

Presented pursuant to c.39, section 35(5), National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998)

Sports Council for Northern Ireland Lottery Distribution Account 2003-2004

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 13 DECEMBER 2004

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Foreword

The Sports Council for Northern Ireland (referred to as 'Sports Council') presents the financial statements of its Lottery distribution activities for the year ended 31 March 2004.

Statutory background

The Sports Council was established on 31 December 1973 under the provisions of Article 3 of the Recreation and Youth Service (Northern Ireland) Order 1973. Its object is the furtherance of sport and physical recreation and its functions are as provided by Article 3 of the Recreation and Youth Service (Northern Ireland) Order 1986.

Principal functions related to National Lottery distribution activities

The National Lottery etc. Act 1993 (the 1993 Act) established the National Lottery and designated five 'good causes': arts, sport, national heritage, charitable projects and projects to mark the year 2001 and the beginning of the third millennium. The National Lottery Act 1998 (the 1998 Act) which came into force in July 1998 established a sixth good cause, the New Opportunities Fund. Each of the good causes receives a percentage of the net proceeds of the Lottery paid out of the NLDF. The Sports Council is charged under the 1993 Act with responsibility for distributing 2.8% of the money allocated to sport. However, as of July 1999 the Sports Council received a reduced contribution of 2.6% as a top sliced contribution of 0.2% became payable to the United Kingdom Sports Council in respect of the United Kingdom wide World Class Performance Programme for elite athletes.

Financial results

The Sports Council's Lottery distribution results are set out in the Income and Expenditure Account. Proceeds received from the National Lottery totalled £6,616,575. During the year the Sports Council made awards of £4,055,393. A total of £4,745,918 was paid to grant applicants, the remaining balance being held as commitments for future grant payments. The total administrative costs of the Sports Council's Lottery distribution activities, including staff costs but excluding depreciation, was £658,402. This represents approximately 9.95% of the total proceeds received in the year.

Retained funds at the year end

At the end of the year the Lottery Distribution Account showed an increase in funds of £3,429,503. At the end of 2002-2003 the retained funds totalled £11,461,211. After other reserve movements of (£291,624), the retained funds therefore totalled £14,599,090 at 31 March 2004. This amount will be carried forward to the 2004-2005 financial year and will be available for distribution.

Review of National Lottery Distribution Activities

Programmes and awards made 2003-2004

During the 2003-2004 year the Sports Council distributed awards under the following grant programmes

■ Capital programmes

Club Sport, Community Sport and Performance Facilities.

■ Revenue programmes

Talented Athlete, Talented Athlete Next Generation, Major International Events and Starting Well.

In addition, Sports Council distributed awards under the 'Awards for All' programme in partnership with the other Northern Ireland based Lottery Distributors. (Arts Council of Northern Ireland, the Community Fund, the Heritage Lottery Fund and the New Opportunities Fund).

Further information on awards made are detailed in the Sports Council's 'Report on Lottery Distribution Activities 1 April 2003 to 31 March 2004'.

Future developments in National Lottery distribution activities and post balance sheet events

United Kingdom Sports Institute

The Sports Council anticipates that it will receive a Lottery Fund revenue application during 2004-2005 from the SINI, in respect of the costs of providing access to services for SINI athletes. The Sports Council is likely to have significant influence on the company and therefore, has given early warning to DCMS and DCAL in respect of a likely request to the Secretary of State for DCMS to set aside Section 27 of the 1993 Act.

It is also anticipated that the University of Ulster (UU) will submit a capital application to the Lottery Fund in respect of the costs of providing appropriate facilities at Jordanstown for SINI. Note 12 to these accounts provides further detail.

New programmes

During the year 2003-2004 the Sports Council launched a new Athlete Support Programme to replace its Talented Athlete and Talented Athlete Next Generation Programme. The new programme is designed to "assist Northern Ireland's most talented sports people to perform successfully in competition." The first awards under this programme were made in May 2004.

The Sports Council also closed its Major International Events Programme in 2003-2004, and launched a new Events Programme, which provides assistance towards "the bidding for and running of sports events in Northern Ireland." The first awards under this programme were made in April 2004.

Programme review

The Sports Council's Lottery Capital Programmes were closed during the later part of the year 2003-2004 to allow for a period of review. This review will allow the Sports Council to place increased emphasis on its business case/ risk management approach to the assessment of applications. It is also likely that a two-stage process for assessing applications will be developed. The two-stage process will allow the Sports Council to prioritise those applications, which are at a state of readiness to commence their projects. Applicants which are not at a state of readiness will be informed at an earlier stage in the process, thus saving the applicant time and resources.

It is likely that the new range of Capital Programmes will be launched in the later part of the 2004-2005 financial year. The period of closure is likely to impact on the Sports Council's ability to significantly reduce the NLDF balance during future financial years.

NLDF balance policy

In August 2003 the DCMS issued a Guidance Note (1/03) which proposed that all Lottery Distributors should develop an NLDF policy, and should publish an annual statement in their audited accounts, setting out the basis of the policy and the actions required to manage the NLDF balance. The Sports Council's NLDF policy is included within the accounts at note 6.

Appointment of Auditors

Under Section 35(5) of the National Lottery etc. Act 1993 the Comptroller and Auditor General examines and certifies the financial statements of the National Lottery Distribution bodies and lays copies of the statement and his report before Parliament.

Lottery committee and Sports Council membership

The Sports Council consists of a Chairman and Vice-Chairman and other persons appointed by the Minister, after a selection and recruitment process that is carried out by DCAL.

The function of the Sports Council is

- advise DCAL and other government departments, education and library boards, district councils and other relevant bodies on matters relating to sport and physical recreation;
- encourage the provision of facilities for, and participation in, sport and physical recreation;
- assist the provision of relevant services and the organising or supporting of, or participating in, relevant events;
- assist bodies providing relevant support services; and
- to appoint the Chief Executive by open competition, after consultation with DCAL.

The Lottery Committee is nominated to advise Sports Council on matters relating to the disbursement of the Lottery Fund and has power in accordance with the policies and criteria adopted by the Sports Council

- to provide policy advice to Sports Council in respect of the distribution of Lottery Funds;
- to recommend to Sports Council the allocation of funds to eligible and worthy schemes in accordance with the agreed policies and criteria;
- to inform Sports Council of decisions taken within agreed delegated authority limits regarding the allocation of funds to eligible and worthy schemes in accordance with agreed policies and criteria;
- to ensure the promotion of the Lottery Fund through the provision and implementation of a Sports Council communications strategy; and
- to ensure that a strategic monitoring and evaluation process in place.

Unless indicated otherwise, the members of Sports Council were appointed on 1 July 2003 for a term of four years. The members of the Lottery Committee are nominated by the Sports Council. The following persons served as members during the financial year 2003-2004.

Lottery Committee

Dr A Hamill (Chairman)
Dr M Murphy
Ms H Brady
Mr H McCaughey
Clr J Rodgers
Mr J Campbell

Sports Council Membership

Professor E Saunders (Chairman)
Mr G Carson (Vice-Chairman)
Dr M Barr (Resigned 30 November 2003)
Ms H Brady
Dr O Brown
Mr J Campbell
Ms M Cusdin
Mr J Gallagher
Dr A Hamill
Mr C Logue
Mr B McCargo
Mr H McCaughey
Mr M Muldoon
Dr M Murphy
Mr J Rodgers

Equality of opportunity

The Sports Council is committed to the development of positive policies to promote equal opportunity in employment based on practices which are non-discriminatory as between people of differing abilities, religion, political view, nationality, race, colour or sex.

Employees with a disability

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

Employee consultation

On matters of policy and procedure, which affect the employees of the Sports Council, the Sports Council normally consults with the recognised trade union of which the staff are members. This trade union is also a member of the Whitley Council which negotiates the terms and conditions of members with the Northern Ireland Department of Finance and Personnel.

Payment policy

It is the Sports Council's policy to pay bills in accordance with the 'Better Payment Practice Code'. Bills are paid within 30 days of receipt. A review of payments indicated that over 93% were paid within this period.

Eamonn McCartan
Chief Executive
Accounting Officer
Sports Council for Northern Ireland

15 November 2004

Statement of the Council's and Chief Executive's responsibilities

Under section 35(2) & (3) of the National Lottery etc. Act 1993 the Sports Council is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the consent of 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 Sports Council's Lottery distribution activities at the year-end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the financial statements the Sports Council is required to

- observe the accounts direction issued by DCAL on behalf of the Secretary of State for Culture, Media and Sport (formerly National Heritage), including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgments 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 a going concern basis, unless it is inappropriate to presume that the body will continue in operation.

The Accounting Officer for DCAL has designated the Chief Executive of the Sports Council as the Accounting Officer for the Sports 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 Officer Memorandum issued by the Northern Ireland Department of Finance and Personnel, the guidance contained within 'Government Accounting Northern Ireland' also issued by the Department of Finance and Personnel (DFP), and in the Financial Directions issued by the DCAL on behalf of the Secretary of State for Culture, Media and Sport under s26(3) of the National Lottery etc. Act 1993.

Eamonn McCartan
Chief Executive
Accounting Officer
Sports Council for Northern Ireland

15 November 2004

Statement of Internal Control

Scope of responsibility

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

The Sports Council's Management Statement sets out the relationship between DCAL and the Sports Council, and defines the financial and administrative framework within which the Sports Council operates. It also sets out the conditions on which grant in aid is paid to the Sports Council and the delegations within which the Sports Council operates.

The Sports Council's Financial Memorandum, which should be read in conjunction with the Management Statement, sets out the framework for the management and control of the finances of the Sports Council. It sets out the terms and conditions under which DCAL allocates grant-in-aid to the Sports Council out of monies provided by NI Assembly or UK Parliament. These terms and conditions are in addition to, and not in substitution for, any guidelines or directions issued by DCAL on the exercise of any individual functions, powers and duties of the Sports Council.

The Management Statement and Financial Memorandum have been approved by the Minister for Culture, Arts and Leisure, DFP and the Public Service Improvement Unit OFM/DFM.

I act in accordance with both the Sports Council's Management Statement and Financial Memorandum, and the DFP Memorandum, 'The Responsibilities of an NDPB Accounting Officer', which sets out my accounting responsibilities. My responsibilities include ensuring that the Sports Council produces a three-year corporate plan and an annual business plan within the timescales set by DCAL. The plans are reviewed regularly by senior management and by the Sports Council to determine progress. Quarterly accountability meetings are held with officials from DCAL, to also monitor progress.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritize the risks to the achievement of the Sports Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Sports Council for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

The senior management team takes responsibility for applying and overseeing the application of the risk management process primarily to ensure that it is operating as intended, to challenge the content of the risk registers and enable myself to report on the process to the Sports Council. In addition to reviewing the risk framework, all recommendations received from both the internal and external auditors are reviewed, with controls being enhanced or introduced as necessary.

All staff are expected to work within the Sports Council's policies on risk management; alert management to emerging risks or control weaknesses; participate fully in the risk management process; and assume responsibility for risks and controls within own areas of work.

As part of their performance appraisal all staff formally identify specific training needs relating to their roles each year. The training needs may include areas relating to risk management. All training needs are collated into an overall training plan for the Sports Council, which is delivered throughout the year. In March 2004 the Sports Council undertook a risk management seminar for appropriate members of staff. This ensured that staff obtained an understanding of risk and how to manage it. In 2004-2005 the Sports Council intends to undertake training of all relevant staff in the grant administration processes. The Grant Skills Training Programme, delivered by the Chartered Institute of Public Finance and Accountancy/Institute of Public Finance Northern Ireland and accredited by the Institute of Administrative Management, is expected to be completed by March 2005. This will result in a Certificate in Management Practice (Grant Skills), equivalent to NVQ level 3, for participating staff or in a Diploma in Management Practice (Grant Skills), equivalent to NVQ level 4, for members of staff who complete additional modules.

Sports Council members attended a training seminar on their roles and responsibilities following their appointment in July 2003. A training needs analysis of Sports Council members is due to be undertaken during 2004-2005.

The risk and control framework

The Sports Council has developed a risk management policy (the Policy), which covers all the Sports Council's activities. The Policy explains the underlying approach to risk management, documents the roles and responsibilities of Sports Council, the Accounting Officer, Heads of Unit, Operations Group, staff and the Audit Committee. It also outlines key aspects of the risk management process, and identifies the main reporting procedures. In particular the Policy outlines the inextricable link between risk management and the corporate and business planning process.

The Policy is subject to regular revision as the risk management process becomes embedded throughout the Sports Council and will be updated to reflect the changing environment of the Sports Council as required.

The Sports Council developed a risk register during the year 2003-2004. The register identifies the key risks facing the Sports Council and these have been categorised under nine broad headings. It details management's assessment of the key risks and associated controls, and actions required to mitigate these risks. Each risk has been assessed, for its severity and for the effectiveness of the controls currently operating.

Review of effectiveness

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

Throughout the year I obtain assurance from senior managers, based on information and reports produced by them. I am satisfied that systems of internal financial control were adequate in 2003-2004.

During the year improvements have been made to the grant administration and monitoring procedure. However, the Sports Council will continue to further enhance its policies and procedures. This shall be achieved via training programmes, which will take place in 2004-2005.

The Sports Council discharges its responsibility for reviewing the system of internal control through its Audit Committee. The Audit Committee met on four occasions during the year and received reports from both the Sports Council's external auditor for the year ending 31 March 2003 and its internal auditor for the year 2003-2004. The Audit Committee reported back to the Sports Council following each of its meetings.

The Sports Council has a risk register in place that is reviewed regularly by the senior management team.

Eamonn McCartan
Chief Executive
Accounting Officer
Sports Council for Northern Ireland

15 November 2004

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

I certify that I have audited the financial statements on pages 12 to 25 under the National Lottery etc Act 1993 (as amended). These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 16 and 17.

Respective responsibilities of the Council, the Chief Executive and Auditor

As described on page 6, the Sports Council and Chief Executive are responsible for the preparation of the financial statements in accordance with the National Lottery etc. Act 1993 (as amended) and the Department of Culture, Arts and Leisure directions made thereunder on behalf of the Secretary of State for Culture, Media and Sport and for ensuring the regularity of financial transactions. The Sports Council and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the National Lottery Act 1993 (as amended) and the Department of Culture, Arts and Leisure directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Council has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 7 to 9 reflects the Council's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Sports Council corporate governance procedures or its risk and control procedures.

Basis of audit 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 the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Sports Council and Chief Executive in the preparation of the financial statements and of whether the accounting policies are appropriate to the 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 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 the 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 Sports Council for Northern Ireland's Lottery distribution activities at 31 March 2004 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 (as amended) and directions made thereunder by the Department of Culture, Arts and Leisure on behalf of 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 observation to make on these financial statements.

John Bourn
Comptroller and Auditor General

6 December 2004

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Income and Expenditure Account for the year ended 31 March 2004

	Notes	2003-2004	2002-2003
		£	£
Proceeds from Lottery		6,616,575	7,300,142
Interest receivable		22,210	22,124
Other income		1,605	855
Total income		6,640,390	7,323,121
New grants paid in the year		4,745,918	3,326,240
Provision for new grant commitments made	13	(2,261,339)	(532,433)
Staff costs – recharge	2	425,435	428,649
Depreciation: tangible assets	4	65,692	56,339
Other operating costs			
Direct costs	3	152,572	167,119
Recharge	3	80,395	91,765
Total expenditure		3,208,673	3,537,679
Increase in funds before taxation		3,431,717	3,785,442
Taxation		(2,214)	(3,576)
Increase in funds after taxation		3,429,503	3,781,866
Notional costs – capital	14	(21,857)	(35,308)
Increase in funds including notional costs		3,407,646	3,746,558
Reversal of notional costs		21,857	35,308
Increase in funds		3,429,503	3,781,866

The income and expenditure relate to continuing activities.

The notes on pages 16 to 25 form part of these financial statements.

Statement of Total Recognised Gains and Losses for the year ended 31 March 2004

	2003-2004	2002-2003
	£	£
Increase in funds for the year	3,429,503	3,781,866
Unrealised losses on investments	(291,624)	(109,016)
Total recognised gains for the year	<u>3,137,879</u>	<u>3,672,850</u>

The notes on pages 16 to 25 form part of these financial statements.

Balance Sheet as at 31 March 2004

	Notes	2003-2004 £	2002-2003 £
Fixed assets			
Tangible assets	4	70,191	98,677
Current assets			
Investments – NLDF balance	5	23,487,568	21,067,237
Cash at bank	7	3,260	1,436,515
Debtors and prepayments	8	56,167	44,920
		23,546,995	22,548,672
Creditors: due within one year	9	(6,402,807)	(4,946,665)
Net current assets		17,144,188	17,602,007
Total assets less current liabilities		17,214,379	17,700,684
Provision for liabilities and charges			
Grant commitments	13	(2,615,289)	(6,239,473)
Total assets less total liabilities		14,599,090	11,461,211
Represented by			
<i>Reserves</i>			
Income and expenditure	15	14,599,090	11,461,211
		14,599,090	11,461,211

E Saunders
Chairman
Sports Council for Northern Ireland

15 November 2004

Eamonn McCartan
Chief Executive
Accounting Officer
Sports Council for Northern Ireland

15 November 2004

The notes on pages 16 to 25 form part of these financial statements.

Cash Flow Statement for the year ended 31 March 2004

	2003-2004	2002-2003
	£	£
Net cash (outflow)/inflow from operating activities	(1,140,043)	1,794,690
Return on investments and servicing of finance		
Treasury interest	23,697	20,507
Unrealised loss on investment	(291,624)	(109,016)
Taxation paid		
Corporation tax	(2,890)	(3,747)
Capital expenditure		
Purchase of assets	(22,395)	0
(Decrease)/increase in cash	(1,433,255)	1,702,434

Notes to the Cash Flow Statement

1 Reconciliation of movement in funds to net cash outflow from operating activities

	2003-2004	2002-2003
	£	£
Increase in funds	3,431,717	3,785,442
Depreciation charges	65,692	56,339
Interest receivable	(22,210)	(22,124)
Increase in NLDF investment	(2,420,331)	(1,525,379)
(Increase)/decrease in debtors and prepayments	(12,733)	36,716
Increase/(decrease) in creditors arising from operating activities	1,442,006	(2,900,254)
(Decrease)/increase in provision	(3,624,184)	2,363,950
Net cash (outflow)/inflow from operating activities	(1,140,043)	1,794,690

2 Reconciliation of net cash flow to movement in net debt

	2003-2004	2002-2003
	£	£
Net debt at 1 April	1,436,515	(265,919)
(Decrease)/increase in cash	(1,433,255)	1,702,434
Net surplus at 31 March	3,260	1,436,515

The notes on pages 16 to 25 form part of these financial statements.

Notes to the Accounts

1 Accounting policies

a Basis of accounting

These financial statements have been prepared under the historical cost convention. While the Accounts Direction requires inclusion of assets at their value to the business by reference to current cost, for 2003-2004 the Sports Council believes that these are not materially different to the historic cost shown in the balance sheet. Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986 and Accounting Standards issued, or adopted, by the Accounting Standards Board so far as those requirements are appropriate.

b Tangible fixed assets

Land and buildings

Although the Lottery Fund does not own any buildings, the costs of providing new offices for the Lottery Fund have been capitalised in the Accounts commencing the year ended 31 March 2002. These costs had previously been treated as a prepayment of rent on the office space occupied by the Lottery Fund.

A formal agreement is in existence between the Sports Council's Lottery Fund and the Sports Council, which states that the Sports Council will provide office accommodation rent-free until the 31 March 2005. The office accommodation costs are being written off to the Income and Expenditure account over a period of five years.

Furthermore, the formal Agreement states that the Sports Council will be responsible for the maintenance of the Lottery Offices, and that in the event of the Sports Council moving premises, Sports Council will provide equivalent office space for the Lottery Fund at a new site.

Other fixed assets

Other fixed assets are stated in the balance sheet at cost after applying a capitalisation limit of £1,000 to individual items and pooling of items costing more than £500 and which in aggregate total more than £5,000, and after taking into account the costs incurred in bringing the assets into use but not expenditure properly chargeable to the income and expenditure account. Depreciation has been provided using the straight-line method so as to write off each asset, whether individual or pooled, over its estimated useful life. Depreciation is charged in the year in which the asset is acquired; no depreciation is charged in the year in which the asset is disposed.

Assets are depreciated over their useful lives as follows

	2003-2004
<i>Information technology</i>	
(Hardware and software)	Three years
Office furniture	Five years
Office equipment	Five years
Display unit	Five years
Land and buildings	Five years

An impairment review is carried out annually and any loss in value is charged to the Income and Expenditure Account.

c Pension costs

The pension cost in respect of employees is charged to the Income and Expenditure Account so as to recognise the cost of pensions over the employees' working lives.

d NLDF account

Balances held in the NLDF remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of these balances attributable to the Sports Council is as shown in the accounts and, at the 31 March 2004, has been certified by the Secretary of State for Culture, Media and Sport as being available for distribution by it in respect of current and future commitments.

2 Staff costs

	2003-2004	2002-2003
	£	£
Salaries and wages	379,295	384,628
Social security costs	29,455	26,218
Other pension costs	16,685	17,803
Total	425,435	428,649

All the above staff costs were incurred by the Sports Council and recharged to the Lottery Distribution Account. The average number of full-time equivalent persons employed by the Sports Council and deployed on Lottery duties during the period from April 2003 to March 2004 was 20 (2002-2003: 22) staff.

Under terms and conditions of service, staff are entitled to an issue of luncheon vouchers to the approximate value of 70p per day. The entitlement for full-time staff is 55 vouchers per quarter issued quarterly in advance. Part-time staff are entitled to luncheon vouchers on a pro rata basis to the full-time equivalent.

Chief Executive's remuneration

The Chief Executive's total remuneration including employer's costs in 2003-2004 was £77,081 (2002-2003: £79,826). The prior year salary for the Chief Executive included back pay from previous years. He is an ordinary member of the Northern Ireland Local Government Officers' Superannuation Committee scheme. The Chief Executive was appointed in June 1994 for a contract period of five years. The contract was renewed in 1998 for the period up to 31 July 2004.

A total of 15% of the Chief Executive's costs have been apportioned to the Lottery Distribution Account to cover time spent on Lottery activities. For the year 2003-2004 this amounted to £11,562 (2002-2003: £11,978).

Sports Council members emoluments

The Chairman and Vice-Chairman of the Sports Council received honorariums totalling £10,689 (2002-2003: £10,635) and £1,648 (2002-2003: £2,774) respectively in 2003-2004. The cost of the Vice-Chairman's honorarium was apportioned to the Lottery Distribution Account. No emoluments were paid to other Sports Council members in respect of Lottery activities. The Sports Council does not pay any pension contributions on behalf of the Chairman or Vice-Chairman.

3 Other operating costs

	2003-2004	2002-2003
	£	£
Travel and subsistence	15,414	15,604
Recruitment	2,539	7,794
Training	5,805	4,203
Publications, printing, stationery and IT consumables	12,852	46,396
Telephone and postage	10,124	12,407
Professional and consultancy fees	51,597	44,393
Repairs and renewals	388	1,814
Sundry expenses	340	1,013
Bank charges	6	10
Publicity	33,298	27,295
Lottery promotion	11,756	1,706
Photography	1,954	1,641
Research and evaluation	1,300	11,224
Courses and conferences	263	225
Awards for all administration costs	41,728	39,245
SCNI overhead charge	27,227	32,027
Temporary staff	16,376	11,887
Total	<u>232,967</u>	<u>258,884</u>

Of the above total a sum of 2003-2004: £80,395 (2002-2003: £91,765) was initially incurred by the Sports Council's grant-in-aid account and recharged to the Lottery Distribution Account.

4 Tangible fixed assets

	Land and buildings	IT hardware and software	Office furniture	Office equipment	Display unit	Total
Cost						
At 1 April 2003	201,047	57,399	17,611	38,395	3,680	318,132
Additions	0	37,206	0	0	0	37,206
Disposals	0	0	0	0	0	0
At 31 March 2004	<u>201,047</u>	<u>94,605</u>	<u>17,611</u>	<u>38,395</u>	<u>3,680</u>	355,338
Depreciation						
At 1 April 2003	128,693	34,374	15,037	37,671	3,680	219,455
Charge for the year	36,177	26,680	2,111	724	0	65,692
Disposals	0	0	0	0	0	0
At 31 March 2004	<u>164,870</u>	<u>61,054</u>	<u>17,148</u>	<u>38,395</u>	<u>3,680</u>	285,147
Net book value						
At 31 March 2004	<u>36,177</u>	<u>33,551</u>	<u>463</u>	<u>0</u>	<u>0</u>	70,191
At 31 March 2003	<u>72,354</u>	<u>23,025</u>	<u>2,574</u>	<u>724</u>	<u>0</u>	98,677

5 Reconciliation of movement of funds

	Balances held in NLDF	Balances held in SCNI	Provision for grant commitments	2003-2004 Totals	2002-2003 Totals
	£	£	£	£	£
Proceeds from Lottery	6,616,575	0	0	6,616,575	7,300,142
Drawn down in year	(3,904,620)	3,904,620	0	0	0
Other income	0	1,605	0	1,605	855
Interest receivable	0	22,210	0	22,210	22,124
Staff costs	0	(425,435)	0	(425,435)	(428,649)
Other operating costs	0	(232,967)	0	(232,967)	(258,884)
Depreciation of fixed assets	0	(65,692)	0	(65,692)	(56,339)
New grants paid	0	(4,745,918)	0	(4,745,918)	(3,326,240)
Taxation	0	(2,214)	0	(2,214)	(3,576)
New grant commitments	0	0	2,261,339	2,261,339	532,433
Total increase in funds	2,711,955	(1,543,791)	2,261,339	3,429,503	3,781,866
Unrealised loss on investment	(291,624)	0	0	(291,624)	(109,016)
Balance at 1 April 2003	21,067,237	1,351,279	(10,957,305)	11,461,211	7,778,361
Balance at 31 March 2004	23,487,568	(192,512)	(8,695,966)	14,599,090	11,461,211

The funds held in the NLDF are invested on its behalf by the National Investment and Loans Office. The above balances are based on the distribution of National Lottery funds set out in the National Lottery Act as amended. Interest earned on the sums invested is apportioned to each of the 12 Lottery Distributors on the basis of their percentage of the total remaining NLDF Funds at the time the interest is received. The market value of investments held by the NLDF on behalf of the Sports Council's Lottery Distribution Account at 31 March 2004 was £23,487,568 (2002-2003: £21,067,237). The Balance Sheet figure for the NLDF balance is shown as £23,487,568 (2002-2003: £21,067,237) as the lower of cost and net realisable value. The actual cost of the NLDF balance at 31 March 2004 was £23,779,193 (2002-2003: £21,176,253).

6 NLDF balance policy

In August 2003 DCMS issued 'National Lottery Guidance Note 1/03: Management of NLDF Balances'. This guidance note proposes that each Lottery Distributor should have an NLDF balance policy and should publish a statement on its policy in its Annual Report and Accounts. This should include a target for the size of its NLDF balance based on an assessment of needs over the next three financial years.

The following is the policy as approved by the Sports Council

The Sports Council aims to keep NLDF balances at a prudent level that will maximise its ability to achieve its strategic objectives, and to ensure the speedy progress of existing and future commitments. In setting its target balances the Sports Council will seek to ensure that it neither compromises existing commitments nor unreasonably constrains its ability to make future commitments.

The Sports Council has agreed that the NLDF balance should decline over the next three years as follows

- by 31 March 2005 to aim for NLDF balances to be £23.3 million;
- by 31 March 2006 to aim for NLDF balances to be £22.7 million; and
- by 31 March 2007 to aim for NLDF balances to be £17.9 million.

The targets are based on income forecasts provided by DCMS and allow for DCMS' projections of the impact of the proposed Olympic Lottery.

The Sports Council has in place, or is currently putting in place, a number of processes to ensure that the targets are achieved. These include

- completion of the extensive review projects which have not reached final payment where commitments were made prior to 2003;
- a research project on previous capital awards to ascertain opinions on the application process/management of projects, and proposals for the development of the new capital programme;
- a review of capital grant programmes to speed the processing of small grant applications and to implement revised grant management processes;
- grant management training for operations staff responsible for management of grant projects;
- the extension of the delegated decision procedures to committee and staff;
- the implementation of a new grants management information system to provide more accurate and timely information to management on the progress of awards; and
- regular reviews of income forecasts and budgets, to allow reallocation of unspent funds.

7 Cash at bank

	2003-2004	2002-2003
	£	£
Cash at bank	3,260	1,436,515

8 Debtors and prepayments

	2003-2004	2002-2003
	£	£
Bank interest receivable	1,510	2,997
Amount owed by SCNI	5,260	0
BOA sports medicine grant prepayment	49,076	41,128
Other prepayments	321	795
	56,167	44,920

9 Creditors

	2003-2004	2002-2003
	£	£
Corporation tax payable	2,900	3,576
Trade creditors	128,025	42,847
Other creditors	5,926,093	4,313,392
Amount owed to SCNI	345,789	586,850
	6,402,807	4,946,665

A sum of £65,434 (2002-2003: £458) under Trade Creditors relates to grant commitments for which claims for payment had been received at 31 March 2004.

The sum of £5,926,093 (2002-2003: £4,313,392) under other creditors refers to grant hard commitments payable in 2004-2005.

Amount owed to SCNI includes £138,226 for grant commitments.

10 Pension scheme

The Sports Council participates in the Northern Ireland Local Government Officers' Superannuation Committee Scheme (the NILGOSC scheme). The NILGOSC scheme is a 'multi-employer', defined benefit scheme, which provides members of participating employers with the benefits related to pay and services at rates which are defined under statutory regulations. To finance these benefits, assets are accumulated in the scheme and are held separately from the assets of the employers. The scheme is funded by employee and employer contributions at rates determined by an independent professionally qualified actuary on the basis of regular valuations using the projected unit method. The results of the most recent valuation, which was conducted at 31 March 2001, were as follows

Main assumptions

Rate of return on investments per annum	6.55%
Rate of general increase in salaries per annum	3.8%
Rate of pension increases per annum	2.3%

Market value of scheme's assets	£2,293,700
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Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members, deferred pensioners and members based on past service, and after allowing for future salary increases	121%
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The surplus is being amortised over the remaining service life of the current membership, a period of approximately 12 years.

Contributions for the year were as follows

	2003-2004	2002-2003
	£	£
Employers	16,685	17,803
Employees	23,402	23,694
Total	40,087	41,497

The real increase in the value of accrued pension at 31 March 2004 for senior employees is shown in the following page. All those listed participate in the NILGOSC scheme. The salary figures shown below include a salary increase arising from the Sports Council's performance appraisal system. The total accrued pension figures were supplied by NILGOSC.

CETV refers to the cash equivalent transfer value. It is the actuarially assessed capitalised value of the pension scheme benefits accumulated by a member at a particular point in time. The real increase in CETV is calculated after adjusting for inflation and changes in market investment factors.

Each of the following individuals received a benefit in Kind of £154, which related to luncheon vouchers

	Salary	Real increase and related lump sum at age 60	Total accrued pension at aged 60 at 31 March 2004 and related lump sum	CETV at 31 March 2003	CETV at 31 March 2004	Real increase in CETV after adjustment for inflation and changes in market investment factors
	£	£	£	£	£	£
<i>Eamonn McCartan</i>						
Chief Executive	69,963	532 plus 1,595 lump sum	19,323 plus 57,969 lump sum	292,152	303,080	10,928
<i>Shaun Ogle</i>						
Director of Sports Development	45,842	582 plus 1,747 lump sum	10,355 plus 31,066 lump sum	117,347	132,947	15,600
<i>Nick Harkness</i>						
Lottery Director	47,026	875 plus 2,625 lump sum	11,586 plus 34,758 lump sum	117,901	136,463	18,562
<i>Andrew Sloan</i>						
Director of Corporate Services	41,591	0	2,983 plus 8,948 lump sum	0	33,480	0

11 Commitments

There were no capital commitments as at 31 March 2004.

12 Contingent liabilities

The Sports Council expects to contribute an estimated £8.26 million (£4m Revenue and £4.26m Capital) towards the funding of the SINI, although there is no formal commitment as at 31 March 2004. The designated site has been identified as being the UU at Jordanstown. The Sports Council and UU have agreed on the structure of the legal entity, which will lead the development of SINI, this being a two member company comprising of the Sports Council and UU. The Memorandum of Understanding, Memorandum and Articles of Association, and a Promoters Agreement are with DCAL and DFP for approval and expected to be approved in July 2004. A draft Section 27 submission has been compiled and forwarded to DCAL and DCMS for consideration.

A revenue application has been developed in respect of the costs of operating SINI for a five-year period and the Sports Council anticipates that it will receive an application from the SINI company to the approximate value of £4m, during the 2004-2005 year.

A capital application and an economic appraisal have been developed by UU and is expected to be received by the Sports Council once DCAL and DFP have approved the company formation. It is anticipated that this capital application will be in respect of facilities to the value of £10.71m and that a request for funding to the value of £4.26m will be submitted to the Sports Council. It is also anticipated that should the capital application be successful, Sport England and Sport Scotland will contribute £3.0m and £0.6m respectively towards these facilities.

The Sports Council has made arrangements with Sports Scotland for an independent assessment of the revenue and capital applications.

13 Hard commitments

	2003-2004	2002-2003
	£	£
Hard commitments brought forward	10,957,305	11,489,738
Hard commitments met in the year	(4,745,918)	(3,326,240)
Hard de-commitments	(1,619,238)	(738,013)
Hard commitments made	4,152,893	3,531,820
Balance of hard commitments outstanding carried forward	<u>8,745,042</u>	<u>10,957,305</u>

Profile of hard commitments

	2003-2004	2002-2003
	£	£
Payable in 2003-2004	0	4,717,832
Payable in 2004-2005	6,129,753	4,353,366
Payable in 2005-2006	2,298,558	1,705,233
Payable in 2006-2007	242,550	180,874
Payable in 2007-2008	74,181	0
	<u>8,745,042</u>	<u>10,957,305</u>

Disclosure of hard commitments

	Notes	2003-2004	2002-2003
		£	£
Trade creditors	9	65,434	458
Amount owed to SCNI	9	138,226	445,110
Other creditors	9	5,926,093	4,313,392
Provision for liabilities and charges		2,615,289	6,239,473
Total hard commitments		8,745,042	10,998,433
Prepayments of grant	8	(49,076)	(41,128)
Total hard commitments less prepayments		<u>8,695,966</u>	<u>10,957,305</u>

The Balance Sheet shows a figure of £2,615,289 (2002-2003: £6,239,473) under 'Provision for Liabilities and Charges: Grant Commitments' and this represents the hard commitments payable 2004-2005 to 2006-2007.

The 'Provision for New Grant Commitments Made' total of £2,261,339 (2002-2003: £532,433) as shown in the Income and Expenditure Account is the decrease in the provision for grant commitments in future years.

Soft commitments

	2003-2004	2002-2003
	£	£
Soft commitments brought forward	1,209,693	1,302,772
Soft commitments transferred to hard commitments	(4,152,592)	(3,531,820)
Soft de-commitments	(112,280)	(234,320)
Soft commitments made	4,050,363	3,673,061
Balance of soft commitments outstanding carried forward	<u>995,184</u>	<u>1,209,693</u>

14 Notional costs

The income and expenditure account bears a non-cash charge for interest relating to the use of capital by the Sports Council. The basis of the charge is 3.5% of the average capital employed by the Sports Council during the year, defined as total assets less current liabilities.

15 Income and expenditure reserve

	£
Balance at 31 March 2003 per audited account 2002-2003	11,461,211
Increase in funds from Income and Expenditure account 2003-2004	3,429,503
	<u>14,890,714</u>
Unrealised losses on investments	(291,624)
Balance at 31 March 2004	<u>14,599,090</u>

16 Related party transactions

Several members of the Sports Council, its Lottery Committee and staff are also involved with suppliers or other sports organisations in Northern Ireland either directly or indirectly as a result of a family relationship, a close friendship or business relationship. These individuals make an annual declaration of their interests and do not take part in discussions and decisions to make commitments to those organisations with which they have had a declared interest. A list of the commitments made to the organisations concerned and details of who made the declaration of interest is shown below. All of the transactions relating to the organisations were conducted at arms length by the Sports Council.

Organisation	Commitment(£)	Individual
Eventing	7,160	D Gaston
Irish Long Distance Riding	7,600	D Gaston
NI Carriage Driving Association	4,000	D Gaston
Ballymena Rugby Football Club	95,603	M McCarey
Irish Cycling Federation	35,880	J News
Royal Yachting Association	15,160	J Poots
Swim Ireland	13,180	J Poots
Swimming	7,632	J Poots
UB Tennis	9,200	J Poots
Monkstown Boxing Club	97,795	P Johnston
Irish Amateur Boxing Association	3,440	P Johnston
Farrell Kelly Associates	10,692	K Kelly
Irish Cycling Federation	35,880	M McGreevy
Northern Ireland Athletics Federation	46,480	D Seaton
Irish Bowling Association	11,160	J Thompson

17 Derivatives and other financial instruments: disclosures (FRS 13)

FRS 13 requires disclosure of the role, which financial instruments have had during the period; in creating or changing the risks the Fund faces in undertaking its role.

Liquidity risks

In 2003-2004 £5.63m (84.8%) of the Sports Council's Lottery Fund's income derived from the National Lottery. The remaining income is derived from investment returns from the balance held with the NLDF £0.988 million (14.9%), and from Bank Interest and Sundry Income £0.023m (0.3%). The Sports Council consider that the Fund is not exposed to significant liquidity risks; they are satisfied that they have sufficient liquid resources within the NLDF and in the bank of £23.490m to cover all current contracted commitments of £9.691m.

Interest rate risks

The financial assets of the Fund are invested in the NLDF, which invests in a narrow band of low risk assets such as government bonds and cash. The Sports Council has no control over the investment of Funds in the NLDF. At the balance sheet date the Market Value of investment in the NLDF was £23.487m. In the year the average return on these investments was 3.12%. Cash balances which are drawn down from the Fund to pay grant commitments and operating costs are held in an interest bearing current account which on average carried an interest rate of 3.0% in the year. The cash balance at the year-end was £0.003m. The Sports Council consider that the Fund is not exposed to significant interest rate risks.

Foreign currency risk

The Fund is not exposed to any foreign exchange risks.

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