
**The United Kingdom Sport Council Lottery Fund Accounts for the
year ended 31 March 2001**

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FOREWORD AND ANNUAL REPORT

HISTORY AND BACKGROUND

- 1 The United Kingdom Sports Council was established on 19 September 1996 (and came into existence from the 1 January 1997), by Royal Charter, as one of two successor bodies to the GB Sports Council.
- 2 The United Kingdom Sports Council focuses on high performance sport at the UK level with the aim of achieving sporting excellence on the world stage.
- 3 The National Lottery was established under the National Lottery etc. Act 1993, and commenced operation on 19 November 1994, with a percentage of its proceeds being made available for distribution, by selected bodies, to specific "good causes".
- 4 The United Kingdom Sports Council became a Lottery distributor, by 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. This created a percentage share of the proceeds available for distribution by sport of 9.2 per cent for distribution by the United Kingdom Sports Council.
- 5 The distribution of such funds, is governed by sections 24 and 25 of the National Lottery etc. Act 1993, as amended by the National Lottery Act 1998, is operated by the United Kingdom Sports Council under the title of the UK Sport Lottery Fund.

FORMAT OF ACCOUNTS

- 6 These accounts have been prepared, in accordance with the direction given by the Secretary of State for Culture, Media and Sport issued on 18 July 1997, and in compliance with the provisions of sections 34 and 35 of the National Lottery etc. Act 1993.
- 7 It is a requirement of the direction given that all costs properly attributable to National Lottery activities should be funded from that income stream. It has been agreed, that it is not appropriate to combine the accounts of the UK Sport Lottery Fund with those of the UK Sport Group, as the sources of funding are not compatible.

REVIEW OF ACTIVITIES

- 8 The UK Sport Lottery Fund principal activities are to:
 - 8.1 invest Lottery funds directly in support of world class athletes on UK Governing Body World Class Performance Programmes, to assist them to train and compete in the pursuit of excellence on the world stage and medal winning success
 - 8.2 Support UK governing bodies of sport to assist them in operating World Class Performance Programmes and developing athlete-centred structures
 - 8.3 invest Lottery funds in organisations bidding for, and staging, major world class international events under the World Class Events Programme.
- 9 The UK Sport Lottery Fund had available to it, from National Lottery receipts and interest generated within the National Lottery Distribution Fund, £27.5m (1999/2000 £18.9m) during the period covered by these accounts.

- 10 The UK Sport Lottery Fund made 2122 (1999/2000 106) awards which, had been accepted by the applicant (hard commitments) totalling £24.67m , (1999/2000 as restated £23.5m) and at the end of the period 281 awards (1999/2000 5 awards) totalling £44.86m (1999/2000 £296k) were still awaiting acceptance or compliance with specific conditions (soft commitments).

EMPLOYEES WITH A DISABILITY

- 11 The United Kingdom Sports Council, ensures that people with a disability are given opportunities for suitable employment and that they are not discriminated against on the grounds of disability for either recruitment, training or promotion purposes.

EQUAL OPPORTUNITY IN EMPLOYMENT

- 12 The United Kingdom Sports Council, is committed to the development of positive policies to promote equal opportunity in employment.

EMPLOYEE INVOLVEMENT

- 13 The United Kingdom Sports Council, involves employees in decisions which may affect their health, safety or welfare which brings together representatives of the management and trade unions in a working environment.

PROMPT PAYMENT POLICY

- 14 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.
- 15 91% (1999/2000 91.7%) of invoices were paid on time. The UK Sport lottery Fund policy is to pay creditors promptly, this complies with the principle set out in the CBI prompt payment code. Any complaints about failure to pay on time are dealt with expeditiously.

THE EURO

- 16 The activities of the United Kingdom Sports Council are mainly national. Although some exposure to transactions in Euros is anticipated, it is not considered that these will be significant. Financial systems have been reviewed to ensure that they are compliant with the new currency.

RECENT EVENTS

- 17 Phase I of implementation of UK Sport's Grant Management System is complete. The system now holds all lottery grant commitment and payment information on UK Governing Bodies and athletes, with payments being processed from the system with effect from January 2001. Phase II development work has commenced and will include major event grant commitments and payments, other athlete awards and the production of reports, this final phase is currently due for completion in October 2001.
- 18 The SLA for financial services with SportEngland terminated as scheduled in September 2000 and was partially extended to December 2000. All financial services are now provided in house with effect from January 2001.
- 19 UK Sport has entered into a SLA with SportEngland for monitoring and evaluation services and has agreement for use of its Management Audit Services, from April 2001 to March 2002.

EXECUTIVES AND EXECUTIVE DIRECTORS OF THE LOTTERY SPORTS FUND

- 20 The UK Sport executive responsible for UK Sport Lottery Fund distribution activities for the year under review was the Chief Executive and Accounting Officer, Richard Callicott.
- 21 The Director responsible for UK Sport Lottery Fund distribution activities from 1 September 1999 to the end of the period was the Director of Performance Services, Liz Nicholl.

FINANCIAL RESULTS

- 22 The result for the year is a deficit of £1.7 million (1999/2000 as restated £4.9 million) which when taken together with the deficit from last year, brings the shortfall on the lottery fund to £6.6 million. This shortfall is a direct result of the mis-match of lottery fund income which is current year income only with commitment to UK governing bodies for periods up to four years.
- 23 We have had to restate our hard commitment figures for last year. A review conducted when the financial services SLA with SportEngland terminated showed a shortfall of £1.47 million in the amount of hard commitments recorded in 1999/2000. (see note 17 of notes to the accounts)

AUDIT

- 24 The UK Sport Lottery Distribution Account is required to be audited by the Comptroller and Auditor General who is responsible for laying the accounts before both Houses of Parliament.

POST BALANCE SHEET EVENTS

- 25 There were no post balance sheet events of any financial significance.

MEMBERS OF THE UNITED KINGDOM SPORTS COUNCIL

26 Decisions relating to the award of financial support from the UK Sport Lottery Fund are generally made by the United Kingdom Sports Council. The Members of the United Kingdom Sports Council for the period under review were:

		Date of Appointment
Chairman	Sir Rodney Walker	6 July 1998 (appointed member 19 th September 1996)
Deputy Chairman	Mr Craig Reddie CBE	Reappointed 19 th September 1999
Members	Prof Sarah Springman OBE Dr Mary Nevill	Reappointed 19 th September 1999 Reappointed 1 st October 1999, resigned 2 January 2001
	Ms Judy Simpson	Reappointed 6 th February 2000
	Mr Trevor Brooking CBE	6 July 1998
	Ms Zahara Hyde Peters	23 November 1998
	Mrs Diana King OBE	23 November 1998
	Mr Adrian Metcalfe OBE	23 November 1998
	Prof Myra Nimmo	23 November 1998
	Mr Gavin Stewart	23 November 1998
	Ms Tanni Grey –Thompson OBE	23 November 1998
	Mr Alastair Dempster	1 July 1999
	Mr Gareth Davies	9 September 1999
	Prof Eric Saunders	7 March 2000
	Mr Des Wilson	13 March 2000

Sir Rodney Walker's initial appointment was for 3 years which was extended to 5 years. Other members are appointed for a fixed term of 3 years and may be reappointed thereafter as determined by the Secretary of State for Culture, Media and Sport.

MEMBERS OF THE UK AWARDS PANEL

Decisions relating to the award of financial support on the World Class Performance Programme from the UK Sport Lottery Fund are generally made by the United Kingdom Sports Council after it has received recommendations from the UK Awards Panel, an executive committee appointed from the fields of elite sport, science, coaching, education and Governing Body experience. The Members of the UK Awards Panel for the period under review were:

Gavin Stewart (Chair)
Professor Sarah Springman OBE (1st Deputy Chair)
Tanni Grey-Thompson OBE (2nd Deputy Chair)
Professor Eric Saunders
Richard Gordon
Ian Mason
John Rodda (resigned 10 June 2000)
Waimarama Taumaunu MBE
Richard Young (resigned 2 May 2000)
Rod Carr (appointed 31 August 2000)
Anne-Marie Harrison (appointed 29 Sept. 2000)

- 27 In order to provide advice, the UK Awards Panel called upon the expertise of officers of UK Sport and (up to September 2000 under the SLA) SportEngland (English Sports Council) and of external advisors.

MEMBERS OF THE MAJOR EVENTS STEERING GROUP

- 28 Decisions relating to the award of financial support on the bidding and staging of World Class Events from the UK Sport Lottery Fund are generally made by the United Kingdom Sports Council after it has received recommendations from the Major Events Steering Group, an executive committee, appointed from the fields of elite sport, media, marketing, local Government, and Governing body experience. The Members of the Major Events Steering Group for the period under review were:

Adrian Metcalfe OBE (Chair)
John Bartle
Nick Bitel
John Boulter
Lynne Evans MBE
Chris Heinitz
Anne Smillie
Jean Stone
Mervyn Elder
Robert Steven Rubin
Alastair Dempster
Gavin Fletcher

- 29 In order to provide advice, the Major Events Steering Group called upon the expertise of officers of UK Sport, SportEngland (up to September 2000 under SLA) and external advisors.

MEMBERS OF THE AUDIT COMMITTEE

- 30 Members of the Audit Committee for the period were:

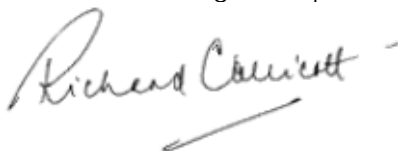
Mr Craig Reddie CBE
Ms Zahara Hyde Peters
Prof. Myra Nimmo

MEMBERS INTERESTS

- 31 The United Kingdom Sports Council maintains a register of the interests of its Members, and of the Members of the UK Awards Panel and of the Major Events Steering Group. Subject to the agreement of individual Members this register may be viewed, by appointment, at the offices of UK Sport at 40, Bernard Street.

Richard Callicott
Chief Executive and Accounting Officer
of the United Kingdom Sports Council

Sir Rodney Walker
Chairman of the United Kingdom Sports
Council

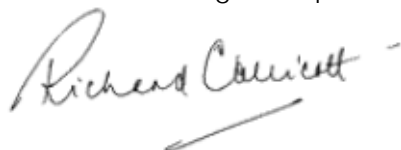


STATEMENT OF COUNCIL'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES

- 32 Under section 35(2) and (3) of the National Lottery etc. Act 1993 the UK Sport Council is required to prepare a statement of accounts for the financial period in the form and on the basis directed by the Secretary of State for Culture, Media and Sport with the consent of the Treasury.
- 33 The financial statements are prepared on an accruals basis and must show a true and fair view of the state of affairs of the UK Sport Lottery Fund distribution activities at the period end and of its income and expenditure and cash flows for the financial period.
- 34 In preparing the accounts the Council is required to :
- 34.1 observe the accounts directions issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - 34.2 make judgements and estimates on a reasonable basis;
 - 34.3 state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
 - 34.4 prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Council will continue in operation.
- 35 The Accounting Officer for the Department for Culture, Media and Sport has designated the Chief Executive of the UK Sport as Accounting Officer for the Council. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the 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), and in the Financial Directions issued by the Secretary of State for Culture, Media and Sport under section 26(3) of the National Lottery etc. Act 1993.

Richard Callicott
Chief Executive and Accounting Officer

of the United Kingdom Sports Council



Sir Rodney Walker
Chairman of the United Kingdom Sports
Council



STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

- 36 As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial controls is maintained and operated by UK Sport.
- 37 As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and I am taking reasonable steps to comply with the Treasury's requirement for a statement of Internal Control to be prepared for the year ended 31 March 2002, in accordance with guidance [to be] issued by them.
- 38 During the year under review, internal control procedures were established within and alongside the Service Level Agreement operated by Sport England on behalf of UK Sport. Specifically:
- 38.1 Regular reports were produced to UKAP and UK Sport Council on the projected income and commitment levels.
 - 38.2 Data generated from the financial systems were verified for accuracy.
 - 38.3 Payments were checked against cash flow forecasts quarterly and recommendations made to the UK Sport Head of Lottery for action.
 - 38.4 Compliance checks were carried out on UK Sport funded sports and major events and reported back to the head of UK Sport lottery.
 - 38.5 Awards were approved monthly by the UKAP and by the UK Sport Council bi-monthly
 - 38.6 UK Sport Head of lottery had responsibility for checking and signing all Lottery offer of award letters.
 - 38.7 Systems were in place for the assessment and control of grant applications ensuring that all applications receive sufficient, consistent, processing in line with policy and financial directions of the Secretary of State
 - 38.8 A statement of assurance as to compliance with regulations and the scheme of delegation.
- 39 At the end of the SLA with Sport England we have started review to and to implement new more stringent systems of internal financial control, based on a framework of regular management information, administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, the new systems include:
- 39.1 Budgeting systems with an annual budget which is reviewed and agreed by the UK Sport Council Members
 - 39.2 Regular reviews by Council and UKAP members of monthly and annual financial reports which indicate financial performance against forecasts
 - 39.3 Setting of targets by which to measure financial and other performance
 - 39.4 Procedures for the council to review and agree the budget
 - 39.5 As appropriate, formal project management disciplines
 - 39.6 A scheme of financial delegation to officers
 - 39.7 Quarterly reporting of progress against the annual operational plan to the Council
 - 39.8 Systems for the assessment and control of grant applications ensuring that all

applications receive sufficient, consistent, processing in line with policy and financial directions of the Secretary of State

39.9 A statement of assurance as to compliance with regulations and the scheme of delegation.

40 My review of the effectiveness of the system of internal financial control is informed by: the work of the internal auditors, the Audit Committee which over sees the work of the internal auditors, the executive managers within UK Sport who have the responsibility for the development and maintenance of the financial control framework and comments made by external auditors in their management letter and other reports.

41 UK Sport uses Deloitte & Touche to provide an internal audit service, which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit service is informed by an analysis of the risk to which UK Sport is exposed, and annual internal audit plans are based on this analysis. During 2000/01 the directors have focussed on addressing the issue of uncertainty (risks and opportunities) management. Key uncertainties the organisation faces have been identified and prioritised in terms of their potential impact on the business and the likelihood of occurrence. This has resulted in a risk register being produced and key actions to be taken for each risk together with responsibilities. This analysis will inform future internal audit plans and this together with regular management review should ensure focus is maintained on managing uncertainties. The analysis of risk and the internal audit plans are endorsed by UK Sport's Audit Committee and approved by me.

Richard Callicott
Accounting Officer for UK Sport.

A handwritten signature in cursive script that reads "Richard Callicott". The signature is written in dark ink and is positioned above a horizontal line.

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements on pages 13 to 29, which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 17 and 18

RESPECTIVE RESPONSIBILITIES OF THE UK SPORT, THE CHIEF EXECUTIVE AND THE AUDITORS

As described on page 8 the United Kingdom Sport Council and the Chief Executive 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 and the Council are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and 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 National Lottery Act 1998 and the directions thereunder 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 financial records, or if I have not received all the information and explanations I require for my audit.

I review whether the statements on pages 9 and 10 reflect the Council's compliance with the Treasury's guidance 'Corporate Governance: statement on the system of financial 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.

BASIS OF OPINION

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of 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 UK Sport Lottery Fund Distribution Account'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 have 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 UK Sport Lottery Fund distribution activities at 31 March 2001 and of the decrease in funds available, total recognised gains and losses, and cash flows for the year then ended and have been properly prepared in accordance with the National Lottery etc. Act 1998 and the directions made thereunder by the Secretary of State for Culture, Media and Sport;

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

NATIONAL AUDIT OFFICE
157-197 Buckingham Palace Rd
Victoria
London
SW1W 9SP

INCOME AND EXPENDITURE ACCOUNT

	Note	2000/01 £ ,000	9 Months to 31 Mar £ ,000 as restated
INCOME			
Share of proceeds from the National Lottery	18	23,735	18,778
Investment returns from National Lottery Distribution funds	18	235	148
Contribution from Home Countries to World Class Activities		-	5,069
Interest Receivable		76	41
Other income		127	-
		<hr/> 24,173	<hr/> 24,036
EXPENDITURE			
Grant commitments made in the year	37	24,351	27,883*
Staff costs	19	112	49
Depreciation - tangible assets	25	92	1
Other operating costs		387	188
Costs apportioned by the UK Sport		490	276
Cost apportioned by SportEngland		408	542
Notional Cost of Capital		117	117
		<hr/> 25,957	<hr/> 29,056
DECREASE IN LOTTERY FUNDS BEFORE TAXATION		(1,784)	(5,020)
Taxation		(15)	(8)
Reversal of Notional Cost of Capital		117	117
DECREASE IN LOTTERY FUNDS		<hr/> (1,682)	<hr/> (4,911)
Retained deficit on Lottery Funds brought forward		(3,441)	-
Prior Year Adjustment		(1,470)*	-
As re-stated		<hr/> (4,911)	<hr/> -
- carried forward as at 31 March		<hr/> (6,593)	<hr/> (4,911)
		<hr/> <hr/>	<hr/> <hr/>

There are no discontinued activities.

All gains and losses are recognised in the Income and Expenditure Account.

*= See prior year adjustment note 17

BALANCE SHEET

	Note	2000/01 £ ,000	9 Months to 31 Mar 2000 £ ,000 as restated
FIXED ASSETS			
Tangible Assets	25	182	2
CURRENT ASSETS			
Investments - balance in NLDF	18	5,386	3,568
Debtors and prepayments	28	50	776
Cash at bank and in hand		1,991	1,223
		<u>7,427</u>	<u>5,567</u>
CREDITORS			
Sundry creditors falling due within one year	29	278	69
Hard grant commitments falling due within one year	37	5,487	10,411*
		<u>5,765</u>	<u>10,480</u>
NET CURRENT ASSETS / (LIABILITIES)		<u>1662</u>	<u>(4,913)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>1,844</u></u>	<u><u>(4,911)</u></u>
REPRESENTED BY:			
Hard Grant commitments falling due after one year		8,437	-
LOTTERY FUNDS			
Deficit on Lottery Funds		(6,593)	(4,911)
		<u>1,844</u>	<u>(4,911)</u>

Richard Callicott
Chief Executive and Accounting Officer
of the United Kingdom Sports Council

Sir Rodney Walker
Chairman of the United Kingdom Sports Council

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THE NOTES ON PAGES 17 TO 29 FORM AN INTEGRAL PART OF THESE ACCOUNTS

*= See prior year adjustment note 17

CASH FLOW STATEMENT

	Notes	2000/01 £ ,000	9 Months to 31 March 2000 £ ,000 as restated
OPERATING ACTIVITIES			
Cash drawn down from NLDF	18	22,152	15,358
Staff Costs	19	(112)	(49)
Operating Costs		(230)	(945)*
Awards	37	(20,838)	(17,472)
Net cash inflow from operating activities		<u>972</u>	<u>(3108)</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets	25	(272)	(3)
RETURNS ON INVESTMENTS			
Interest received		76	41
Corporation tax paid		(8)	-
Increase in cash		<u><u>768</u></u>	<u><u>(3070)</u></u>

THE NOTES ON PAGES 17 TO 29 FORM AN INTEGRAL PART OF THESE ACCOUNTS

* = indicate figures which have been restated

RECONCILIATION OF OPERATING DEFICIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2000/01 £ ,000	9 Months to 31 Mar 2000 £ ,000 as restated
Operating deficit	(1,784)	(5,020)*
Depreciation of tangible assets	92	1
(Decrease) / Increase in debtors	726	(776)
Increase in creditors	3,715	10,472*
Interest receivable	(76)	(41)
Increase in NLDF	(1,818)	(3,568)
Cash transferred from Home Countries	-	(4,293)*
Notional Interest on capital	117	117
Net cash inflow from operating activities	972	(3,108)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2000/01 £ ,000	9 Months to 31 Mar 2000 £ ,000
Increase in cash in period	768	1,223
Movement in liquid resources	1,092	3,568
Change in net funds	1,860	4,791
Net funds brought forward	5,567	776
Net funds at 31 March 2001	7,427	5,567

CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	2000/01 £ ,000	9 Months to 31 Mar 2000 £ ,000 as restated
Opening cash balance	1,223	-
Cash balances transferred	-	4,293*
Net cash inflow / (outflow)	768	(3,070)*
Cash and bank balances as at 31 March	1,991	1,223

* = indicate figures which have been restated

NOTES TO THE ACCOUNTS

ACCOUNTING POLICIES

Accounting Convention

- 1 The financial statements have been prepared under the historical cost convention as modified by the inclusion of fixed assets at their fair value to the business and on the basis of the Accounts Direction issued by the Secretary of State for Culture, Media and Sport on 18 July 1997 to the English Sports Council. 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, the Treasury guidance on the accounts of Non Departmental Public Bodies and the National Lottery etc. Act 1993 insofar as those requirements are appropriate to the UK Sport National Lottery Sports Fund.
- 2 The accounts have been prepared under the accruals convention and, as such, all income and expenditure is taken into account in the financial period to which it relates.
- 3 In compliance with section 35 of the National Lottery etc. Act 1993 the accounts cover the period to 31 March 2001.
- 4 Separate accounts have been prepared for the UK Sport accounts funded from grant in aid, in accordance with the instructions issued by the Secretary of State. Consolidated accounts have not been prepared.

Hard and Soft Commitments

- 5 As required by the Secretary of State, a distinction is made in respect of Lottery awards between "hard" and "soft" commitments as follows :
- 6 a "hard commitment" occurs where a firm offer of award has been made by the Council and this offer has been accepted, together with any conditions dependent upon which the award has been made;
- 7 a "soft commitment" occurs where a firm offer of award has been made by the Council but the offer and associated conditions have not yet been accepted.

Receipts from the National Lottery

- 8 Funds are received from the National Lottery operator into a centrally maintained fund, the National Lottery Distribution Fund, which is managed by the National Debt Commissioners on behalf of the distributing bodies and which has been certified by the Secretary of State for Culture, Media and Sport as being available for distribution by the United Kingdom Sports Council in respect of current and future commitments. On a monthly basis funds are withdrawn from the National Lottery Distribution Fund into the bank account of the UK Sport Lottery Fund in order to meet payments falling due from suppliers and award recipients.

Tangible Fixed Assets

- 9 The UK Sport Lottery Fund does not own any land or buildings. All tangible fixed assets are shown at cost less accumulated depreciation.

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

Computer Hardware	3 years
Computer Software	3 years

Pension Costs

- 11 Contributions to the pension scheme of which the UK Sport is a member are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the Council.

Operating Leases

- 12 Rentals paid under operating leases are expended in the period to which the charge relates. There were no operating leases for the Lottery Fund during the year.

Charges to and from the UK Sport

- 13 The United Kingdom Sports Council 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 used on UK Sport Lottery Fund functions and vice versa. The costs so apportioned to the National 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 or staff time. In all cases the charges to the National Lottery distribution activity have been calculated on a full cost recovery basis in accordance with H.M.Treasury's "Fees and Charges Guide".

Investments

- 14 Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of these balances attributable to the UK Sport Lottery Fund is shown in the accounts and, at 31 March 2001, has been certified by the Secretary of State for Culture, Media and Sport as being available for distribution by the UK Sport Lottery Fund in respect of current and future commitments.

Taxation

- 15 Amounts of interest in the National Lottery Distribution Fund do not fall within the scope of Corporation Tax. Once drawn down into the nominated accounts of the United Kingdom Sports Council interest thereon is subject to Corporation Tax and is fully provided in the period to which it applies.

Notional Costs

- 16 In accordance with Treasury Guidance, the Income and Expenditure Accounts include notional costs as well as those actually incurred so that the full cost of the UK Sport's activities are disclosed in the accounts. The UK Sport has included an assessment of the cost of capital employed. This is calculated by applying an interest factor to the net assets of the fund (excluding the NLDF and grant commitments), being 6%.

PRIOR YEAR ADJUSTMENTS

- 17 Following the transfer of the accounting function from SportEngland, we undertook a re-assessment of hard commitments brought forward from 1999/2000 which stood in the books at £8.9 Million. This exercise showed that we needed to record net additional commitments of £1.47 million to ensure that our commitments as at 31 March 2001 are correctly recorded. We have now recorded these additional commitments of £1.47 million and adjusted prior year figures accordingly.

NATIONAL LOTTERY DISTRIBUTION FUND

- 18 During the period under review the UK Sport Lottery Fund received and distributed the following sums :

	2000/01 £ ,000	9 Months to 31 Mar £ ,000
Balance brought forward	3,568	-
Share of net operator proceeds	23,735	18,778
Investment returns from National Lottery Distribution Fund	235	148
Available for distribution	27,538	18,926
Funds drawn down	(22,152)	(15,358)
Balance carried forward	5,386	3,568

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

STAFF COSTS

- 19 The aggregate staffing costs of the Lottery Sports Fund during the period under review were as follows :

	31 March £ ,000	9 Months 31 Mar £ ,000
Wages and salaries	94	30
Social security costs	8	14
Temporary and agency staff costs	8	2
Other pension costs	2	3
Total Employee Costs	112	49

- 20 The average number of staff employed, organised into areas of responsibility, during the period were as follows:

	2000/01	9 Months 31 Mar
Operations/Planning/Development	5	2
Average Staff Numbers	5	2

- 21 Salary and pension entitlements of most senior members of UK Sport

		Age	Salary, including performance pay but excluding pension (£k)	Real increase in pension at 60 (£k)	Total Accrued pension at 60 at 31/03/01 (£k)
Richard Callicott	Chief Exec	54	75-80	0-2.5	0-5
Neil Shearer	Director	45	50-55	0-2.5	0-5
Roger Moreland	Director	42	50-55	0-2.5	5-10
Liz Nicholl	Director	48	50-55	0-2.5	0-5
John Scott	Director	49	55-60	0-2.5	15-20
Michele Verroken	Director	46	45-50	0-2.5	5-10

- 22 The current Chief Executive of UK Sport, Richard Callicott was appointed on 23 August 1999, his remuneration for the period to 31 March 2001 was £83,264 (1999/2000 £41,100 part year) including employer's pension contributions. He is a member of London Pension Fund Authority Superannuation Scheme, to which UK Sport pays a contribution equivalent to 8.5% of salary.

CHAIRMAN

- 23 Sir Rodney Walker was appointed as Chairman of UK Sport on 6 July 1998. The appointment has been extended from 3 to 5 years ending on 5 July 2003 and carries a non pensionable salary of £36,704 (1999/2000 £35,670) in return for working on average, 3 days per week.

MEMBERS REMUNERATION

24 UK Sport pays members remuneration of £180 per day (1999/2000-£175 per day) for attendance at meetings (£90 for half day meetings (1999/2000-£87.5) changes to the old rate took effect from July 2000. Members cannot receive more than 12 payments a year, these amounted to £12,770 (1999/2000-£4,289) during the year as follows:

	31 Mar 2000/01 £	9 Months to 31 Mar 2000 1999/00 £
Gareth Davis	270	175
Diana King OBE	2,160	525
Adrian Metcalf OBE	2,788	613
Zahara Hyde Peters	900	263
Craig Reddie CBE	1,077	350
Sarah Springman OBE	900	963
Gavin Stewart	1,260	525
Mary Neville	900	175
Myra Nimmo	720	700
Tanni Grey-Thompson OBE	540	-
Prof. Eric Saunders	715	-
Judy Simpson	540	-
	12,770	4,289

25 **TANGIBLE FIXED ASSETS**

	2000/01 £ ,000	9 Months to 31 Mar 2000 £ ,000
Cost at 31 March	3	-
Additions	272	3
Disposals	-	-
Cost at 31 March	275	3
Accumulated depreciation at 31 March	(1)	-
Charge for the year	(92)	(1)
Disposals	-	-
Accumulated depreciation at 31 March	(93)	(1)
Net book value at 31 March	182	2

INVESTMENTS

- 26 The funds attributable to the Lottery Sports Fund, whilst they are within the National Lottery Distribution Fund, are invested by the National Debt Commissioners, and interest accrued is credited to the balance available for distribution.
- 27 Capital sums are distributed in accordance with the provisions of the National Lottery etc. Act 1993. Interest earned on the sums invested is apportioned to each of the Lottery Distributors on the basis of their percentage share of the total remaining National Lottery Distribution Fund at the time the interest is received.

28 **DEBTORS**

	2000/01 £ ,000	9 Months to 31 Mar 2000 £ ,000
Balances due from other home countries	-	683
SportEngland	48	93
Other debtors	2	-
(All amounts fall due within one year)	50	776

29 **CREDITORS**

	2000/01 £ ,000	9 Months to 31 Mar 2000 £ ,000
Trade Creditors	120	-
Accruals	78	61
Corporation tax	15	8
Other creditors	65	-
(All amounts fall due within one year)	278	69

30 **INCREASE IN LOTTERY FUNDS**

	2000/01 £ ,000	9 Months to 31 Mar 2000 £ ,000
The increase in Lottery funds is stated after charging:		
Auditors' remuneration	15	15
Panel members travel, subsistence and hospitality	8	7
Corporation tax on interest received	15	8

SUPERANNUATION SCHEME

- 31 The majority of staff of the UKSC are members of the London Pension Fund Authority Superannuation Scheme (LPFA). The UKSC is one of several employers whose staff participate in the scheme, and data given in this note refers to the whole scheme.
- 32 The pension is the defined benefit type and is funded by employees and employers at actuarially determined rates.
- 33 The scheme is subject to triennial valuations by the consulting actuaries to the LPFA and the latest valuation was carried out as at 31 March 1998, and published in March 1999. The actuarial method used is market related, based on average yields and market values in the 12 months leading up to the valuation date. This represents a change in method, previous valuations being based on the discounted value of future income streams.
- 34 The main actuarial assumptions are that:
the per annum rate of general price inflation is 3.2%; and
the per annum rate of pay inflation is 5.2%.
- 35 The estimated average investment return on the funds assets is 7.3%, based on actuarial assumptions. The market value of scheme assets at 31 March 1998 is £2,647 million. The actuarial valuation shows that this represents 103% of the benefits accruing to members, after allowing for future increases in earnings.
- 36 Following the advice of the consulting actuaries to the LPFA the UKSC's employer contribution was increased from 5.7% to 8.5% with effect from 1 April 1998.

37 HARD COMMITMENTS

	2000/01 £ ,000	9 Months to 31 Mar 2000 £ ,000 as restated
Hard commitments brought forward	10,411	-
Hard commitments transferred from SportEngland	-	5,156
Hard commitments made this year	24,673	23,522*
Hard de-commitments	(322)	(795)
Hard Commitments made in the year	24,351	27,883
Hard commitments met in the period	(20,838)	(17,472)
Hard commitments carried forward as at 31	13,924	10,411

*= See prior year adjustment note 17

HARD COMMITMENTS	2000/01 £ ,000	9 Months to 31 Mar 2000 £ ,000 as restated
Amounts falling due during 2001/02	5,487	10,411
Amounts falling due during 2002/03	2,813	-
Amounts falling due during 2003/04	2,812	-
Amounts falling due during 2004/05	2,812	-

In recognition of the possibility of a future unmitigated shortfall in lottery funds, awards made are on the condition that they are only guaranteed "to the extent that UK Sport continues to receive funds from the National Lottery to the level required to meet all its awards for each of the next four years. In the event that a shortfall in lottery income occurs, for whatever reason, UK Sport Council reserves the right to amend the level of the overall award in consultation with the Performance Director.

38 **SOFT COMMITMENTS**

	2000/01 £ ,000	9 Months to 31 Mar 2000 £ ,000
Soft commitments brought forward	296	-
Soft commitments transferred to hard	(24,673)	(23,522)*
Soft de-commitments	(7)	-
Soft commitments made	69,247	22,348
Prior year adjustment -soft commitments made		1,470
Soft commitments carried forward as at 31	44,863	296

*= See prior year adjustment note 17

CONTINGENT LIABILITIES

39 There were no contingent liabilities as at 31 March 2001.

CAPITAL COMMITMENTS

40 As at 31 March 2001, the Lottery Sports Fund had made no commitments to purchase further capital equipment (1999: NIL)

RELATED PARTY TRANSACTIONS

41 The Department for Culture, Media and Sport is the sponsoring department for the UK Sport, and is regarded as a related party of the Council. During the year the UK Sport had a number of material transactions with the Department.

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

As a matter of policy and procedure, Council members, Lottery Awards Panel members and staff maintain publicly available registers of interests and declare any direct interests in grant applications made to the Lottery Sports Fund 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.

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

MAJOR EVENTS STEERING GROUP

MESG Date	Lottery Award	Organisation	Panel Member	Conflict/declaration
24-Jun-00	1999 IBF Badminton Grand Prix Finals	International Badminton Federation	Anne Smillie	Member, Scottish Badminton Union
04-Aug-00	2005 World Champs in Athletics	AAF	Adrian Metcalfe John Boulter	Member UK Sport World sport Networks

UKAP DISCLOSABLE RELATED PARTY TRANSACTIONS - LOTTERY AWARDS

Panel meeting	Lottery Award	Organisation	Panel Member	Relationship
28-Jun-99	£810,520	UK Athletics - Disability	Tanni Grey-Thompson	Employee
26-Jul-99	£620,905	Amateur Swimming Federation GB (ASFGB)	Ian Mason	Member
"	£156,912	ASFGB - Disability Swimming	"	"
"	£34,290	British Triathlon Association	Sarah Springman	Member and Hon President
25-Oct-99	£3,045,839	UK Athletics	Tanni Grey-Thompson	Employee
"	£112,676	UK Athletics - Disability	"	"
"	£347,366	ASFGB - Diving	Ian Mason	Member
"	£1,200,000	ASFGB - Disability	"	"
20-Dec-99	£1,597,810	UK Athletics - Disability	Tanni Grey-Thompson	Employee
"	£1,901,931	ASFGB	Ian Mason	Member
31-Jan-00	£2,754,621	Amateur Rowing Association	Gavin Stewart	Member
"	"	"	Sarah Springman	Member
"	£93,757	National Ice Skating Association	Richard Gordon	Chief Executive
22-Feb-00	£696,034	British Paralympic Association	Tanni Grey-Thompson	Member/athlete
"	£41,920	British Paralympic Association - Technical Director	"	"
"	£333,258	British Triathlon Association	Sarah Springman	Member and Hon President
23-May-00	£1,420,946	UK Athletics	Tanni Grey-Thompson	Employee
19-Jun-00	£121,212	UK Athletics - Disability	"	"
"	£840,000	ASFGB	Ian Mason	Member
"	£530,000	ASFGB - Disability	"	"
"	£157,000	ASFGB - Diving	"	"
"	£212,003	British Triathlon Association	Sarah Springman	Member and Hon President
"	£974,012	UK Athletics	Tanni Grey-Thompson	Employee
"	£155,708	UK Athletics - Disability	"	"
"	£1,749,981	ASFGB	Ian Mason	Member
"	"	"	Richard Gordon	Employee
"	£1,381,209	ASFGB - Disability	Ian Mason	Member
"	"	"	Richard Gordon	Employee
"	£1,656,532	Amateur Rowing Association	Gavin Stewart	Member
"	"	"	Sarah Springman	Member
"	£457,000	British Triathlon Association	Sarah Springman	Member and Hon President
"	£74,196	National Ice Skating Association	Richard Gordon	Chief Executive

Panel meeting	Lottery Award	Organisation	Member	Relationship
28-Jun-99	£810,520	UK Athletics Disability	Tanni Grey-Thompson	Employee
26-Jul-99	£620,905	Amateur Swimming Federation GB (ASFGB)	Ian Mason	Member
"	£156,912	ASFGB Disability Swimming	"	"
"	£34,290	British Triathlon Association	Sarah Springman	Member and Hon President
25-Oct-99	£3,045,839	UK Athletics Disability	Tanni Grey-Thompson	Employee
"	£112,676	UK Athletics Disability	"	"
"	£347,366	ASFGB - Diving	Ian Mason	Member
"	£1,200,000	ASFGB Disability	"	"
20-Dec-99	£1,597,810	UK Athletics Disability	Tanni Grey-Thompson	Employee
"	£1,901,931	ASFGB	Ian Mason	Member
31-Jan-00	£2,754,621	Amateur Rowing Association	Gavin Stewart	Member
"	"	"	Sarah Springman	Member
"	£93,757	National Ice Skating Association	Richard Gordon	Chief Executive
22-Feb-00	£696,034	British Paralympic Association	Tanni Grey-Thompson	Member/athlete
"	£41,920	British Paralympic Association - Technical Dir.	"	"
"	£333,258	British Triathlon Association	Sarah Springman	Member and Hon President
23-May-00 +	£1,420,946	UK Athletics Disability	Tanni Grey-Thompson	Employee
19-Jun-00	£121,212	UK Athletics Disability	Tanni Grey-Thompson	Employee
"	£840,000	ASFGB	Ian Mason	Member
"	£530,000	ASFGB Disability	"	"
"	£157,000	ASFGB - Diving	"	"
"	£974,012	UK Athletics Advanced Core Funding	Tanni Grey-Thompson	Employee
"	£155,708	UK Athletics Disability	"	"

"	£1,749,981	ASFGB Advanced Core Funding	Ian Mason	Member
"	"	"	Richard Gordon	Employee
"	£1,381,209	ASFGB Disability Advanced Core Funding	Ian Mason	Member
"	"	"	Richard Gordon	Employee
"	£1,656,532	Amateur Rowing Association Advanced Core Funding.	Gavin Stewart	Member
"	Speed Skating £54,086	National Ice Skating Association	Richard Gordon	Chief Executive
"	Figure Skating £20,110	National Ice Skating Association	Richard Gordon	Chief Executive
31-Jul-00	Figure Skating £52,345	National Ice Skating Association	Richard Gordon	Chief Executive
"	Speed Skating £222,264	National Ice Skating Association	Richard Gordon	Chief Executive
22-Jan-01	£6,869,396	Amateur Rowing Association	Gavin Stewart	Member
"	£5,030,000	Royal Yachting Association	Rod Carr	Secretary General
19-Feb-01	£4,920,000	Amateur Swimming Federation GB (ASFGB)	Richard Gordon	Employee
04- 05/03/2001	£1,717,200	British Triathlon Association	Sarah Springman	Member and Hon President
"	Diving £864,000	Amateur Swimming Federation GB (ASFGB)	Ian Mason	Member
"	£221,080	British Paralympic Association	Tanni Grey- Thompson	Received Support
"	Dis Swimming £3,024,000	Amateur Swimming Federation GB (ASFGB)	Ian Mason	Member
"	£2,263,200	UK Athletics - Disability	Tanni Grey- Thompson	Employee

MESG - Disclosable Related Party Transactions - Lottery Awards

MESG Date	Lottery Award	Organisation	Panel Member	Conflict/declaration
24-Jun-00	1999 IBF Badminton Grand Prix Finals	International Badminton Federation	Anne Smillie	Member, Scottish Badminton Union
04-Aug-00	2005 World Champs in Athletics	IAAF	Adrian Metcalfe John Boulter	Member UK Sport Worldsport Networks