenue Reserves

	2003/04 £'000	2002/03 £'000
Income and Expenditure Account		
Opening Balance	420	975
Effect of Prior Year Adjustment	0	(12)
Deficit for the period	( 563)	( 543)
As at 31 March	( 143)	420

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

	2003/04 £'000	2002/03 £'000
Operating Activities		As restated
Deficit before taxation and interest	(635)	(607)
Depreciation of Tangible Fixed Assets	492	496
MHCA Adjustment	12	6
Loss on Disposal Fixed Assets	2	5
Transfer from Deferred Grant Reserve	(501)	(502)
Decrease in Stock	0	25
Notional Interest on Capital Employed	36	32
Decrease in Debtors	56	64
Increase in Creditors	270	217
(Decrease)/increase in provision for dilapidation and rent	(53)	35
Pension scheme: non cash movement	-	(10)
Net cash outflow from operating activities	<u>(321)</u>	<u>(239)</u>

16. Reconciliation of Net Cash flow to Movement in Net Funds

	2003/04 £'000	2002/03 £'000
Decrease of Cash in Period	(284)	(211)
Movement in Liquid Resources	<u>(56)</u>	<u>(89)</u>
Changes in Net Funds	(340)	(300)
Net Funds at start of Period	<u>1,672</u>	<u>1,972</u>
Net Funds at end of Period	<u>1,332</u>	<u>1,672</u>

17. Analysis of Changes in Cash and Cash Equivalents during the Year

	2003/04 £'000	2002/03 £'000
Opening cash balance	656	867
Cash (outflow)/inflow	<u>(284)</u>	<u>(211)</u>
Cash balance as at 31 March	<u>372</u>	<u>656</u>

18. 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 2003/04 £23.02 m or 91.28% (2002/03, £15.51 m or 84.7%) of UK Sport's income derived from Grant in Aid from the DCMS. The remaining balance of £2.2 m or 8.72% (2002/03, £2.81 m or 15.3%) derived from other operating activities. The Members are satisfied that they have sufficient liquid resources, in the form of cash and confirmed Grant in Aid for 2004/05 to cover all amounts due within one year. The Members are satisfied that UK Sport Fund is not exposed to significant liquidity risks.

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**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 2.3% (2002/03, 2.9 %) in the year. The year-end cash balances held by UK Sport in the bank was £372K (2002/03, £656K.)

**Foreign Currency Risk**

The Fund is not exposed to any foreign exchange risks.

19. Superannuation Scheme

The majority of staff of UK Sport (Exchequer 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 policy in note 1.8 above.

The amounts disclosed in these accounts are the portion deemed apportioned to the Exchequer 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 Exchequer 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 £198,092 or 12.5% of pensionable pay (2002/03) £260,636 or 12.5% of pensionable pay. The employer's contribution is reverting to 16.2% from April 2004.

The scheme is subject to triennial valuations by the consulting actuaries to the LPFA and the latest valuation is 31 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:

19.1 Balance Sheet disclosure as at 31 March 2004<sup>1</sup>

	2004	Fund	2003	Fund	2002	Fund
	Long term	Value at	Long term	Value at	Long term	Value at
	return	31/03/04	return	31/03/03	return	31/03/02
	% p.a.	£'000	% p.a.	£'000	% p.a.	£'000
Equities	7.70%	921,132	8.00%	723,492	7.50%	956,529
Bonds	5.10%	140,454	4.80%	124,254	5.50%	142,884
Property	6.50%	42,120	6.00%	-	6.00%	-
Cash	4.00%	17,739	4.00%	26,892	4.00%	31,509
	7.30%	<u>1,121,445</u>	7.40%	<u>874,638</u>	7.10%	<u>1,130,922</u>

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19. Superannuation Scheme (cont.)

19.2 Net Pension assets for UK Sport

	31/03/2004 £' 000	31/03/2003 £' 000	31/03/2002 £' 000
Estimated Assets	2,704	1,819	2,114
Present value of scheme liabilities <sup>2</sup>	(3,941)	(3,343)	(3,032)
Present value of unfunded liabilities <sup>3</sup>	0	0	0
Total value of liabilities	(3,941)	(3,343)	(3,032)
Net Pension Assets/(Liabilities)	(1,237)	(1,524)	(918)

Assumptions	31/03/2004 % p.a.	31/03/2003 % p.a.	31/03/2002 % p.a.
Price increases	2.90%	2.50%	2.80%
Salary increases	4.40%	4.00%	4.30%
Pension increases	2.90%	2.50%	2.80%
Discount rate	6.50%	6.10%	6.40%

<sup>1</sup> In order to assess the actuarial value of the London Pensions Fund Authority Pension Fund's liabilities as at 31 March 2004, 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 £3,156,700, £908,600 and £0 (2002 - £2,725,000, £884,000 and £0) in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2004. 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. On death of the member, any spouse will receive a pension equal to 50% (2002- 50%) of the member's pension as at the time of death of the member.

Note that these figures exclude the capitalised cost of any early retirements or augmentations, which may occur during 2003/04.

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Analysis of Amount Charged to Operating Profit

19.3 Amount Charged to Operating Profit

	Year to 31/03/2004 £'000	Year to 31/03/2004 % of Payroll	Year to 31/03/2003 £'000	Year to 31/03/2003 % of Payroll
Service Cost	165	9.10%	178	9.30%
Past Service Costs	-	-	-	-
Curtailement and Settlements	-	-	-	-
Decrease in irrecoverable surplus	-	-	-	-
<b>Total Operating Charge (A)</b>	<b>165</b>	<b>9.10%</b>	<b>178</b>	<b>9.30%</b>

19.4 Projected Amount Credited to Other Finance Income

	Year to 31/03/2004 £'000	Year to 31/03/2004 % of Payroll	Year to 31/03/2003 £'000	Year to 31/03/2003 % of Payroll
Expected Return on Employer Assets	135	7.40%	128	6.70%
Interest on Pension Scheme Liabilities	(194)	(10.70%)	(184)	(9.60%)
<b>Net Return (B)</b>	<b>(59)</b>	<b>(3.30%)</b>	<b>(56)</b>	<b>(2.90%)</b>
<b>Net Revenue Account Cost (A)-(B)</b>	<b>224</b>	<b>12.40%</b>	<b>234</b>	<b>12.20%</b>

19.5 Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses.

	Year to 31/03/20 04 £'000	Year to 31/03/20 03 £'000
Actual return less expected return on pension scheme assets	291	(707)
Experience gains and losses arising on the scheme liabilities	(4)	114
Changes in financial assumptions underlying the present value of the scheme liabilities	0	0
Actuarial gain/(loss) in pension plan	287	(593)
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	0	0
<b>Actuarial gain/(loss) recognised in STRGL</b>	<b>287</b>	<b>(593)</b>

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19.6 Movement in Surplus/Deficit During the Year

	Year to 31/03/2004 £'000	Year to 31/03/2003 £'000
Surplus/(deficit) at beginning of the year	(1,524)	(918)
Current Service Cost	(165)	(179)
Employer contributions	224	221
Other income	0	0
Other outgo (e.g. expenses, etc)	0	0
Past service costs	0	0
Impact of settlements and curtailments	0	0
Net return on assets	(59)	(56)
Actuarial gains/(losses)	287	(593)
Surplus/(deficit) at end of year	(1,237)	(1,524)

19.7 History of Experience Gains and Losses

	Year to 31/03/2004 £'000	Year to 31/03/2003 £'000
Difference between the expected and actual return on assets	291	(707)
Value of assets	2,704	1,819
Percentage of assets	10.76%	(38.87%)
Experience gains/(losses) on liabilities	(4)	114
Present value of liabilities	3,941	3,343
Percentage of the present value of liabilities	(0.10%)	3.41%
Actuarial gains/losses recognised in STRGL	287	(593)
Present value of liabilities	3,941	3,343
Percentage of the present value of liabilities	7.28%	(17.74%)

The Actuarial Valuation for FRS 17 purposes has been allocated between the Lottery and Exchequer (GIA) accounts in accordance with note 1.8.

20. Annual Commitments - Leases and Operating Licences

	2003/04 £'000	2002/03 £'000
Leases and service charges		
40 Bernard Street – expiring after at least 5 years	644	644



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21. Grant Commitments

On the undertaking that funds are to be provided by the Department of Culture Media and Sport, UK Sport, at 31 March 2004, had entered into commitments to pay grants to governing bodies in respect of their approved programmes in the following years:

	2003/04 £'000	2002/03 £'000
2003/04	-	5,534
2004/05	9,865	2,892
2005/06	418	25
2006/07	293	-
	<u>10,576</u>	<u>8,451</u>

Of this total grant commitment, £6.5m (2002/03 - £7.1m) relates to Olympic Sports Bodies, £1.3m (2002/03 - £1.1m) is for modernisation of governing bodies. At year end we were awaiting acceptance of another £3.2m (2002/03 - £1.0 m) worth of grant offers which are not included in the figures above.

22. Contingent Liabilities

As at 31 March 2004 UK Sport had no contingent liabilities.

23. 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 2003 to 31 March 2004 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:

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**DISCLOSABLE RELATED PARTY TRANSACTIONS**

	UKS Panel / Council Member	Relationship
The four Home Country's Sports Councils have agreed in principal to fund various commitments that would normally be Lottery Funded by UK Sport. The physical payments will come from UK Sport. As the Lottery Funds will have been distributed through the four Home Country's Sports Councils, the funding by UK Sport will be through the Grant in Aid Account so that Lottery Funds do not appear to be distributed twice. The distribution will occur in 2004/2005 and will be in the order of £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

**MEP DISCLOSABLE RELATED PARTY TRANSACTIONS – MODERNISATION AWARDS 2003/04**

Panel Date	Council Date	Award	Organisation	UKS Panel / Council Member	Relationship
28 July 2003	8 September 2003	£110,650	Amateur Rowing Association	Gavin Stewart	Member