



The United Kingdom Sports Council

Lottery Distribution Fund

Annual Report and Accounts for the Year Ended

31 March 2003

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Foreword and Annual Report

History and Background of the United Kingdom Sports Council

The United Kingdom Sports Council (UK Sport) 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 “to lead the UK to sporting excellence”. In order to achieve this, UK Sport will:

- Support winning athletes;
- Stage world class events in world class style; and
- Promote ethically fair and drug free sport

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”.

UK Sport 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 16.6% of which 9.2% is distributed by UK Sport.

The distribution of such funds, (which 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 UK Sport under the title of the UK Sport Lottery Fund.

Organisational Structure

Chief Executive Officer

UK Sport is headed by the Chief Executive who is also the Accounting Officer. He is supported by the Business Management Group comprising four executive directors and a senior manager heading each of four departments of the organisation and the Lottery Fund.

The Council

The Council is the equivalent of the Board of Directors and comprise 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 2003, 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 Sports Institute Panel and UKSI Leadership Group** - provide advice and guidance to Council on the strategic direction and operational functions of the UK Sports Institute network;
- **International Committee** - provides advice and guidance to Council on strategies for securing and extending UK influence in international sport;
- **Audit Committee** – considers external and internal audit reports, and oversees risk management processes, reviews the statutory accounts and other financial matters.

Members Of The United Kingdom Sports Council

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

	Member	Date of Appointment
Chairman	Sir Rodney Walker	6 July 1998 (extended to 18 September 2003)
Deputy Chairman	Mr Craig Reddie CBE	Reappointed 19th September 1999 (appointment expired 18 September 2002)
Members	Ms Judy Simpson	Reappointed 6th February 2000 (appointment expired 5 February 2003)
	Mr Trevor Brooking CBE	6 July 1998 (reappointed in 2001)(resigned 11 October 2002)
	Ms Zahara Hyde Peters	Reappointed 23 November 2001
	Mr Adrian Metcalfe OBE	Reappointed 23 November 2001
	Mr Gavin Stewart	Reappointed 23 November 2001
	Ms Tanni Grey –Thompson OBE	Reappointed 23 November 2001
	Mr Alastair Dempster	1 July 1999 (re-appointed 1 July 2002)
	Mr Gareth Davies	9 September 1999 (reappointed 1 April 2002)
	Prof Eric Saunders OBE	7 March 2000 (reappointed 1 April 2003)
	Mr Des Wilson	13 March 2000 (resigned 13 March 2003)
	Mr Nick Bitel	14 November 2002
	Mr Patrick Carter	27 November 2002
	Ms Constance St Louis	14 November 2002
	Ms Louise Martin CBE	14 November 2002
	Ms Laura McAllister	14 November 2002

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 UK Sport 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:

Mr Gavin Stewart (Chair)
Ms Tanni Grey-Thompson OBE (1st Deputy Chair)
Professor Eric Saunders OBE (2nd Deputy Chair)
Mr Ian Mason (resigned 18 April 2002)
Mr Rod Carr
Ms Anne-Marie Harrison
Chris Holmes MBE
Ms Louise Martin CBE (appointed to Panel 27 January 2003)

In order to provide advice, the UK Awards Panel called upon the expertise of officers of UK Sport and of external advisors.

Members of the Major Events Panel

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 UK Sport after it has received recommendations from the Major Events Panel, an executive committee, appointed from the fields of elite sport, media, marketing, local Government, and Governing body experience. The Members of the Major Events Panel for the period under review were:

Mr Nick Bitel (appointed Chair on 05 February 2003)
Mr Adrian Metcalfe (Chair - resigned on 05 February 2003)
Mr Lynne Evans MBE
Mr Mervyn Elder
Mr Robert Steven Rubin
Mr Alastair Dempster
Mr Gavin Fletcher

In order to provide advice, the Major Events Panel called upon the expertise of officers of UK Sport and external advisors.

Members of the Audit Committee

Members of the Audit Committee for the period were:

Mr Craig Reddie CBE (appointment expired 18 September 2002)
Ms Zahara Hyde Peters
Mr Alastair Dempster
Mr Nick Bitel

Members Interests

UK Sport maintains a register of the interests of its Members, and of the Members of the UK Awards Panel and of the Major Events Panel. This register may be viewed, by appointment, at the offices of UK Sport at 40, Bernard Street, London, WC1N 1ST.

Format of Accounts

These accounts have been prepared, in accordance with the direction given by the Secretary of State for Culture, Media and Sport issued on 26 March 2002, and in compliance with the provisions of section 35(3) of the National Lottery etc. Act 1993. A copy of the accounts direction may be obtained from UK Sport at 40 Bernard Street, London, WC1N 1ST.

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. A separate set of accounts is prepared for UK Sport activities funded by the Exchequer; a copy of which can be obtained from UK Sport Corporate Services Team, 40 Bernard Street, London, WC1N 1ST.

Operating and Financial Review

Financial Results

The result for the year is a surplus of £5.96million (2001/2002 £32.2m deficit) which when taken together with the deficit from last year, brings the shortfall on the lottery fund to £32.86million (2001/2002 - £38.8m). This shortfall is a direct result of the mis-match on the Income and Expenditure Account of lottery fund income for the current year (note 10), with commitments to UK elite athletes, governing bodies and events for periods of up to four years.

Commitments to athletes, governing bodies and events (note 11) are made for periods of up to four years to provide them with certainty of funding and to facilitate effective planning cycles for future Olympic Games. These commitments are a contractual obligation on the part of UK Sport, which under current accounting rules must all be recorded as liabilities.

This requirement to record all liabilities far into the future does not extend to future income streams. As such, it will always result in a mismatch of income and expenditure in these accounts, resulting in a persistent deficit on the lottery fund account.

Review of Activities

The UK Sport Lottery Fund principal activities are to:

- Invest Lottery funds directly in support of world class athletes who are 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;
- Support UK governing bodies of sport to assist them in operating World Class Performance Programmes and developing athlete-centred structures; and
- Invest Lottery funds in organisations bidding for, and staging, major world class international events under the World Class Events Programme.

The UK Sport Lottery Fund had available to it, from National Lottery receipts and interest generated within the National Lottery Distribution Fund, £29.5million (2001/2002 £31.1m) during the period covered by these accounts.

The UK Sport Lottery Fund made 1358 (2001/2002 1540) Hard Commitments (awards which, had been accepted by the applicant) totalling £15.2million, (2001/2002 £57.3m) and at the end of the period Soft Commitments (awards which were still awaiting acceptance or compliance with specific conditions) numbered 85 (2001/2002 108 awards) and totalled £3.7million (2001/2002 £3.9m).

Future Funding

UK Sport Lottery funding represents 1.533% of UK National Lottery Income; as such this income is variable, depending upon lottery ticket sales.

The long term nature of UK Sports lottery grant commitments requires a degree of stability in funding. In order that we can maximise our lottery grant payments, and ensure that we have sufficient funds to meet commitments, we have in place an agreement with the DCMS to provide a contingency should lottery funds fall below an agreed level.

We have now estimated that the decline in lottery revenue noticeable from previous years will continue, with projected shortfall in 2003/04 and 2004/05 estimated at around £6.4million and £11.6million respectively up from £6million and £10million in earlier projections.

In order to continue to meet our commitments under the World Class Performance Programme we have agreed with the DCMS to move some lottery commitments into the ambit of Exchequer funding and to redeploy resources from the Exchequer programmes to fund part of this shortfall.

4 awards totalling £291,000, approved in principle as World Class Performance Programme lottery awards by Council on 10 March 2003, were awarded from UK Sport Exchequer funding underspend before the end of the financial year. These awards are therefore excluded from the lottery commitment figures.

Employment issues

UK Sport is committed to the development of positive policies to promote equal opportunity in employment; we ensure that people with a disability are given opportunities for suitable employment and that they are not discriminated against on the grounds of disability for recruitment, training or promotion purposes.

Currently within UK Sport 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 health, safety or welfare which brings together representatives of the management and trade union in a working environment.

Prompt Payment Policy

UK Sport aims to comply with the CBI prompt payment 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.

90 % (2001/2002 - 94%) of invoices were paid on time.

The Euro

The activities of UK Sport 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.

Compliance with Policy Directions

UK Sport is compliant with its Policy Directions under section 26 of the Act. In relation to each policy direction the following statements apply:

2a. Funds are distributed under two schemes – a) the World Class Performance Programme to UK funded national governing bodies and elite athletes through means tested personal awards and b) to the World Class Events Programme. The Programmes reflect a growing public awareness that success in, and support for, international competition is as important as providing access to sporting opportunities.

2b. People from all sections of society and all parts of the United Kingdom who satisfy the performance criteria in funded priority sports may be considered for means tested funding if they are successfully nominated for inclusion on the Performance Programme by the Performance Director. Funding is limited to those sports, or tailored to those talented individuals, that meet eligibility criteria relating to the aims of the Programme. UK Sport encourages those organisations which are its partners in sport to promote equality and diversity in all their activities.

World Class Events supported by UK Sport may be subject to economic impact analysis. A major event staged in the United Kingdom will bring economic benefit to the surrounding community as well as creating benefits for the sport.

2c. As part of its overall remit to promote positive roles and values within sport, UK Sport is working in collaboration with partner organisations and key stakeholders to determine good practice within sport and further raise awareness of the values and ethical principles of sport. Five key principles for ethical sport are:

- Protection of the individual
- Equity
- Drug free sport
- Corporate governance
- Sporting conduct

2d. UK Sport furthers the objectives of sustainable development in elite sport by, wherever appropriate, making awards up to four years to match the Olympic and Paralympic cycle to enable sport to plan ahead and secure world class personnel on long term contracts. The achievement of the overall aim to be among the top five sporting nations in the world by 2012 requires consistency and sustainability in funding.

2e. UK Sport revenue awards are for a maximum of four years and are linked to the Olympic/Paralympic cycle. Every four years or less, each governing body will have to make the sporting case to UK Sport to be funded for a further period, against the finite funds forecast to be available. The UK Sport Awards Panel undertakes an annual review of investment and

performance against targets to provide an assurance that funding is helping to meet objectives. Athlete personal awards are limited to one year at a time when a fresh application is made.

2f. Each applicant has to demonstrate that it is financially viable and fit for the purpose of receiving and managing Lottery funding. Long term viability is important in helping to sustain the status of the sport and the success of its athletes. UK Sport encourages sports to seek other sources of funding and sponsorship as future funding levels cannot be guaranteed. UK Sport does not have any capital schemes.

2g. UK Sport expects an element of partnership funding and/or contribution in kind commensurate with the reasonable ability of different kinds of applicants to obtain such support. Partnership funding is no longer a direct factor in deciding the level of award, but applicants are encouraged to seek additional sources of funding, as awards will not normally be increased over the four year cycle.

On World Class Events, UK Sport expects a significant contribution by the applicant in the form of sponsorship and/or cash and in kind, but no longer sets a fixed percentage contribution.

2h. UK Sport is working with its partner organisations and key stakeholders, including the home country Sports Councils and Institutes of Sport, to deliver elements of the strategy, which will be reviewed and developed to achieve cohesion and consistency. Most of the funding decisions are subject to the endorsement of the UK Sports Council on which sit the Chairs of each home country Sports Council.

2i. UK Sport solicits governing body applications under the World Class Performance Programme as the most effective way of achieving part of its core purpose of leading the UK to sporting excellence by supporting winning athletes.

2j. UK Sport may utilise independent expert advice as part of the assessment process, in particular on significant major event applications, and when monitoring and evaluating performance under existing awards.

Monitoring and Evaluation

During 2002/03 the majority of external monitoring and evaluation studies continued to be commissioned through a service level agreement with Sport England who maintain a world class adviser database.

The following sports and organisations were subject to monitoring and evaluation in 2002/03 through the service level agreement:

- Disability Athletics
- Modern Pentathlon
- Triathlon
- Wheelchair Basketball
- Bobsleigh
- British Paralympic Association and small Paralympic sports

No major issues of concern arose. Recommendations from studies are built into action plans with the sport and managed by the UK Sport Performance Development Consultant. In addition,

UK Sport used independent expert assessment advice on the World Indoor Athletic Championship 2003.

Since 1 April 2003 all aspects of monitoring and evaluation of World Class Performance Plans and the World Class Events Programme have been managed by UK Sport. Close co-operation will continue with Sport England if a jointly funded sport through World Class Potential is due for review, and input sought from home country Sports Councils and home country Institutes. The intention is to refine the scope of future reviews with more focus on discrete elements of a Plan where the use of independent and specific expertise can help a Performance Director achieve measurable improvements to the Performance Programme.

UK Sport Lottery Strategy: 2002-2005

UK Sport published its Lottery Strategy 2002-2005 in July 2002 supporting its core purpose to lead the UK to sporting excellence by supporting winning athletes, world class events, and ethically fair and drug free sport.

The strategy built on the outstanding success of the British and Olympic and Paralympic teams in Sydney 2000, and the successful major events which have been staged in the UK over recent years, and was the product of extensive and continuing dialogue with partner organisations and key stakeholders. It sets out the way UK Sport is managing its World Class Programmes through to 2005.

Performance against medal targets for individual Olympic and Paralympic sports are reviewed annually by the UK Sport Awards Panel. With few exceptions, Summer sports were generally found to be on target at the review early in 2003. A review of Winter sports will be held during the summer months.

Performance against targets for administrative efficiency

Average time taken to process each Lottery funded application

UK Sport Lottery applications are diverse in nature and do not lend themselves to a meaningful single target, which had been set at 12 weeks. The UK Sport grant management system is able to provide important statistical data on the types of Lottery application recorded:

- Applications from national governing bodies for programme funding
- Applications from athletes for athlete personal awards and education awards
- Pre-applications from bodies wishing to bid for and/or stage events in the UK
- Full applications from those bodies that have passed the pre-application stage and wish to bid for and/or stage world class events in the UK.

In 2002/03, 34 applications from national governing bodies were processed. Taking the time between recording the application and when the soft commitment was made (often by a decision of the UK Sports Council) the average number of working days for each application was 42.6 days or just over 8 weeks. For athletes, 1,324 applications were dealt with, of which 1,007 were for athlete personal awards. These took an average of 11.7 working days to process.

In 2002/03, 40 pre-applications on Major Events were received. These took an average of about 5 working weeks to process. Of these 16 were sent a full application form, and 24 were not considered to meet the criteria for support from the World Class Events Programme, and were

referred for consideration to the appropriate home country Sports Council. 11 full applications were received and approved in 2002/03. Average processing time for these applications from receipt to a decision was about 6 weeks. On Major Events in particular a lot of preliminary work between UK Sport officers and the organising body can take place before a formal application is submitted.

In each case, UK Sport is processing applications in less than the average target time. NGB applications for funding are normally required to be submitted within a relatively narrow time band to meet the sequence of assessment, recommendation, and decision making in UK Sport. All summer sport awards normally commence from 1 April, and decisions are normally made no later than the March Council meeting. This discipline has removed the tradition of applications coming in at different times of the year and taking longer to process.

Average administrative cost per completed application

2002/03 is the first year in which UK Sport has been able to assess the cost of dealing with all its Lottery applications. With an outturn of some £1.68 million of total Lottery administration costs and some 1,400 applications, the cost per application was calculated as £1,200. This figure will be used as the benchmark for 2003/04.

Significant Events

Winning Athletes

- The World Class Performance Programme continues to have an impact on British athletes' results. The Manchester Commonwealth Games yielded a record haul of home nation medals with 231 in total – of which 66 were gold.
- Among the medallists in Manchester was Chris Hoy, winner of the 1km Time Trial riding the revolutionary bike developed with funding and assistance from the UK Sports Institute.
- The UK Sports Institute's second annual World Class Coaching Conference took place at the Belfry in November. The event was hailed as a great success, with over 300 of Britain's elite coaches, sports science and sports medic practitioners gathering to examine their roles as leaders in sport.

World Class Events

- Highlight of the year was the 2003 World Indoor Championships in Athletics held in Birmingham and supported by over £1.1 million from UK Sport's World Class Events Programme.
- Another major commitment made during the year was for £1.15 million which helped secure the 2006 World Rowing Championships for Dorney Lake in Eton. This constituted the largest ever award from the World Class Events Programme.
- Nick Bitel – Chief Executive of the London Marathon – was appointed Chairman of UK Sport's Major Events Panel in February 2003. The Panel is responsible for setting out the UK's overall ten-year plan for major events.

Ethically Fair and Drug-free Sport

- UK Sport managed the testing programme at the 2002 Commonwealth Games in Manchester, which saw 978 tests undertaken over the ten days of competition. This followed a comprehensive pre-Games testing programme covering UK athletes. Altogether, in 2002/2003 a total of 41 sports were covered by the anti-doping programme;
- 7240 tests were undertaken, governing bodies receiving the most testing include: Football Association-1256; UK Athletics-509; and Rugby Union -275. These figures reflect the importance of the deterrence aspect of the anti-doping programme;

- The quarterly reporting of results was successfully launched in October 2002; a copy can be obtained from Drug Free Sport, at 40 Bernard Street, London, WC1N 1ST. This allows those in sport, and the general public, to see that UK Sport is working all year round to promote those athletes who are committed to drug-free sport and to combat drug misuse in sport;
- The Nandrolone Progress Report was published in February 2003. This provided a review of research into Nandrolone and provided advice and guidance for UK Sport, national governing bodies and athletes; and
- The Drug Free Sport Directorate achieved the transition from ISO 9002:1994 to ISO 9001:2000 in December 2002 as well as an extension to scope to include all stages of the International Standard for Doping Control and inclusion of its education and information processes.

Significant Future Events

As an organisation, UK Sport is now primarily focused on the forthcoming Olympic and Paralympic Games in Athens in 2004. In addition to this:

The UK Sports Institute and Performance Services directorate are being reviewed and will form a new Performance directorate, the objectives of this the review are:

- Improved alignment and coordination of work priorities;
- Clarity of functions, roles and elimination of duplication internally; and externally in the relationship between UK Sport, British Olympic Association, British Paralympic Association and the Institutes; and
- Ensuring value for money in the delivery of services.

The strategic outcome of the review will focus on:

- World class leadership and strategy development;
- World class people development;
- UK wide projects;
- Brokering interim solutions until embedded systems are in place;
- One stop investment planning;
- Quality Assurance; and
- Advising, supporting, monitoring, evaluating and inclusive strategy review and renewal.

The World Anti-Doping Code was agreed in Copenhagen in March 2003. The Code, which will harmonise anti-doping policies across all countries and all sports, must be in place by the start of the 2004 Olympics. UK Sport has initiated an extensive implementation plan which should see compliance with the Code in the UK by April 2004.

Executives and executive directors of the lottery sports fund

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.

The Director responsible for UK Sport Lottery Fund distribution activities for the year was the Director of Performance Services, Liz Nicholl.

Audit

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 at Westminster and the Scottish Parliament.

Post Balance Sheet Events

12 World Class Performance Programme Awards totalling £6.3million were transferred from lottery to exchequer funding (5 awards were transferred in part and 7 in full). These transfers were required following direction by the Minister for Sport that commitments which could not be funded due to declining lottery revenues be funded from Grant-in-Aid.

Additional Grant-in-Aid of £3million will be made available by the Exchequer towards the expected shortfall of £6.3million in 2003/4. This will be supplemented by £3.3million of UK Sport's existing Grant-in-Aid, re-deployed from other areas of activity.

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

Under section 35(2) and (3) of the National Lottery etc. Act 1993 UK Sport Lottery Fund 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.

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.

In preparing the accounts the Council is required to:

- observe the accounts directions issued by the Secretary of State, including the relevant accounting and disclosure requirements;
- 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; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Council will continue in operation.

The Accounting Officer for the Department of Culture, Media and Sport (DCMS) has designated the Chief Executive of 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 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 he is personally responsible, in accordance with the responsibilities assigned to him 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 his separate Accounting Officer responsibilities to Parliament, in particular responsibility for taking action should the Chairman or the Council contemplate a course of action involving a transaction which he considers will infringe the requirements of regularity or propriety or which does not represent efficient or effective administration. He acknowledges also that under the terms of the UK Sport Financial Directions, neither the Chairman nor the Council is permitted to give him instructions which conflict with his 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 (NGB) 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. A formal Policy on Internal Control has been approved by Council and the Audit Committee which defines internal control processes and roles and responsibilities.

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.

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;
- 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.

The Audit Committee has recently appointed new non-executive members to restore the committee to full strength enhancing the mix of appropriate professional skills.

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;
- 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 2003/04 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 2002/03 was 64% (2001/2002 -73%). Full assurance was achieved in 26% of the programme and substantial assurance achieved in a further 48%. These included five high risk areas of which four received substantial assurance, providing an indication of overall assurance for the year. 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 14 reviews of NGBs were completed during the year. Eight of these produced a reasonable level of assurance; the remainder were categorised as limited. In only one instance was no assurance provided, and significant improvements have since been achieved. In all cases specific actions were agreed with the NGB and embedded in Partnership Action Plans (referred to below). In addition common issues under general themes requiring improvement were identified across NGBs, which may be picked up by the Modernisation programme.

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. Processes are in place to ensure that all relevant employment legislation is incorporated within our staff policies;
- A three year Funding Agreement agreed with the Department of 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).

The following further initiatives are planned for 2003/04:

- We are 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 by 2004/05;
- We are in the process of developing Major Events strategies with each individual sport. A significant number of these have been completed during 2002/03; and
- We are in the process of developing a cohesive Performance Planning and investment strategy involving key stakeholders including home country Sports Councils, Institutes of Sport, and the British Olympic Association.

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.

Compliance with Turnbull Guidance on Internal Control

We believe we have made very significant progress in 2002/03 and believe we have achieved compliance by the end of this financial year with the Turnbull Guidance on Internal Control. We expect therefore to be fully compliant throughout the next financial year (2003/04). We do accept however that we will need to continually ensure that risk management processes are imbedded throughout the organisation.

Richard Callicott

Sir Rodney Walker

Chief Executive and Accounting Officer for
United Kingdom Sports Council

Chairman of the United Kingdom Sports
Council



The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament.

I certify that I have audited the financial statements on pages 22 to 38, 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 25 and 26.

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

As described on page 14 UK Sport 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 and Annual Report. 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 etc. Act 1993 and the directions there under 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 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 15 to 19 reflect 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.

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, 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 2003 and of the increase 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 1993 and the directions made thereunder 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

NATIONAL AUDIT OFFICE

157-197 Buckingham Palace Rd
Victoria
London
SW1W 9SP

..... 2003

Supplementary Statement by the Comptroller and Auditor General

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

INCOME AND EXPENDITURE ACCOUNT

	Note	2002/03 £,000	2001/02 £,000
INCOME			
Share of proceeds from the National Lottery	10	21,110	25,442
Investment returns from National Lottery Distribution funds	10	329	231
Interest Receivable		24	50
		<u>21,463</u>	<u>25,723</u>
EXPENDITURE			
Hard commitments	11	15,198	57,280
Hard de-commitments	11	(1,637)	(726)
Staff costs	14	216	209
Depreciation - tangible assets	19	173	173
Other operating costs		694	390
Costs apportioned by the UK Sport		859	608
Notional Cost of Capital		28	26
		<u>15,531</u>	<u>57,960</u>
INCREASE/(DECREASE) IN LOTTERY FUNDS BEFORE TAXATION		5,932	(32,237)
Taxation		(5)	(10)
Reversal of Notional Cost of Capital		28	26
INCREASE/(DECREASE) IN LOTTERY FUNDS		<u>5,955</u>	<u>(32,221)</u>
Retained deficit on Lottery Funds brought forward		(38,814)	(6,593)
Fund balance as at 31 March		<u><u>(32,859)</u></u>	<u><u>(38,814)</u></u>

There are no discontinued activities.

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

The notes on pages 25 to 38 form part of these accounts.

BALANCE SHEET

	Note	2002/03 £,000	2001/02 £,000
FIXED ASSETS			
Tangible Assets	19	82	255
CURRENT ASSETS			
Investments - balance in NLDF	10	3,620	8,023
Debtors and prepayments	20	-	2
Cash at bank and in hand		788	238
		<u>4,408</u>	<u>8,263</u>
CREDITORS			
Sundry creditors falling due within one year	21	(198)	(251)
Hard grant commitments falling due within one year	11	(20,579)	(17,621)
		<u>(20,777)</u>	<u>(17,872)</u>
NET CURRENT LIABILITIES			
		<u>(16,369)</u>	<u>(9,609)</u>
Hard grant commitments falling due after one year	11	(16,572)	(29,460)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u><u>(32,859)</u></u>	<u><u>(38,814)</u></u>
REPRESENTED BY:			
Deficit on Lottery Funds		<u>(32,859)</u>	<u>(38,814)</u>

Richard Callicott

Chief Executive and Accounting Officer of the
United Kingdom Sports Council

Sir Rodney Walker

Chairman of the United Kingdom Sports
Council

.....2003

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The notes on pages 25 to 38 form part of these accounts

Cash Flow Statement

	Notes	2002/03 £,000	2001/02 £,000
OPERATING ACTIVITIES			
Cash drawn down from NLDF	10	25,842	23,036
Staff Costs	14	(216)	(209)
Operating Costs		(1,599)	(972)
Award payments	11	(23,491)	(23,397)
Net cash inflow/(outflow) from operating activities	24	<u>536</u>	<u>(1,542)</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets	19	-	(246)
RETURNS ON INVESTMENTS			
Interest received		24	50
Corporation tax paid		(10)	(15)
Increase/(Decrease) in cash	26	<u><u>550</u></u>	<u><u>(1,753)</u></u>

ACCOUNTING POLICIES

1. Accounting Convention

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 26 March 2002, a copy of which can be obtained from the Corporate Services team at 40 Bernard Street, London, WC1N 1 ST.

The Members consider that modified historical cost of fixed assets is not materially different from historical cost and as such reported fixed assets at their historical cost.

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.

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.

In compliance with section 35 of the National Lottery etc. Act 1993 the accounts cover the year to 31 March 2003.

Separate accounts have been prepared for the UK Sport operations funded from Grant in Aid, in accordance with the instructions issued by the Secretary of State. Consolidated accounts have not been prepared.

2. Hard and Soft Commitments

As required by the Secretary of State, a distinction is made in respect of Lottery awards between "hard" and "soft" commitments as follows:

- 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; and
- 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.

3. Tangible Fixed Assets

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

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

4. Pension Costs

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.

5. Operating Leases

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.

6. Charges to and from the 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 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, staff time or floor space. In all cases the charges to the National Lottery distribution activity have been calculated on a full cost recovery basis in accordance with HM Treasury's "Fees and Charges Guide".

7. Taxation

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 UK Sport interest thereon is subject to Corporation Tax and is fully provided in the period to which it applies.

8. Notional Costs

In accordance with Treasury Guidance, the Income and Expenditure Accounts include notional costs as well as those actually incurred so that the full costs of the UK Sport's activities are disclosed in the accounts. 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), of 6%.

9. Investments

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.

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.

10. National Lottery Distribution fund

During the period under review the UK Sport Lottery Fund has received and drawn down the following sums:

	2002/03 £,000	2001/02 £,000
Balance brought forward	8,023	5,386
Share of net operator proceeds	21,110	25,442
Investment returns from National Lottery Distribution Fund	329	231
Available for distribution	<u>29,462</u>	<u>31,059</u>
Funds drawn down	<u>(25,842)</u>	<u>(23,036)</u>
Balance carried forward	<u><u>3,620</u></u>	<u><u>8,023</u></u>

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media & Sport. However, the share of these balances attributable to UK Sport as shown in the accounts and at the Balance Sheet date, has been certified by the Secretary as being available for distribution by the body in respect of current and future commitments.

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 on a monthly basis.

At 31 March 2003 the cost of the fund was £3,639K (2001/2002 - £8,073K), unrealised losses of £19K (2001/2002 - £50K) were charged to Investment Returns to leave the Market Value at £3,620 K (2001/2002 - £8,023K).

11. Hard Commitments

	2002/03 £,000	2001/02 £,000
Hard commitments brought forward	47,081	13,924
Hard commitments made this year	15,198	57,280
Hard de-commitments	(1,637)	(726)
Hard commitments made in the year	<u>13,561</u>	<u>56,554</u>
Hard commitments met in the period	<u>(23,491)</u>	<u>(23,397)</u>
Hard commitments carried forward as at 31 March	<u><u>37,151</u></u>	<u><u>47,081</u></u>

Hard Commitments By Year

	2002/03 £,000	2001/02 £,000
Amounts falling due during 2002/03	-	17,621
Amounts falling due during 2003/04	20,579	15,434
Amounts falling due during 2004/05	14,670	14,026
Amounts falling due during 2005/06	1,902	-

12. Soft Commitments

	2002/03 £,000	2001/02 £,000
Soft commitments brought forward	3,944	44,863
Soft commitments transferred to hard commitments	(15,198)	(57,280)
Soft de-commitments	(155)	(534)
Soft commitments made	15,070	16,895
Soft commitments carried forward as at 31 March	<u><u>3,661</u></u>	<u><u>3,944</u></u>

The accounting policies applied for lottery funding require commitments to be recorded in the accounts when an offer has been made and accepted. Revenue can only be recognised when funds are made available within the National Lottery Distribution Fund. With effect from 2001/2002, and to provide appropriate financial security for grantees, UK Sport commits funds for a period of up to four years with the expectation that actual funds will be available from future lottery revenue to meet future years' expenditure.

13. Lottery Grant Payments During the Year

	£,000	£,000
To athletes:		
Amateur Rowing Association	790	
Amateur Swimming Federation of Great Britain	862	
British Amateur Gymnastic Association	274	
British Canoe Union	316	
British Cycling Federation	420	
British Equestrian Federation	213	
British Judo Association	231	
British Tennis Federation	125	
British Triathlon Association	185	
Grand National Archery Society	111	
Great Britain Wheelchair Basketball Association	236	
Modern Pentathlon Association of Great Britain	122	
Royal Yachting Association	516	
UK Athletics	1,165	
Other athletes	<u>529</u>	
		6,095
	£,000	£,000
To governing bodies:		
Amateur Rowing Association	1,667	
Amateur Swimming Federation of Great Britain	2,217	
British Amateur Gymnastic Association	1,279	
British Canoe Union	855	
British Cycling Federation	1,306	
British Equestrian Federation	978	
British Judo Association	820	
British Paralympic Association	394	
British Ski and Snowboard Federation	185	
British Taekwondo Council	121	
British Triathlon Association	429	
British Water Ski Federation	199	
Great Britain Target Shooting Federation	359	
Great Britain Wheelchair Basketball Association	230	
Modern Pentathlon Association of Great Britain	364	
Royal Yachting Association	1,288	
UK Athletics	2,540	
World Class Support-Sport England	286	
Other Governing Bodies	<u>496</u>	
		16,013
For events:		
2003 World Badminton Championships	202	
2003 World Indoor Athletic Championships	768	
2008 European Football Joint Bid	250	
Other events	<u>163</u>	
		1,383
Total grant payments in the year		<u><u>23,491</u></u>

14. Staff costs

The aggregate payroll costs (staff and management) of the Lottery Sports Fund during the period under review were as follows:

	2002/03 £,000	2001/02 £,000
Wages and salaries	183	166
Social security costs	14	14
Temporary and agency staff costs	-	12
Other pension costs	19	17
Total Employee Costs	<u>216</u>	<u>209</u>

15. Staffing

The average number of staff employed, during the period were as follows:

	2002/03	2001/02
Operations/Planning/Development	7	7
Average Staff Numbers	<u>7</u>	<u>7</u>

16. Salary and pension entitlements of most senior members of UK Sport

		Age	Salary including performance pay (£k) 31/03/03	Salary including performance pay (£k) 31/03/02	Real increase in pension at 60 (£k) 31/03/03	Real increase in pension at 60 (£k) 31/03/02	Total Accrued pension at 60 (£k) 31/03/03	Total Accrued pension at 60 (£k) 31/03/02
Richard Callicott	CEO	56	80-85	75-80	0-2.5	0-2.5	0-5	0 - 5
Neil Shearer	Director	47	60-65	55-60	0-2.5	0-2.5	0-5	0 - 5
Roger Moreland	Director (resigned 03/01/03)	45	45-50	60-65	0-2.5	0-2.5	5-10	5 - 10
Liz Nicholl	Director	50	65-70	60-65	0-2.5	0-2.5	0-5	0 - 5
John Scott	Director	51	60-65	60-65	0-2.5	0-2.5	15-20	15 - 20
Michele Verroken	Director	48	50-55	45-50	0-2.5	0-2.5	10-15	5 - 10
Andrew Barnett	Head Comms.	35	50-55	-	0-2.5	-	0-5	-

A proportion of the remunerations of senior members is charged to the Lottery Fund accounts in accordance with agreed apportionment formula as noted in policy note 6 above.

The current Chief Executive of UK Sport, Richard Callicott was appointed on 23 August 1999, his remuneration for the year to 31 March 2003 was £82,012 (2001/2002 - £79,554). He is a member of London Pension Fund Authority Superannuation Scheme, to which UK Sport pays a contribution equivalent to 12.5% (2001/2002 - 8.5%) of salary.

17. Chairman

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 18 September 2003 and carries a non-pensionable salary of £38,751 (2001/2002 £37,805) in return for working on average, 3 days per week.

18. Members remuneration

UK Sport pays members remuneration of £190 per day (2001/2002-£185 per day) for attendance at meetings (£95 for half day meetings (2001/2002-£92.5), changes to the old rate took effect from April 2002. Members cannot receive more than 12 payments a year in respect of Lottery Awards Panel meetings, these amounted to £1,420 (2001/2002-£728) during the year as follows:

	£ 2002/03	£ 2001/02
Sarah Springman	-	270
Gavin Stewart	280	-
Eric Saunders	1,140	458
	<u>1,420</u>	<u>728</u>

19. Tangible Fixed Assets

	Computer Software and Equipment 2002/03 £,000	Computer Software and Equipment 2001/02 £,000
Cost at 31 March	521	275
Additions	-	246
Disposals	(3)	-
Cost at 31 March	<u>518</u>	<u>521</u>
Accumulated depreciation at 31 March	(266)	(93)
Charge for the year	(173)	(173)
Disposals	3	-
Accumulated depreciation at 31 March	<u>(436)</u>	<u>(266)</u>
Net book value at 31 March	<u>82</u>	<u>255</u>

20. Debtors

	2002/03 £,000	2001/02 £, 000
Other debtors	-	2
	<u>-</u>	<u>2</u>
All amounts fall due within one year		

21. Creditors

	2002/03 £,000	2001/02 £,000
Trade Creditors	60	51
Accruals	133	190
Corporation tax	5	10
	<u>198</u>	<u>251</u>
All amounts fall due within one year		

22. Lottery Funds

	2002/03 £,000	2001/02 £,000
The Lottery fund is stated after charging for:		
Auditors' remuneration	18	17
Panel members travel, subsistence and hospitality	1	4
Corporation tax on interest received	5	10

23. 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 participate in the scheme, and data given in this note refers to the whole scheme and to the identified UK Sport portion of it.

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 £279,636 or 12.5% of pensionable pay (2001/2002 £188,138 or 8.5% and a one-off payment of £150,000 which enabled increased contributions for 2002/2003 and 2003/04 to be pegged at 12.5%, reverting to the full increased rate of 16.2% thereafter).

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 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.

Under the Financial Reporting Standards 17 (FRS17) issued by the Accounting Standards Board, the transitional arrangements requires that the following information, which have 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:

Balance Sheet disclosure as at 31 March 2003¹

Assets (Active sub-fund)

	2003 Long term return % per annum	Fund Value at 31 March 2003 £'000	2003 Expected return per annum £'000	2002 Long term return % per annum	Fund Value at 31 March 2002 £'000	2002 Expected return per annum £'000
Equities	8.00%	893,200	71,460	7.50%	1,180,900	88,570
Bonds	4.80%	153,400	7,360	5.50%	176,400	9,700
Property	6.00%	-	-	6.00%	-	-
Cash	4.00%	33,200	1,330	4.00%	38,900	1,560
	7.40%	<u>1,079,800</u>	<u>80,150</u>	7.10%	<u>1,396,200</u>	<u>99,830</u>

Net Pension assets for UK Sport

	31 March 2003 £' 000	31 March 2002 £' 000
Estimated Assets	2,212	2,517
Present value of scheme liabilities ²	(4,065)	(3,609)
Present value of unfunded liabilities ³	-	-
Total value of liabilities	<u>(4,065)</u>	<u>(3,609)</u>
Net Pension Assets/(Liabilities)	<u>(1,853)</u>	<u>(1,092)</u>

Assumptions

	31 March 2003 % per annum	31 March 2002 % per annum
Price increases	2.5%	2.8%
Salary increases	4.0%	4.3%
Pension increases	2.5%	2.8%
Discount rate	6.1%	6.4%

¹ In order to assess the actuarial value of the London Pensions Fund Authority Pension Fund's liabilities as at 31 March 2003, Hymans Robertson have rolled forward the actuarial value of the liabilities reported as at 31 March 2002, 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 United Kingdom Sports Council and its employees.

² 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. 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.

³ 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 2003/2004.

Analysis of Amount Charged to Operating Profit

Amount Charged to Operating Profit

	Year to 31 March 2003 £,000	Year to 31 March 2003 (% of Payroll)
Service Cost	224	9.3%
Past Service Costs	-	-
Curtailement and Settlements	-	-
Decrease in irrecoverable surplus	-	-
Total Operating Charge (A)	224	9.3%

Projected Amount Credited to Other Finance

	Year to 31 March 2003 £000	Year to 31 March 2003 (% of Payroll)
Expected Return on Employer Assets	161	6.7%
Interest on Pension Scheme Liabilities	(231)	(9.6%)
Net Return (B)	(70)	(2.9%)
Net Revenue Account Cost (A)-(B)	294	12.2%

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

	Year to 31 March 2003 £000
Actual return less expected return on pension scheme assets	(888)
Experience gains and losses arising on the scheme liabilities	143
Changes in financial assumptions underlying the present value of the scheme liabilities	-
Actuarial gain/(loss) in pension plan	(745)
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-
Actuarial gain/(loss) recognised in STRGL	<u>(745)</u>

Movement in Surplus/Deficit During the Year

	Year to 31 March 2003 £,000
Surplus/(deficit) at beginning of the year	(1,092)
Current Service Cost	(224)
Employer contributions	278
Other income	-
Other outgo (e.g. expenses, etc)	-
Past service costs	-
Impact of settlements and curtailments	-
Net return on assets	(70)
Actuarial gains/(losses)	(745)
Surplus/(deficit) at end of year	<u>(1,853)</u>

History of Experience Gains and Losses

	Year to 31 March 2003 £,000
Difference between the expected and actual return on assets	(888)
Value of assets	2,212
Percentage of assets	(40.2%)
Experience gains/(losses) on liabilities	143
Present value of liabilities	4,065
Percentage of the present value of liabilities	3.5%
Actuarial gains/losses recognised in STRGL	(745)
Present value of liabilities	4,065
Percentage of the present value of liabilities	(18.3%)

24. Reconciliation of Operating Deficit to net cash inflow/(outflow) from Operating Activities

	2002/03	2001/02
	£,000	£,000
Operating surplus/(deficit)	5,942	(32,237)
Depreciation of tangible assets	173	173
Decrease in debtors	2	48
(Decrease)/Increase in creditors	(9,978)	33,135
Interest receivable	(24)	(50)
Decrease/(Increase) in NLDF	4,393	(2,637)
Notional Interest on capital	28	26
Net cash inflow/(outflow) from operating activities	<u>536</u>	<u>(1,542)</u>

25. Reconciliation of net cash flow to movement in Net Funds

	2002/03	2001/02
	£,000	£,000
Increase /(Decrease) in cash	550	(1,753)
Movement in liquid resources	(4,394)	2,589
Increase in net funds	<u>(3,844)</u>	<u>836</u>
Net funds brought forward	8,263	7,427
Net funds at 31 March 2003	<u>4,419</u>	<u>8,263</u>

26. Change in cash and cash equivalents during the year

	2002/03	2001/02
	£,000	£,000
Opening cash balance	238	1,991
Net cash inflow/(outflow)	550	(1,753)
Cash and bank balances as at 31 March	<u>788</u>	<u>238</u>

27. Financial Instruments

FRS 13 Derivatives and other financial instruments, require disclosure of the role, which financial instruments have had during the period, in creating or changing the risks the UKSC Lottery Fund faces in undertaking its role.

28. Liquidity Risks

In 2002/03 £21.5m or 99.88% (2001/2002 - £25.67m or 99.80%) of the UK Sport Lottery Fund's income was derived from the National Lottery. The remaining income derived from Interest on Deposits and Sundry Income. In previous reports, the Members considered that the UK Sport Lottery Fund's ability to meet the Award Commitments and other liabilities in the short and longer term is dependent on adequate sales revenue from the National Lottery and on the contingency arrangements in place with the DCMS in the event that the National Lottery revenue

falls short of the amounts required. The risk which this represented is expected to materialise in the new financial year, with lottery revenues accruing to UK Sport Lottery Fund projected to decline by around £6 million in 2003/04 and £10 million the following year. Details on future funding can be found on page 7 of the foreword.

29. Interest Rate Risks

The financial assets of the Fund are invested in the National Lottery Distribution Fund, which invests in a narrow band of low risk assets such as government bonds and cash. UK Sport has no control over the investment of Funds in the National Lottery Distribution Fund.

At the balance sheet date the Market Value of UKSC's share of investment in the National Lottery Distribution Fund was £3.63 m (2001/2002 - £8.02m). In the year the average return on these investments was 5.2% (2001/2002 - 3.5%). Cash balances which are drawn down from the Fund to pay grant commitments and operating costs are held in a deposit account which on average carried an interest rate of 1.7% (2001/2002 -2%) in the year. The cash balance at the year-end was £788k (2001/2002 - £238k) The Members consider that the Fund is not exposed to significant interest rate risks.

30. Foreign Currency Risk

The Fund is not exposed to any foreign exchange risks.

31. Contingent Liabilities

There were no contingent liabilities as at 31 March 2003 (2002 – Nil).

32. Capital Commitments

As at 31 March 2003, the Lottery Sports Fund had made no commitments to purchase further capital equipment (2002- NIL).

33. Related Party Transactions

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.

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.

With respect to the Lottery Fund business, the following transactions are considered to be disclosable Related Party Transactions:

The United Kingdom Sports Council Lottery Distribution Fund Annual Report and Accounts
for the year ended 31 March 2003

Council

Council date	Lottery award	Event	MEP Member	Relationship
13 May 02	£1,068,000	2003 World Indoor Athletic Championship	Zahara Hyde-Peters	Employee
13 May 02	£1,068,000	2003 World Indoor Athletic Championship	Adrian Metcalfe	IAAF Technical Delegate
13 May 02	£1,150,000	2006 World Rowing Championship	Gavin Stewart	Member

Awards Panel

Panel Date	Council Date	Lottery Award	Organisation	Panel / Council Member	Relationship
20/01/03	10/03/03	£282,000	Amateur Rowing Association	Gavin Stewart	Member
17/02/03	10/03/03	£133,000	Amateur Rowing Association	Gavin Stewart	Member