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United Kingdom Sports Council

Grant-in-Aid

Annual Report and Accounts for the Year Ended

31 March 2003

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United Kingdom Sports Council Grant-in-Aid 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

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

The United Kingdom Sports Council, referred to as UK Sport hereafter, is required to have its accounts audited by a body approved by the Secretary of State. UK Sport appointed the Comptroller and Auditor General in January 1997 and terms of engagement were subsequently confirmed on 9<sup>th</sup> June 1997.

Organisational Structure

Chief Executive Officer

The head of UK Sport is 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 the four departments of the organisation and the Lottery Fund.

The Council

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

Committees

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

At 31 March 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;

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- **International Committee** - provides advice and guidance to Council on strategies for securing and extending UK influence in international sport; and
- **Audit Committee** – considers external and internal audit reports, and oversees risk management processes, reviews the statutory accounts and other financial matters.

Council Members

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 Audit Committee

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, except for home countries sports council representatives whose term of appointment are the same as for their appointment to the home councils.

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Fixed Assets

UK Sport's accounting policy on fixed assets is set out in note 1.5 (page 22) to these accounts.

Research and Development

UK Sport has a dedicated research team. This team is inter-alia, a research resource for internal staff and external partners. It carries out, commissions and manages research projects as required by UK Sport. It also advises and assists staff and partners in the development of research proposals. During the year a new research steering group was formed to coordinate research efforts.

The following are some of the research outcomes published during the year:

- **Sporting Preferences** – the public's views about sports in which it would like to see the UK investing and being successful;
- **Sports Development Impact of the Commonwealth Games** – household surveys held in Greater Manchester in June 2002 to assess the local sports development impact of the Games;
- **Commonwealth Games Volunteers: Motivations and Expectations** – survey of 698 volunteers to establish their reasons for volunteering and expectations of the Games experience; and
- **Sporting Conduct** – rugby spectators' were questioned on their perceptions of the values and norms of professional rugby league and rugby union as part of the ongoing Sporting Conduct project.

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

Lottery Distributor

The Secretary of State appointed UK Sport as a lottery distributor on 1 July 1999. Over £114 m (2001/02 £91m) of lottery money has been distributed in grants to sporting bodies and individuals since that appointment. At the end of the year a further £37 million of commitments which have been accepted by grantees were outstanding (2001/02 - £47m). Lottery funds are accounted for separately, and a copy of the accounts can be obtained from our Corporate Services at 40 Bernard Street, London, WC1N 1ST.

4 awards totalling £291,000, approved in principle as World Class Performance Programme Lottery awards by Council on 10/03/2003, were paid from UK Sport Exchequer funding underspend before the end of the financial year. These awards are therefore excluded from the lottery commitment figures.

Other transfers of Lottery commitment took place after the balance sheet date and are detailed under post balance sheet events.

Employment Issues

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

Currently within UK Sport 8.25% of staff describe themselves as non white European however; no staff members classify themselves as disabled.

UK Sport involves employees in decisions which may affect their welfare through bringing together

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representatives of the management and trade unions in a working environment.

### Prompt Payment Policy

UK Sport aims to comply with the Better Payment Practice Code. Payment terms are agreed with suppliers at the outset, and invoices are paid in accordance with those terms. Any disputed invoices are referred to suppliers and are dealt with expeditiously. The target is to pay within 30 days. 82.9% (2001/02 79.4%) of invoices were paid on time.

### Corporate Governance

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

### The Euro

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

### Operating and Financial Review

#### Results for the Year

UK Sport's operating deficit for the year was £612,368 (2001/02 - surplus of £673,502) the net effect of interest receivable and taxation bringing this to a deficit of £548,384 (2001/02 - surplus of £758,004).

#### Reserves

The reserves now stand at £436,513 (2001/02 £975,222), representing 2.25% (2001/02 5.58%) of current year spending. The income and expenditure and the reserves do not include £4.1m of Grant-in-Aid which was allocated to us but which we did not draw down during the year; made up of £ 2.5m underspend on modernisation with the rest coming from savings made to supplement anticipated shortfall in lottery revenues as agreed with the DCMS.

#### Funding

UK Sport is primarily funded by Grant-in-Aid from the DCMS. The level of funding is agreed with the DCMS as part of a rolling three year Funding Agreement. The current agreement covers the three financial years up to and including 2003/2004. This agreement also includes an agreed set of strategic targets.

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The levels of funding in the next Funding Agreement (commencing 2003/2004) were subject of the Governments 2002 Comprehensive Spending Review and provided new Grant-in-Aid allocations confirmed through 2005/06 as follows:

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

In addition to the above a further £3million supplementary allocation is expected in 2003/04 which is to be added to savings from previous allocations to pay for the shortfall in lottery revenue which continues to decline and is expected - if this trend continues - to be higher still in subsequent years.

Targets

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

Ministerial Targets

Some UK Sport targets for 2000-3, set as part of the funding agreement with the DCMS were:

	2002		2001		2000	
	Achieved	Target	Achieved	Target	Achieved	Target
Number of Major Events staged by the UK and supported by UK Sport, via the World Class Events Programme	1	5	5	5	-	-
Aggregate number of Medals won at major international championships (able-bodied)	84	75	76	46	110	103
Aggregate number of Medals won at major international championships (disability sport)	161	170	172	131	131	115

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

Activities

UK Sport was established to focus on high performance sport in the UK. Our purpose is to lead the UK to sporting excellence and our long-term aim is that the UK will be in the world's top five sporting nations by 2012, measured by athlete performances at world championships, Olympic and Paralympic Games.

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

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**Winning Athletes** – UK Sport runs the Lottery-funded World Class Performance Programme which identifies our most talented athletes in Olympic and Paralympic sports, and the level of support they need to help them deliver medals at major championships. In addition, the UK Sports Institute team co-ordinates a UK-wide network using their own expertise – and that of others – to deliver tailored solutions to individual sports and athletes.

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

**Ethically Fair and Drug-free Sport** – UK Sport is the designated national anti-doping organisation for the UK. UK Sport is at the forefront of the international sporting community's fight to keep sport drug-free and oversees the national anti-doping programme which each year sees some 6,000 tests conducted in more than 50 sports. The testing programme acts to: *protect* (the athletes who want to compete drug-free); *deter* (the athletes who consider cheating by the misuse of prohibited substances); and *detect* (the athletes who do cheat). A comprehensive information programme is part of the anti-doping programme, including web based drug information database and freephone drug information line; this information base provides the foundation for the education of athletes about the dangers of drug misuse in sport.

In addition:

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

### Significant Events

#### Winning Athletes

- 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; and
- 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 medicine 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



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award from the World Class Events Programme; and

- 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.

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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 for the Olympic and Paralympic sports 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 achievable by April 2004.

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 2003/2004. This will be supplemented by £3.3million of UK Sport's existing Grant-in-Aid, re-deployed from other areas of activity.

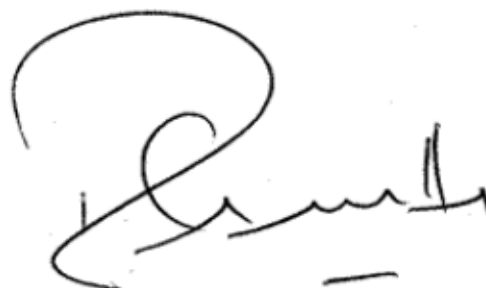
**Richard Callicott**

Chief Executive and Accounting Officer of the  
United Kingdom Sports Council



**Sir Rodney Walker**

Chairman of the United Kingdom  
Sports Council



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

The Royal Charter requires UK Sport to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, Media and Sport with consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of UK Sport's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts UK Sport is required to:

- observe the accounts direction issued by the Secretary of State for Culture, Media and Sport, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Council will continue in operation; and
- ensure that expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

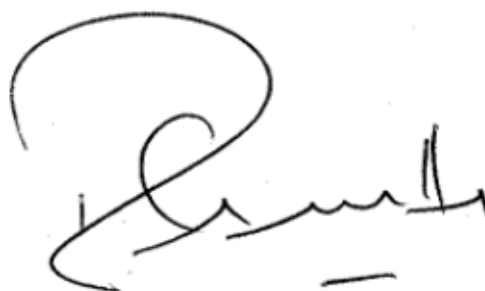
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**Statement on Internal Control**

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

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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

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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

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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.

#### 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.

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Richard Callicott	Sir Rodney Walker
Chief Executive and Accounting Officer for United Kingdom Sports Council	Chairman of the United Kingdom Sports Council
	



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**The Certificate of the Comptroller and Auditor General to the United Kingdom Sports Council**

I certify that I have audited the financial statements on pages 19 to 36 which have been prepared under the historic cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 22 to 24.

Respective responsibilities of the Council, the Chief Executive and Auditors

As described on page 11 the United Kingdom Sports 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 and Annual Report. My responsibilities, as independent auditor, are guided by the Auditing Practices Board and the auditing profession's ethical guidance.

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

I review whether the statement on pages 12 to 16 reflects the Council's compliance with the Treasury's guidance 'Corporate Governance: statement on internal control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of opinion

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

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

United Kingdom Sports Council Grant-in-Aid Annual Report and Accounts  
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Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the United Kingdom Sports Council at 31 March 2003 and of its deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the directions made by the Secretary of State for Culture, Media and Sport; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

**John Bourn**  
Comptroller and Auditor General

..... 2003

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

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.

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**INCOME & EXPENDITURE ACCOUNT**

	Note	2002/03 £, 000	2001/02 £, 000
<b>INCOME</b>			
Grant in Aid	2	15,513	16,381
Other Operating Income	3	2,297	1,509
Transfer from Deferred Grant Account	13	507	254
		<u>18,317</u>	<u>18,144</u>
<b>EXPENDITURE</b>			
Staff Costs	4.1	(3,163)	(3,129)
Grants and Other Operating Costs	5	(15,734)	(14,302)
Notional Interest on Capital Employed		(32)	(39)
		<u>(18,929)</u>	<u>(17,470)</u>
<b>OPERATING (DEFICIT)/ SURPLUS</b>	6	(612)	674
Interest Receivable	7	38	55
<b>(DEFICIT)/SURPLUS BEFORE TAXATION</b>		(574)	729
Taxation	8	(6)	(10)
		(580)	719
Reversal of Notional Interest on Capital Employed		32	39
<b>(DEFICIT)/SURPLUS FOR PERIOD</b>		(548)	758
Retained Surplus brought forward		975	217
Transfer between reserves		5	-
Retained Surplus carried forward	15	<u>432</u>	<u>975</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	Note	2002/03 £, 000	2001/02 £, 000
(Deficit)/Surplus For Period		(548)	758
Fixed Assets indexation surplus	15	10	-
		<u>(538)</u>	<u>758</u>

There are no discontinued activities.

The notes on pages 22 to 36 form part of these accounts

United Kingdom Sports Council Grant-in-Aid Annual Report and Accounts  
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BALANCE SHEET AS AT 31 MARCH 2003

	Note	2002/03 £, 000	2001/02 £, 000
Fixed Assets			
Tangible Assets	9	886	575
Current Assets			
Stock	10	-	25
Debtors	11	1,016	1,080
Cash at bank and in hand		<u>656</u>	<u>867</u>
		1,672	1,972
Creditors			
Amounts falling due within one year	12	<u>(1,052)</u>	<u>(839)</u>
Net Current Assets		620	1,133
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,506</u>	<u>1,708</u>
Accrued and Deferred Income			
Deferred Grant Account	13	(876)	(575)
Provision for dilapidation and unexpired lease	14	(193)	(158)
<b>TOTAL ASSETS LESS ALL LIABILITIES</b>		<u><u>437</u></u>	<u><u>975</u></u>
Represented by			
Revaluation Reserve		5	-
Revenue Reserves	15	432	975
		<u>437</u>	<u>975</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

.....2003

The notes on pages 22 to 36 form part of these accounts

United Kingdom Sports Council Grant-in-Aid Annual Report and Accounts  
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CASH FLOW STATEMENT

	Note	2002/03 £, 000	2001/02 £, 000
OPERATING ACTIVITIES			
Revenue Grant-in-Aid received		15,513	16,381
Other receipts		2,361	1,671
Payments		<u>(18,113)</u>	<u>(17,589)</u>
Net cash (outflow)/inflow from operating activities	16	(239)	463
RETURNS ON INVESTMENTS			
Interest received		38	55
Income from sale of Fixed Assets		-	7
Net cash inflow from returns on investment		<u>38</u>	<u>62</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(808)	(392)
Taxation		(10)	(6)
		<u>(818)</u>	<u>(398)</u>
Net cash (outflow)/inflow before financing		(1,019)	127
FINANCING			
Grant-in-Aid applied towards purchase of fixed assets		808	392
(Decrease)/Increase in cash		<u><u>(211)</u></u>	<u><u>519</u></u>

**United Kingdom Sports Council Grant-in-Aid Annual Report and Accounts  
for the year ended 31 March 2003**

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1.0 ACCOUNTING POLICIES

1.1 Accounting Convention

The accounts have been prepared on the modified historical cost basis. The accounts direction requires the inclusion of fixed assets at their value to the business by reference to current costs. With effect from this financial year, fixed assets have been included in the accounts at Current Replacement Cost. Previously the Council believed that modified historic costs were not materially different from historic costs and therefore showed fixed assets in the balance sheet at historical cost. No prior period adjustments have been made as these are also not considered to be material. Without limiting the information given, the accounts meet the requirements of the Companies Act 1985, the Accounting Standards issued or adopted by the Accounting Standards Board and HM Treasury guidance on accounts of Non-Departmental Public Bodies in so far as those requirements are appropriate.

1.2 Basis of Preparation

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

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

1.3 Grants Received

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

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

1.4 Fees for Consultancy Services

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

1.5 Tangible Fixed Assets

There are no freehold land and buildings.

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

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

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

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1.6 Research and Development

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

1.7 Grants and Loans Awarded

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

1.8 Pension Costs

Contributions to UK Sport's pension schemes are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with UK Sport. Details about the valuation of the pension fund are in note 20.

1.9 Leases and provisions

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

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

1.10 Charges to and from UK Sport

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

1.11 Investment

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

1.12 Stocks

Stocks are valued at the lower of cost, or net current replacement cost if materially different, and net realisable value. Stocks held at the end of this financial year have no realisable value (2001/02 - £25k).

1.13 Value Added Tax

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

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1.14 Notional Costs

Notional interest on capital is calculated on the basis of 6% (2001/02 - 6%) of average net assets.

2. Grant-in-Aid

	2002/03 £, 000	2001/02 £, 000
Received from the Department for Culture Media and Sport	16,321	16,773
Applied towards		
Purchase of Tangible Fixed Assets (Note 9)	(808)	(392)
Total Grant-in –Aid applied towards Revenue Expenditure	15,513	16,381

A total of £19.6million (2001/2002 £17.6m) Grant in Aid was made available during the year. This includes a grant of £3million (2001/2002 £1m) for the modernisation of Governing Bodies of Sport. Under the End Year Flexibility Rules, an underspend of £0.827million of modernisation grant in 2001/02 was bought forward into this financial year making the total available for the modernisation programme £3.827million. In 2002/2003 an amount of £1.374million was utilised under this programme leaving a balance of £2.453million to be carried forward to 2003/2004 under the End Year Flexibility Rules. The modernisation of governing bodies project was a three year programme which started in 2001/2002. The funds available for this project were ring fenced. However from 2003/2004 these funds have been released to allow flexibility to deploy resources to areas of most need whilst keeping the modernisation project alive.

3. Other Operating Income

	2002/03 £, 000	2001/02 £, 000
Sales of Publications	2	1
Doping Control Receipts	1,160	564
Other	1,135	944
	2,297	1,509

4.0 Staffing and Management

4.1 Staff costs

	2002/03 £, 000	2001/02 £, 000
Wages and Salaries	2,566	2,553
Temporary and Agency Staff	125	36
Social Security Costs	212	217
Other Pension Costs	260	323
Aggregate Staff Costs	3,163	3,129



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

Function:	2002/03	2001/02
Corporate Services	17	19
Communications	7	7
Performance Development	11	15
UKSI - Central Services	21	23
International Relations and Major Events	9	8
Anti Doping	12	12
	77	84

4.3 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 remunerations above are charged to the lottery accounts in accordance with agreed apportionment formula as noted in accounting policy note 1.10 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 (2001/02 - £79,554). He is a member of London Pension Fund Authority Superannuation Scheme, to which UK Sport pays a contribution equivalent to 12.5% (2001/02 - 8.5%) of salary.

Please, refer to note 20 for superannuation scheme details.

4.4 Chairman

Sir Rodney Walker was appointed as Chairman of UK Sport on 6 July 1998. The appointment has

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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.

**4.5 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)). Members cannot receive more than 12 payments a year; these amounted to £10,438 (2001/2002 - £12,548) during the year as follows:

Council meetings:	£	£
	2002/03	2001/02
Alastair Dempster	760	910
Des Wilson	-	1,350
Gareth Davies	190	370
Diana King	-	1,105
Adrian Metcalfe	2,088	2,215
Zahara Hyde Peters	1,140	740
Craig Reddie	950	1,110
Sarah Springman	-	640
Gavin Stewart	2,745*	1,913
Myra Nimmo	-	370
Tanni Grey-Thompson	-	900
Eric Saunders	1,140	925
Nick Bitel	285	-
Laura McAllister	380	-
Louise Martin	380	-
Constance Louise	380	-
	<u>10,438</u>	<u>12,548</u>

\* Includes £560 from previous years.

**5. Grants and Other Operating Costs**

	2002/03	2001/02
	£, 000	£, 000
<b>NATIONAL SUPPORT</b>		
Sports Bodies	4,991	4,860
Sports Services	1,777	1,127
United Kingdom Sports Institute	1,864	2,013
Support to National Centres	1,550	1,550
Communications	235	162
International Representation	912	986
Drug Free Sport	1,917	1,507
Other Expenses	213	56
	<u>13,459</u>	<u>12, 261</u>
<b>FINANCE AND MANAGEMENT SERVICES</b>		
HQ office costs	1,143	1,285
Other Expenses	1,132	756
	<u>2,275</u>	<u>2,041</u>
	<u>15,734</u>	<u>14,302</u>

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6. Operating Result

	2002/03 £, 000	2001/02 £, 000
This is stated after charging:		
Travel, subsistence and hospitality:		
Chairman, members	33	25
Employees	316	240
Costs of Consultants and Secondees	642	492
Operating Licences on Offices	-	27
Lease – 40 Bernard Street	595	560
Depreciation	502	249
NAO Remuneration as auditors	19	18

7. Investment Income

	2002/03 £, 000	2001/02 £, 000
Overnight and short term investment of bank balances	38	55

Interest rates vary from day to day and averaged approximately 2.9% (2001/02-3.7%) per annum between 1 April 2002 and 31 March 2003.

8. Taxation

	2002/03 £, 000	2001/02 £, 000
Corporation Tax payable on interest received	6	10

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

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9. Tangible Fixed Assets

	Leasehold Improvements £, 000	IT Equip. £, 000	Office Equip. £, 000	Doping Equip. £, 000	Total £, 000
Cost					
At 1 April 2002	361	609	39	78	1,087
Additions	35	773	-	-	808
Disposals	-	(87)	(6)	-	(93)
MHCA Adjustment	7	1	-	2	10
At 31 March 2003	403	1,296	33	80	1,812
Depreciation					
At 1 April 2002	104	310	20	78	512
Charge for the year	57	430	9	-	496
Depreciation on Disposal	-	(82)	(6)	-	(88)
MHCA Adjustment	3	1	-	2	6
At 31 March 2003	164	659	23	80	926
Net book value					
At 31 March 2003	239	637	10	-	886
At 1 April 2002	257	299	19	-	575

This is the first year of making Modified Historical Cost adjustments using Office of National Statistics indices.

10. Stocks

These comprise special stationery and dope testing kit in the Anti-Doping department. Stocks held at the end of the year have no realisable value.

11. Debtors

	2002/03 £, 000	2001/02 £, 000
Trade Debtors	548	335
Other Debtors	59	50
Prepayments and Accrued Income	409	695
	1,016	1,080
All amounts fall due within one year		

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12. Creditors

	2002/03	2001/02
	£, 000	£, 000
Trade Creditors	761	271
Corporation Tax	6	10
Other Taxation and Social Security	125	77
Accruals and Deferred Income	160	481
	1,052	839
All amounts fall due within one year		

13. Deferred Grant Account

	2002/03	2001/02
	£, 000	£, 000
Opening Balance	575	437
Cost of Tangible Fixed Assets funded by Grant-in-Aid	808	392
Net transferred to Income and Expenditure Account for the year	(507)	(254)
	876	575
Balance at 31 March		

14. Provision for dilapidation and rent

	2002/03	2001/02
	£, 000	£, 000
Dilapidation for 40 Bernard Street Office	93	58
Dilapidation for Walkden House	100	100
	193	158
Provision as at 31 March		

15.1 Revenue Reserves

	2002/03	2001/02
	£, 000	£, 000
Income and Expenditure Account		
Opening Balance	975	217
(Deficit)/surplus for the period	(548)	758
Transfer on revaluation	5	-
	432	975
As at 31 March		

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15.2 Revaluation Reserves

	2002/03 £, 000	2001/02 £, 000
Revaluation	10	-
Transfer on revaluation	(5)	-
As at 31 March	<u>5</u>	<u>-</u>

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

	2002/03 £, 000	2001/02 £, 000
Operating Activities		
Operating (Deficit)/Surplus	(612)	674
Depreciation of Tangible Fixed Assets	502	249
Loss/(gain) on Disposal Fixed Assets	5	(6)
Transfer from Deferred Grant Account	(507)	(254)
Decrease/(increase) in Stock	25	(11)
Notional Interest on Capital Employed	32	39
Decrease in Debtors	64	162
Increase/(decrease) in Creditors	217	(386)
Increase/(Decrease) in provision for dilapidation and rent	35	(4)
Net cash (outflow)/inflow from operating activities	<u>(239)</u>	<u>463</u>

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

	2002/03 £, 000	2001/02 £, 000
(Decrease)/Increase to Cash in Period	(211)	519
Movement in Liquid Resources	(89)	(151)
Changes in Net Funds	<u>(300)</u>	<u>368</u>
Net Funds at start of Period	<u>1,972</u>	<u>1,604</u>
Net Funds at end of Period	<u>1,672</u>	<u>1,972</u>

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

	2002/03 £, 000	2001/02 £, 000
Opening cash balance	867	348
Cash (outflow)/inflow	<u>(211)</u>	<u>519</u>
Cash balance as at 31 March	<u><u>656</u></u>	<u><u>867</u></u>

19. Financial Instruments

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

Liquidity Risks

In 2002/03 £15.51 million or 84.7% (2001/02, £16.38 million or 91.28 %) of the United Kingdom Sports Council's income derived from Grant in Aid from the Department for Culture Media and Sport. The remaining balance of £2.81 million or 15.3% (2001/02, £1.56 million or 8.72%) derived from other operating activities. The Members are satisfied that they have sufficient liquid resources, in the form of cash and accruing Grant in Aid to cover all amounts due within one year. The Members are satisfied that United Kingdom Sports Council Fund is not exposed to significant liquidity risks.

Interest Rate Risks

Cash balances, which are drawn down as grant in aid to pay grant commitments and operating costs, are held in a Treasury Deposit Account, which on average carried an interest rate of 2.9% (2001/02, 3.68 %) in the year. The year-end cash balances held by UK Sport in the bank was £656K (2001/02, £867K.)

Foreign Currency Risk

The Fund is not exposed to any foreign exchange risks.

20. 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)

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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 2003<sup>1</sup>

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>

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

<u>Assumptions</u>	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%



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<sup>1</sup> 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.

<sup>2</sup> Hymans Robertson estimate that this liability comprises of approximately £3,156,700, £908,600 and £0 (2002 - £2,725,000, £884,000 and £0) in respect of employee members, deferred pensioners and pensioners respectively. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable for certain types of employer. However, they are satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

<sup>3</sup> It is assumed that all unfunded pensions are payable for the remainder of the member's life. On death of the member, any spouse will receive a pension equal to 50% (2002- 50%) of the member's pension as at the time of death of the member.

Note that these figures exclude the capitalised cost of any early retirements or augmentations, which may occur during 2003/2004.

Analysis of Amount Charged to Operating Profit

<u>Amount Charged to Operating Profit</u>	Year to 31 March 2003 £,000	Year to 31 March 2003 (% of Payroll)
Service Cost	224	9.3%
Past Service Costs	-	-
Curtailment and Settlements	-	-
Decrease in irrecoverable surplus	-	-
Total Operating Charge (A)	224	9.3%

<u>Projected Amount Credited to Other Finance</u>	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%

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Analysis of Amount Recognised 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	(745)

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	(1,853)

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%)

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21. Annual Commitments - Leases and Operating Licences

	2002/03 £, 000	2001/02 £, 000
Leases and service charges		
40 Bernard Street – expiring after at least 5 years	644	644

22. Grant Commitments

On the undertaking that funds are to be provided by the Department of Culture Media and Sport, UK Sport, at 31 March 2003, had entered into commitments to pay grants to governing bodies in respect of their approved programmes in the following years:

	2002/03 £, 000	2001/02 £, 000
2002/03	-	4,743
2003/04	5,534	100
2004/05	2,892	-
2005/06	25	-
	8,451	4,843

Of this total grant commitment, £7.1m (2001/02 - £3.2m) relates to Olympic Sports Bodies, £1.1m (2001/2002 - £662K) is for modernisation of governing bodies. At year end we were awaiting acceptance of another £1m (2001/02 - £1.6 million) worth of grant offers which are not included in the figures above.

23. Contingent Liabilities

As at 31 March 2003 UK Sport had no contingent liabilities except for future grant commitments which might be transferred from the Lottery fund as a result of declining lottery revenues for which additional Grant-in-Aid is expected to be provided.

24. Related Party Transactions

The United Kingdom Sports Council is a Non-Departmental Government Body sponsored by the Department for Culture, Media and Sport.

The Department for Culture, Media and Sport is regarded as a related party. During the period of 1 April 2001 to 31 March 2003 the United Kingdom Sports Council has had various material transactions with the Department and with the sports councils for the home countries for which the Department for Culture, Media and Sport is regarded as the sponsoring Department.

None of the Board members, key managerial staff or other related parties has undertaken any material transactions with the United Kingdom Sports Council during the year.

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

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

**UKAP DISCLOSABLE RELATED PARTY TRANSACTIONS – EXCHEQUER AWARDS 2002/03**

Panel Date	Council Date	Award	Organisation	UKS Panel / Council Member	Relationship
20/01/03	10/03/03	£145,600	Amateur Rowing Association	Gavin Stewart	Member

**MEP DISCLOSABLE RELATED PARTY TRANSACTIONS – MODERNISATION AWARDS 2002/03**

Panel Date	Council Date	Award	Organisation	UKS Panel / Council Member	Relationship
02/04/03		£291,000	Royal Yacht Association	John Scott	Son is a Squad Member