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Sport England Annual Report and Accounts 2004-2005

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2004-05 ANNUAL REPORT AGAINST DCMS-SPORT ENGLAND FUNDING AGREEMENT 2003-06

2004-05: Another year of progress and achievement

Work area	04/05: Key achievements
Strategic Leadership	Sport England celebrates 10 years as a lottery distributor ActivePlaces.com goes live Sport England identified as a key partner in delivering the recommendations of the Russell Commission report
Reforming the sporting landscape	Members of ILAM, ISRM and NASD vote in favour of creating a single professional body for sport
Increasing physical activity: Participation	Everyday Sport pilot campaign delivered in the North East A 154% increase in usage is recorded across 1,831 Sport England funded projects
Increasing physical activity: Club membership	The Community Club Development Programme is provided with £40m of additional funding 857 Community Sports Coach Scheme coaches are in post, with a target of 3,000 by 2006
Increasing success	£315 million of funding is announced for 32 priority and development sports Wembley National Stadium 'topping out' ceremony
Increasing efficiency	Overheads are reduced to 20.3% of direct delivery (from 34.4% in 2003/04)

Another year of progress and achievement

During 2004-05 Sport England celebrated 10 years as a distributor of lottery funding and passed the landmark of £2 billion lottery investment in sport across England.

In conjunction with other public and private funding streams, including over £300m Exchequer funding, this investment has made a huge contribution to improving and enhancing sports provision in local communities across the country.

At national level it has helped build our sporting infrastructure through projects such as the Manchester Commonwealth Games and the new Wembley Stadium. Sport England investments from Lottery funding have also provided support to talented athletes around the country.

There were some great performances at the Olympics and Paralympics in Athens. Britain's Olympians ended the 2004 Games having surpassed their medal haul at Sydney in 2000.

London's Olympic Bid has made it through to the final five cities and raised the profile of sport significantly.

In September 2004, Tony Blair, David Beckham and Sven Goran Eriksson were guests at the topping out of the new Wembley National Stadium. Its centrepiece arch was raised and lit up to celebrate the next stage in the building of the stadium.

In the summer of 2004, the Activeplaces.com database went live with over 10,000 places to get fit, play sport and have fun. The database matches the Secretary of State's commitment to create a 'Domesday Book' of facilities. During the year, this authoritative database of sports and fitness facilities in England was nominated as a finalist in the first e-Government National Awards.

The launch of Active Places was followed up with the launch, in March 2005, of a new planning tool called Active Places Power, which is set to influence where sport and leisure facilities are built in the future. The new web-based tool provides the most comprehensive dataset of sports facilities across the country and has been designed to help local authorities and sports organisations to identify gaps in provision and form strategies for sports facility investment.

To ensure the planning system delivers the best possible deal for sport through new development we have also developed a planning contributions kitbag. The kitbag is an online resource for local authorities, giving practical tools, useful sources of information, data and real examples of what can be achieved. The kitbag can be found at www.sportengland.org.

Strategic leadership

Following the publication of the Framework for Sport in England, 9 Regional Plans for Sport were developed and published in 2004-05. Developed by the people who know what is required in their communities delivery of these plans will have a real impact at a local level.

Sport England has recently been identified as a key partner in delivering the recommendations of the Russell Commission Report on encouraging young people to volunteer. The report was published during the Chancellor's Budget Statement (March 2005). The Heritage Lottery Fund, Sport England, the Government and the private sector will join together to create Britain's first national community service for young people: with private finance matching public, up to £150 million to recruit one million young volunteers.

According to the Chartered Institute of Public Finance and Accountancy, local authorities spend over £1bn a year on sport and recreation. To ensure this investment achieves value for money Sport England has been working closely with the Audit Commission on the

development of the new Comprehensive Performance Assessment (CPA) framework for sport.

The fact that culture, including a strong role for sport, has been included in the CPA is welcomed. In particular it is pleasing that culture has been valued on equal terms with other services such as housing and the environment.

Sport England is committed to the continuous improvement of sport and recreation services and to ensuring they deliver strategic priorities in partnership with local authorities and other partners. Sport England has been co-ordinating a project that seeks to do this by creating the self-assessment improvement tool Towards an Excellent Service (TAES).

Reforming the sporting landscape

During the year Sport England and the Department for Culture, Media and Sport have worked alongside the leadership of the three main professional bodies for sport (Institute of Leisure and Amenity Management, the Institute of Sport and Recreation Management, and the National Association for Sports Development) on the creation of a single professional body. We therefore welcomed the recent results of ballots held by all three organisations in favour of the creation of a single professional body. We feel its creation is crucial to the ongoing modernisation of sport and will play a key role in driving up skills and improving services across the sector.

We are also funding SkillsActive to create 9 regional networks for the development of the professional and volunteer workforce for sport. SkillsActive also work with Skills for Health to develop the training and qualifications framework to support effective delivery across health, sport and leisure.

1. Increasing physical activity

Identified by the Framework for Sport in England as a key priority for action, Sport England has developed a national campaign for sport.

A pilot campaign was delivered in the North East of England over the summer of 2004. The theme of 'Everyday Sport' combined TV, poster and PR campaigns with celebrity endorsement and support from local partners.

Awareness of campaigns / programmes promoting sport, exercise or physical activity went up in the North East from 20% before the *Everyday Sport* campaign to 26% of people after the campaign. This compared to a decrease nationally over the same period from 34% to 30%.

The biggest change in activity levels occurred in the less active respondents in the North East where the percentage of people defined as 'inactive' decreased from 41% to 36% compared to no change nationally.

After the campaign 42% of respondents in the North East said that they intended to do more activity compared to 35% before the *Everyday Sport* campaign.

We have also been working hard to further develop the national network of County Sports Partnerships. County Sports Partnerships will develop in line with the needs and priorities of sport and their sporting partners – bringing sport into the community and impacting results at the local level.

There needs to be a genuine move towards a cohesive 'single system' for sport in the country and County Sports Partnerships will play a central role in this new system.

To test the effectiveness of interventions to promote health and well-being in the workplace the Active England programme is supporting the establishment of a number of pilot projects. We hope these will encourage employers of all sizes across the public, private and voluntary sectors to engage and motivate their staff to be more active.

Jointly funded by Sport England, the Department of Health and the Countryside Agency, Local Exercise Action Pilots are also testing community based interventions to increase physical activity. These pilots are being led by Primary Care Trusts across England.

Sport England is itself a major investor in sports projects and 2004-05 has been another busy year of grant making. Full details of our grant making activity can be found within our Annual Report.

A number of the Active England projects, initiated at the start of 2004, have now opened including:

- The Severn Centre in Highley, Shropshire
- Coxhoe Community Partnership (a new skatepark and outdoor facilities) in County Durham
- Glasshoughton Community Centre in Yorkshire (new outdoor facilities linked to a healthy living centre)

Of the 646 projects funded through the Green Spaces programme 645 are complete. The remaining 1 project is on site and due to complete by 30 June 2005. The Secretary of State has also announced that the Big Lottery Fund will allocate a minimum of £200m to play projects over the next 5 years.

Participation

The timing of major national survey work means it is not possible to provide any data updates on the survey data contained within the 2003-04 funding agreement report. However, proposals for a Cultural Survey to capture physical activity data on an annual basis at a regional level are now well advanced. Discussions about the use Local Participation Surveys as part of the new CPA framework are also well advanced. These surveys would provide more robust, current data across a range of participation measures.

Target 1: Increase the % of adults taking part in sport (including walking) on at least 3 days per week for 30 minutes of moderate intensity from 20% (in 1998) to 23% in 2006

Using data from the latest Health Survey for England (2003) 21.4% of adults take part in sport 3 times a week for 30 minutes at moderate intensity.

The 92 Sport England funded projects¹ monitored in 2004/05 recorded an increase in usage from 2,105,192 to 6,664,013, an average increase in usage of 216%. Across all the 1,831 projects monitored usage has increased from 14,710,345 to 37,494,897. This represents an impressive average increase in usage of 154% per scheme.

Target 2: Increase the % of adults from social groups DE taking part in sport (excluding walking) on at least 4 occasions in the previous 4 weeks from 19% (in 2000) to 22% in 2006

GHS 2002 Survey has updated the participation rates for the % of adults from social Groups D and E (now converted to NSSEC groups 6-8) taking part four times in the previous four weeks to 21.2%.

The 23 Sport England funded projects¹ located in Priority Area Initiative areas² monitored in 2004/05 recorded an increase in usage from 829,204 to 2,618,248, an average increase in usage of 216%. Across all the 301 Sport England funded projects located in Priority Area Initiative areas that have been monitored overall usage has increased from 4,676,898 to 11,772,444, an average increase in usage of 152% per scheme.

¹ Community Capital projects

² The 10% most deprived wards in England defined by the Indices of Multiple Deprivation

Club membership

Target 3: Increase the % of 16-19 year-olds that are members of sports clubs from 17% (in 1996) to 20% in 2006

Using data from the 2002 General Household Survey only 10.4% of 16-19 year olds participate in sport as a member of a sports club.

There has also been a decrease in the percentage of young people (16-19 year olds) participating in sport as a club member (not just sports clubs) from 26.5% in 1996 to 23.9% in 2002.

However, excluding participation as a member of a sports club membership has increased across all other types of club (Health and Fitness, Social, Other).

Target 4: Increase the number of people taking up sport (new participants) or becoming new members of clubs

Using data from the 2002 General Household Survey 6.4% of people participate in sport as a members of a sports club. Whilst this represents a decrease from the level of 8.1% recorded in the 1996 survey, there has been an increase in the percentage of people who take part in sport as members of clubs (not just sports clubs) from 15.5% (1996) to 16.5% (2002).

Target 5: Measure the number of sport clubs improving access and the increase in club membership achieved through the Community Club Development fund, school/club links, Step into Sport and coaching.

Clubs

In March 2005 there were 4,587 accredited clubs within the PESSCL Club Links programme.

The Community Club Development Programme (CCDP), which is in its second year, has now made 480 awards. 195 projects are completed with a further 179 on site. Over £37.9m has been awarded to community club based projects.

The CSR 2004 settlement acknowledged the success of the CCDP programme and provided additional funding of £40m for 2006-2008.

Following discussions with DCMS it was agreed that Boxing, Squash, Sailing and Golf should be offered the opportunity to access funding under the CCDP programme.

Bristol's Community Sports Club Hubs Project provides an excellent example of the joined up delivery that has been possible through the Community Club Development Fund.

Through Active England the project has received £699k of revenue funding over three years (towards a £1.4m project) to support employment of hub coordinators to facilitate the development of innovative programmes at both the rugby and tennis projects supported through the Community Club Development Programme.

The Rugby Academy, based at Portway Sports College, received an award of £243,414 towards a project costing £1,831,585 for the development of a third generation pitch.

The tennis project received funding of £255,400 towards a project costing £647,000.

Coaches

We are currently working closely with sports coach UK, the lead agency for coaching, on the Community Sports Coach Scheme. This cooperation will ensure that the best use is made of available resources.

The Community Sports Coach Scheme currently has 857 coaches in post with a target of 3,000 across England by 2006. September 2004 figures show that, through the Community Sports Coach Scheme:

- Over 19,000 high quality coaching hours have been delivered
- Over 70% of the high quality coaching hours delivered relate to new provision
- Over 48,000 young people have received high quality coaching

Through a coordinated funding strategy the programme is contributing to a step change in development of a career structure for coaching.

Volunteers

Working jointly with DCMS and DFES the Step into Sport programme is managed through a consortium of Sport England, the Youth Sport Trust and Sports Leaders UK. Delivery of the programme involves SSPs working with CSPs to deploy young leaders into the community and provide appropriate volunteering placements.

In its first 2 years the scheme has:

- Trained 60,000 young people in Sports Leadership Awards
- Enabled 1,500 sports festivals across England involving over 170,000 people
- Engaged 4,000 16-19 year olds in community volunteering
- Supported the development of volunteering strategies across 17 national governing bodies and the 45 County Sports Partnerships

3. Increasing success

Target 6: Agree a number of targets that have to be achieved by a specified date with a priority group of NGBs. The priority NGBs were agreed in November 2003 and targets for these NGBs will be agreed by 31 March 2004

The financial year 2004/05 was designated an interim funding year, so that all plans (whether UKSport or Sport England funded or both) could be put on a consistent 4-year funding cycle commensurate with the Olympic cycles; ie April 2005-March 2009.

Plans were submitted in November 2004 for assessment and funding decisions. In February 2005 four-year funding, totalling some £315 million for 32 priority and development sports in England was announced.

Start, stay and succeed targets are being finalised for all NGBs against a portfolio of KPIs on participation, coaching, volunteers, clubs, club membership, and performance, as well as NGB governance and efficiency.

The TASS and TASS 2012 initiatives are being implemented in partnership with DCMS, SportsAid, UCS, UK Sport, EIS and NGBs. Sport England are playing a coordinating role.

Major projects

In June the new Wembley National Stadium arch reached its final position and was lit for the first time to mark England's progress through to the Euro 2004 Championships. This was followed by an arch 'topping out' celebration in September with the Prime Minister Tony Blair and England Captain David Beckham. The magnificent arch represents another iconic landmark on the London skyline.

The Stadium has also played a prominent role in respect of the 2012 Olympic Games bidding process.

In addition to work to establish the feasibility / viability of an Olympic Aquatics Centre and Olympic Velodrome, Sport England has played a full and active roll in a number of Olympic

legacy forums. We were authors of the community sport legacy strategy, a document that formed the basis of the legacy section of the London 2012 candidature file.

Other achievements during the year included:

- The EIS network was largely completed on time and budget with major centres such as Loughborough, Bath and Sheffield fully operational.
- The re-development of Bisham Abbey complete on time and within budget. A strategic review of National Centres commenced.
- Agreement for Greenwich Leisure Limited to operate Crystal Palace National Sports Centre for the next 5 years

4. Increasing efficiency

Target 7: 90% of grant applications will be decided within 12 weeks by 2006.

Space for Sport and the Arts, Community Club Development and Active England programmes have all maintained their achievement of the target for 90% of grant applications being given a decision within 12 weeks.

Following modernisation and the establishment of 9 Regional Sports Boards, decisions on applications made to the Community Investment Fund are now made locally. The Community Investment Fund opened on the 5th May 2004.

Priority projects are now determined by the Regional Sports Boards. The outcome is a clear focus on the projects that are right for the region.

Target 8: Reduce overheads as a % of direct investment in sport by Sport England

In 2003/04 operating expenditure represented 34.4% of direct delivery (Operating expenditure: £42m, Direct delivery: £122.3m). In 2004/05, overheads will represent only 20.3% of direct delivery (Operating expenditure: £49.0m, Direct Delivery: £192.2m). Over the 5-year period to 31 March 2009 £40.0m of back office costs will be redirected to front line investment.

Sport England is working hard to reduce expenditure and maximise operating efficiency. The following measures will all contribute to the achievement of this goal:

Sport England has undergone a major modernisation program geared towards putting the organisation on the correct footing to be able to increase participation in sport. The result of the modernisation was a reduction in the number of employees equivalent to 200 FTE's. Sport England currently operates on a headcount of 270 compared to a figure in excess of 500 pre-modernisation. Using an average salary figure of £40k this equates to a cash saving of £8.0m per annum over the life of SR04.

Work is underway to carry out a detailed review of the business support requirements of a range of sporting organisations with a view to considering merged/shared back office functions in the long term. The element of this saving attributable to Grant in Aid was estimated to £2.05m over the three years of SR04 as a direct cash saving, now released into Regional Front line delivery.

Sport England currently spends £15.9m of its Grant in aid monies on procurement and supporting the five national sports centres. At present there is no centralised buying function in the organisation and budget holders are responsible for procurement in their own areas. We believe that a National Contracts manager would be capable of generating material savings on areas such as communication costs, printing costs as well as legal and professional costs. Efficiencies generated through the employment of a National Contracts manager are estimated to be £0.6m over the period of SR04.

Sport England's old purchase order system relied on manual documentation and is inefficient. The recent implementation of an Electronic Purchase Order System (at a minimal cost of £0.05m) will greatly improve budget holder's ability to control costs at the point of order and will also result in providing more accurate information for procurement purposes. Savings generated by the new system are estimated at £0.2m over the period of SR04.

Sport England has offered office space to partner organisations thereby reducing their operating costs and utilising spare capacity at Victoria House. We have estimated the savings generated conservatively at £0.45m over the life of SR04

Sport England will follow the recommendation made by DCMS in aiming to reduce the amount spent on administration. The savings generated from capping administrative spend equates to £1.2m over the period of SR04.

These savings are summarised in Table 3 (below).

Table 3 – Sport England targeted efficiency savings SR04

(At 2005-06 values)	2005/06	2006/07	2007/08
	£m	£m	£m
Targeted Efficiencies (Cash) redeployed to Front line			
Existing Modernisation	8.2	8.4	8.6
Merging Support Functions	0.6	0.7	0.7
National Contracts management	0.2	0.2	0.3
Implementation of Electronic Purchase orders	0.1	0.1	0.1
Provision of accommodation to partner organisations	0.2	0.2	0.2
Administration Cap	0.4	0.4	0.4
Total	9.7	10.0	10.3

5. The challenges ahead

We anticipate 2005/06 will be another year of significant progress and achievement. Amongst the wide range of activities in which we will play a part, we anticipate the following will be priorities:

- Completing the national roll out of Active Places power users
- Agreement and delivery of the Comprehensive Performance Assessment framework
- The completion of Wembley National Stadium
- The announcement of London as the host city for the 2012 Olympics
- Year one of the new national cultural survey and local participation surveys
- Implementation and roll out of the monitoring and evaluation toolkit
- A national campaign for sport and active recreation
- Delivery of a single system for sport (central to which will be the establishment of 45 fit for purpose County Sports Partnerships)

For further details of Sport England's work programme, please refer to our 2005-08 Delivery Plan.

Sport England - Summary of Lottery Awards 2004-05

East

Active England - East	£ 2,195,780	20
Community Capital - East	£ 224,773	3
Community Revenue - East	£ 100,000	1
Total	£ 2,520,553	24

East Midlands

Active England - East Midlands	£ 2,376,551	35
CIF - East Midlands	£ 291,600	1
Community Capital - East Midlands	£ 364,387	3
Community Revenue - East Midlands	£ 150,000	1
Total	£ 3,182,538	40

London

Active England - London	£ 2,132,863	18
CIF - London	£ 285,345	2
Community Capital - London	£ 6,096,454	2
Total	£ 8,514,662	22

North East

Active England - North East	£ 2,630,313	25
CIF - North East	£ 133,580	1
Community Capital - North East	£ 6,668,287	4
Community Revenue - North East	£ 544,181	6
Total	£ 9,976,361	36

North West

Active England - North West	£ 3,328,563	35
CIF - North West	£ 1,376,347	6
Community Capital - North West	£ 7,596,559	8
Community Revenue - North West	£ 255,000	6
Total	£12,556,469	55

South East

Active England - South East	£ 1,379,013	29
Community Capital - South East	£ 1,884,686	10
Community Revenue - South East	£ 291,226	7
Total	£ 3,554,925	46

South West

Active England - South West	£ 2,448,021	21
Community Capital - South West	£ 1,089,390	10
Community Revenue - South West	£ 486,102	7
Total	£ 4,023,513	38

West Midlands

Active England - West Midlands	£ 2,698,675	23
CIF - West Midlands	£ 34,950	2
Community Capital - West Midlands	£ 436,897	6
Community Revenue - West Midlands	£ 304,051	4
Total	£ 3,474,573	35

Yorkshire

Active England - Yorkshire	£ 1,569,650	13
Community Capital - Yorkshire	£ 2,590,188	6
Community Revenue - Yorkshire	£ 488,073	6
Total	£ 4,647,911	25

National

Awards for All	£ 6,000,000	2098
Active England - National	£ 702,547	4
Community Capital - National (Awards)	£15,983,437	10
Community Athletics Refurbishment Programme	£ 1,352,820	26
EIS Facilities - Capital	£10,490,544	5
EIS Facilities - Hire	£ 8,803,313	11
Football Youth Development	£ 2,538,891	69
National Revenue Awards	£ 5,478,446	32
National Revenue - Whole Sport Plans	£ 8,144,480	32
National Revenue - World Class	£17,472,815	33
Safer Sports Grounds	£ 605,067	23
Total	£77,572,360	2343

World Class - Athlete Awards	£ 1,965,508	1520
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Sport England Lottery Awards 2004-05 - Awards over £100,000

Organisation	Grant	Project Name
A Sporting Chance	£118,578	A Sporting Chance Initiative
AAA of England	£250,000	Whole Sport Plan
Active Life Centre Ltd	£262,238	The Stephenson Centre
All England Netball Association	£1,250,001	Netball: Performance
Amateur Rowing Association	£475,000	Whole Sport Plan
Amateur Swimming Association	£340,000	Whole Sport Plan
Amateur Swimming Fed Of GB	£733,579	Swimming: Potential and Start
Amateur Swimming Federation of	£198,185	Diving: Potential and Start
Badminton Association of England	£100,000	Whole Sport Plan
Berry Hill Trust	£428,550	Berry Hill Park project
Bolton Indian Sports & Social Club	£204,276	Sports Introduction
Bolton MBC	£283,706	Leverhulme Park
Bridgnorth District Council	£448,262	Severn Centre, Highley
Bristol City Council	£137,450	Knowle Health Park
Bristol City Council (Sports West Partnership)	191,246	Sports West County Partnership
British Amateur Gymnastics Association	£655,754	Gymnastics: Potential
British Amateur Gymnastics Association	£100,000	Trampolining
British Canoe Union	£150,000	Whole Sport Plan
British Canoe Union	£457,917	Canoeing: Potential
British Cycling Federation	£272,259	Cycling: Potential and Start
British Equestrian Federation	£200,000	Whole Sport Plan
British Equestrian Federation	£450,000	Equestrian: Potential and Start
British Gymnastics	£100,000	Whole Sport Plan
British Heart Foundation	£142,850	Active Workplaces
British Judo Association	£180,000	Whole Sport Plan
British Judo Association	£730,000	Judo: Potential
British Orienteering Federation	£200,000	Orienteering: Potential
British Triathlon Association Ltd	£200,000	Whole Sport Plan
British Weight Lifters Association	£218,000	Weightlifting CWG 2006
Brunel University	£2,000,000	Indoor athletics centre
Burnley Borough Council: Planning & Development Services	£285,700	Sport/Physical Activity Centre
Carlisle City Council	£1,288,878	Sheepmount athletics track
Carn Brea Leisure Centre Trust	£114,033	Carn Brea Plus
Caversham Lakes	£857,100	High Performance Rowing Facilities
Central Education and Training	£191,188	Key Worker to increase sports participation
Chesham 1879 Lawn Tennis and Squash Club	£152,487	Floodlit clay tennis courts - Improvements to pavilion
Chester-Le-Street District Council	£184,249	Indoor Cricket Academy
City of Sunderland	£214,275	Bunny Hill Wellness Centre
City of York Council	£261,000	Oakland pitch
Clay Lane Sports Club	£216,660	Clay Lane Sports Development
Crewkerne Town Council	£165,379	Crewkerne Aqua Centre

Crofton Community Centre	£322,404	Crofton Community Centre: New Sports Facilities
Cumbria County Council Education Service	£600,000	New changing facilities
Department of Health	£620,000	Local Exercise Activity Pilots
Dudley MBC	£242,775	New sports ground and clubhouse
Easington PCT	£102,852	Active England Coordinator
East Riding of Yorkshire Council	£303,699	Relocation and rebuild - Beverley Swimming Pool
Eden District Council	£850,000	Sports Complex and Playing Fields
England and Wales Cricket Board	£500,000	Whole Sport Plan
England and Wales Cricket Board	£2,500,000	Cricket: Performance, Potential and Start
England Basketball	£312,500	Whole Sport Plan
England Hockey Limited	£160,000	Whole Sport Plan
England Netball	£500,000	Whole Sport Plan
England Squash	£180,000	Whole Sport Plan
English Bowling Association	£213,500	Bowls (Whole Sport Plan)
English Golf Union	£225,000	Golf: Performance and Potential
English Institute of Sport	£8,500,000	Provision of support services to elite athletes
English Lacrosse Association	£140,000	Whole Sport Plan
English Table Tennis Association	£264,000	Table Tennis: Performance, Potential and Start
English Table Tennis Association	£358,480	Whole Sport Plan
English Target Shooting Federation	£386,000	Whole Sport Plan
English Volleyball Association	£125,000	Whole Sport Plan
Forest Enterprise	£217,989	Peninsula Forest District
Gamesley Football Club	£131,902	Gamesley FC - New ATP
Gateshead Council	£514,260	Gateshead International Stadium
Goodwin Development Trust	£165,045	Community Multi-Activity Ct.
Gosport Borough Council	£305,361	New floodlights, ATP and changing
Great Cornard Upper School	£193,190	Futuristic Community Campus
Greater Derby Primary Care Trust	£291,600	Revive Healthy Living Centre
Gymnastic in Ipswich	£135,422	Sports Co-ord/Extension to Gym
Halton Borough Council	£108,403	Youth Activity Park
Haringey Sports Development Trust	£238,840	Sports Development Futures
Harlequins FC Ltd	£111,311	Harlequins Football Ltd
Hartlepool Borough Council	£183,419	Headland Borough Hall
Hastings Borough Council	£207,311	Active Hastings
Hawse End Centre	£114,280	On The Move
Hayle Surf Life Saving Club	£210,723	New premises - Penwith DC
Hertfordshire County Council	£1,692,287	New sports centre - Westfield School
Herts Sports Partnership	£100,000	CSP Recruitment

Hertsmere Borough Council	£183,263	Bushey Sports Centre
Hirst Welfare One Stop Shop	£156,566	Health and Fitness Centre
Hollybank Trust	£165,706	New Multi-Activity Centre
Horncastle Playing Fields (Management) Ltd	£327,948	Refurbish tennis courts
Ipswich Town Football Club	£172,500	Football Youth Development
John White Community Centre	£206,735	John White Community Centre
Kennington Oval Ltd	£2,500,000	Redevelopment of the Oval
King George V Playing Fields Trust	£144,356	King George V Playing Fields
Knowsley MBC	£134,279	Tower Hill Project
Lancaster City Council	£285,697	Neighbourhood Community Centre
Laurence Jackson School	£178,146	Development of Athletics Track
Lawn Tennis Association	£500,000	Whole Sport Plan
Lee Valley Regional Park Authority	£6,700,000	Lee Valley Regional Park Authority
Leeds Rhinos RLFC	£155,164	First Aid Room & Stewards
Leicester City Council	£170,415	Braunstone Cage Project
Leicester City Council	£1,999,000	Highfield Youth and Community Centre
Leicester City Council	£150,000	Southfield Drive Community Association
Leicester City Council	£160,000	Refurbishment of Saffron Lane athletics track
Lincolnshire Extreme Sports Association	£154,041	Multi Activity Facility
Liverpool City Council	£120,000	CARP Wavertree Track
Liverpool City Council	£4,022,668	Picton sports centre - Swimming pool
Liverpool Sailing Club	£131,677	Construction of Clubhouse
London Borough of Haringey	£136,932	Lordship Recreation Ground
London Borough of Tower Hamlets	£5,483,500	Sports hall and swimming pool
London Development Agency	£428,550	Playing Pitch Strategy
London Sports Forum for Disabled People	£219,891	Learning Disabilities
Longley Tennis and Bowls Club	£314,280	New pavilion and upgraded tennis courts
Manchester City Council	£285,700	Woodhouse Park Community Cent
Manchester City Council	£2,884,000	Belle Vue Athletic Centre
Manchester City Council (Manchester Young Lives)	£213,841	Multi use sports pitches
Manningham Mills Sports Association	£224,884	Community Sports Facility Dev.
Mark Hall Comprehensive School	£650,210	Multi-use Facility
Mevagissey Playing Field Foundation	£149,004	Mevagissey on the Move
Middlesbrough Council	£160,000	Track refurbishment - Clairville stadium
Modern Pentathlon Association of GB	£473,800	Modern Pentathlon: Potential and Start
Newburn Riverside Recreation Association	£154,257	Newburn Multi Activity Project
Norfolk County Council Education	£293,683	Whitlingham Outdoor Centre

Department		
North Tyneside Council	£188,562	Multi- activity sporting area
Nuneaton & Bedworth Borough Council	£149,721	Healthy Living Centre
Olympic Medical Centre	£110,342	Olympic Medical Centre
Performance Athletes Services	£1,620,000	Athletics: Potential and Start
Phoenix Sports Limited	£934,979	Sheffield National Network Centre
Phoenix Sports Ltd	£516,020	Operational Management Costs
Physical Activity Development Alliance	£142,850	Physical Activity Development
Plymouth City Council: Lifelong Learning	£344,269	The Brickfields
Portsmouth LEA on behalf of Priory School SSC	£992,000	Indoor sports complex
Pow Valley Partnership	£197,133	Upgrade sports grounds
Professional Golfers Association	£150,000	Whole Sport Plan
Redditch Borough Council	£302,539	The Batchley Project
Rossington Miners Welfare	£629,960	Rossington Miners Welfare Upgrade Sports Facilities
Royal Yachting Association	£1,784,965	Sailing: Potential and Start
Royal Yachting Association	£120,000	Whole Sport Plan
Rugby Football Union for Women	£140,000	Whole Sport Plan
Rugby Football Union for Women	£583,336	Rugby Union: Women's Performance, Potential and Start
Rugby League Football	£375,000	Rugby League: Performance, Potential and Start
Salford City Council - Manchester CFA	£228,560	Salford Sports Village
Sedgefield Borough Council	£1,325,000	New gymnastics centre
Sefton Metropolitan Borough Council	£108,566	Sporting Facility Development
Sheffield Hallam University	£441,189	Yorkshire Baseline data
Sheffield International Venues Limited	£170,000	Woodbourne Road refurbishment
Shotley & Benfieldside Tennis Club	£119,994	Community Sports Centre
Shrewsbury and Atcham Borough Council	£277,700	Activity Hall & Cycle Circuit
South West Lakes Trust	£487,070	Stithians water sports adventure and activities training centre
Southampton City Council for Maytree Infants & Nursery School	£187,005	Mount Pleasant School
Sports Club Orient	£606,577	Indoor Multi Use Facility
St Edmunds Girls School and Sports College	£102,852	St Edmund's School
St Marys College	£525,565	High performance centre for endurance running
Stoke on Trent Local Strategic Partnership	£254,088	Closing the Gap
Street League	£131,745	Multi-sports Programme
Sunderland City Council	£4,700,000	Stadium Park swimming pool
Sustrans	£278,843	Mobilise
Sustrans Ltd	£153,339	Multi Activity Routes
Telford and Wrekin Primary Care Trust	£116,565	Lets Get Physical
The Attlee Foundation	£175,121	New sports and changing facilities

The Bellingham Recreation Project Ltd	£143,993	Active Bellingham Index
The Commonwealth Games Council for England	£450,000	Commonwealth Games Council for England
The Football Association	£500,000	Whole Sport Plan
The New Belve Youth & Community Sports & Recreation Centre	£170,138	The New Belve Project
The Rochdale Judo Club	£144,000	Extension to facilities
The Rugby Football League	£410,000	Whole Sport Plan
The Rugby Football Union	£1,000,000	Whole Sport Plan
The St Augustine's Regeneration Trust	£1,850,000	New sports facilities - Preston BC
The Velodrome Trust	£172,726	Manchester Velodrome
Thomas Danby College	£479,976	Multi-activity facility
Tooting and Mitcham United Football Club	£395,792	Tooting and Mitcham Hub
Trafford Metropolitan Borough	£124,000	New changing facilities, artificial pitch and practice nets
Tyne and Wear Basketball Development Group	£133,580	Hoops 4 Health
UK Athletics	£203,500	Implementation of Foster Review recommendations
UK Sport	£7,965,238	Funding support for Athens Olympics
University of Bath	£731,093	University of Bath
Ventnor Tennis Club	£114,700	New tennis facilities
Walsall Metropolitan Borough Council/Walsall PCT	£151,135	Infrastructure and Facilities
Ward 3 Community Partnership	£213,498	Denhale Centre
Wear Valley District Council	£190,930	Mobile fitness unit
William Sutton Trust Sports Association	£146,447	Extension of Pavilion
YMCA	£547,258	Cap & Rev National Bid

Ongoing awards over £5 million and their status

Organisation Name	Project Title	Project Cost	Award	Amount Paid	Sport
London Borough Of Tower Hamlets	Sports hall and swimming pool	£15,033,258	£5,483,500	£2,431,557	Multi-Sports
British Wheelchair Sports Foundation	Redevelopment of Guttman Sports and Leisure Centre.	£9,911,190	£5,243,057	£5,174,284	Disability Sports
Portsmouth City Council	Mountbatten Centre Redevelopment	£19,500,000	£5,490,000	£0	Multi-Sports
English Federation Of Disability Sport	Inclusive Fitness Initiative	£6,500,000	£5,000,000	£1,093,503	Exercise & Fitness
Lee Valley Regional Park Authority	Performance Centre	£16,000,000	£7,300,000	£0	Athletics
The Sports Council Trust Company	World Class Performance Centre	£9,949,000	£9,599,700	£9,270,307	Multi-Sports
Badminton Association of England	Badminton: Performance	£12,525,431	£12,525,431	£8,312,633	Badminton
Amateur Rowing Association	Rowing: Potential and Start	£8,082,105	£8,082,105	£6,935,976	Rowing
Newcastle City Council	West Gate College Centre For Sport	£6,226,400	£5,598,400	£5,038,560	
Manchester City Council	Eastlands SportCity	£104,200,000	£92,000,000	£91,554,692	Multi Sport
The University of Bath	National Network Centre	£25,802,425	£21,320,000	£17,142,433	None
Sheffield City Trust	Ice Rink	£15,202,662	£12,904,210	£11,613,789	Ice Skating
Leeds City Council	New Indoor Swimming Pool	£14,249,601	£5,000,000	£0	Swimming & Diving
Football Foundation	Football Foundation	£171,000,000	£12,000,000	£11,291,071	Association Football

**Sport England - Lottery Accounts
Performance Indicators 2004-05**

Administration Expenses – cost of Processing an Application

2002-03 £2,202

2003-04 £1,819

2004-05 £1,734

Lottery Information Sport England Lottery Fund Monitoring & Evaluation

Sport England has implemented a comprehensive monitoring and evaluation programme which aims:

To review the progress being made in delivering projects and programmes against Lottery funding aims and objectives;
To assess the value of the programmes being delivered; and
To identify areas for improvement and promote examples of best practice.

The programme is delivered using teams of independent consultants who are able to evaluate objectively the progress being made across a wide range of service delivery.

Community Investment

During the year, 138 community capital projects were site visited by independent consultants. In addition, 2 major capital schemes were re-monitored in Gloucester, where the flag ship GL1 scheme has built on initial successes identified in the evaluation and increased usage to over 500,000 visits, with specific successes in attracting minority groups. The second centre was the University of East Anglia, where Lottery funded sport facilities provide sport and physical activity opportunities to over 1m users in the Norwich area.

For the 2004-05 programme, 92% of projects visited by consultants were rated overall as 'satisfactory' or above.

The findings have indicated that there is a general improvement in management of schemes, more effective, work is being undertaken with target groups, with an increase in numbers participating.

A trend among both dry and wet and dry leisure centres has been the development of multi activity provision. A number offer, amongst other things, GP referral schemes, education programmes, and a range of sporting activities for both the casual user and members. There has also been an increase in health and fitness suites and associated services. Increasingly, projects are identifying the need for outreach workers to attract new participants from the harder to reach sectors of society.

There is also evidence from the last year that there has been an improvement in the design aspect of the projects evaluated.

Projects are rated on the following categories:

- Overall
- Objectives achieved
- Target Groups
- Sporting Impact
- Social Impact
- Pre-application Advice
- Application Form
- Decision Process
- Financial Management
- Sports Programming
- Sports Partnership
- Design
- Disability

However we are now moving to a structure that will report and evaluate performance against the seven key outcomes established in the Framework for Sport in England:

- Increasing participation
- Widening access
- Improving performance
- Benefiting the economy
- Improving Health and Wellbeing
- Creating stronger and safer communities
- Improving Education

There is evidence to indicate that projects funded prior to the establishment of the framework, and the focus on funding projects to deliver against those outcomes, are already working against these wider agendas. Over the last year we have also developed a Monitoring and Evaluation toolkit to support projects to focus their work on the achievement of these outcomes, to help projects with performance management as they progress, and to provide robust and timely data about the performance of projects against their agreed objectives and the Framework outcomes. The toolkit has been piloted with Active England projects and is scheduled for roll-out across all SE lottery funded projects, both revenue and capital, during 2005-06.

There have been a number of innovative schemes visited throughout the year:

Hamble Sports College has developed a community sports hub on the school site, with a 4 court sports hall and ancillary equipment, supported by existing school facilities and the completion this year of the dynamo gymnastic clubs facility. These facilities are further supported by Community Sports Coach and School Sports Partnership funding, enabling them to employ the 2004 female community sports coach of the year and a partnership development manager.

Sussex Yacht Club increased the size of its moorings, provided disability sailing equipment and has seen a 60% increase in junior membership and an increase in disability sailors from 2 to 43 with plans to reach 100

Smithill School Sports Centre provides a good example of a well-run school community facility in an area of high ethnicity and deprivation, which manages to balance the needs of school, community and its specialist functions as a centre for excellence for netball. The relationship of the sports co-ordinator and teaching staff is crucial to making this work.

Walton Hall Park, in association with Alsop High School *has established a joint partnership committee, as part of formal management agreement, comprising the local Council, County Football Association, Schools Football Association and host school. This management arrangement helps to facilitate clear and coordinated pathways for football development, through partnership working.*

In 2004-05, we produced a DVD on the work of the Westway Trust, to highlight the innovative programme they have developed with the support of Lottery Funding, in a project located under the A40 flyover in West London. The DVD has been a widely used and the successes and good practice of the Westway project have been disseminated outside of London.

The major focus of the revenue monitoring for the period was on the impact of Sport Action Zones (SAZs), the related SAZ Magnet fund investment, Active Community Development Fund (ACDF) projects and County Sport partnerships. Findings indicate that the Sport Action Zones have been instrumental in changing the face of sports engagement in their areas. New ways of working within a community context have been instigated and the learning from this will benefit the development of effective partnerships, working at community level across a wide number of agencies with a shared interest in sport and physical activity, moving forward. The complementary Magnet fund has also been successful in pump-priming further funding and supporting delivery projects on the ground in the SAZ areas. The Monitoring and

Evaluation programme has also identified a number of examples of ACDF projects which have been particularly in their objectives of meeting the needs of our priority target groups by provide opportunities for them to participate in sport. The *Street League* project, whose case study was disseminated during the year, uses football as the key to engaging with homeless men in London, has had excellent success rates. Over 500 participants are involved in their 6 monthly programme, with 30 going onto a life style development course where 80% have continued onto further training or employment. The lessons from this model have formed the basis of a larger project encompassing swimming and athletics in South East London, which has been funded under the Active England programme.

A one off study was also commissioned on the legacy of the Commonwealth games in Manchester, and this evaluation has been utilised by the team working on the 2012 bid. The report highlights the social and economic impact on the East Manchester area as well as evaluating specific projects within the overall legacy programme. Such as the community work being undertaken by Manchester City Football Club and also the Sports Action Zone initiated Activity bus, which provides access for local community to the superb facilities in the area.

Ongoing work

Year 3 of the study on the County Sports partnerships will be reported on in 2005-06.

The consultants for the Active England monitoring and evaluation regime were appointed. As part of a pilot, innovative approach to monitoring and evaluation, they have begun work to support the projects, prior to and during, delivery in developing their own monitoring and evaluation capability within a clear overall and consistent framework. This structure should enable Sport England and Big Lottery Fund, its funding partner on this programme, together with the projects themselves, to view real time data on the progress of the projects.

Sport England also engages in a range of activities evaluating the impact of its programmes and projects funded through grant-in-aid – increasingly using the same KPI structure and evaluation framework and process, to maximise the efficiency of its total investment and to ensure consistency to allow lessons learnt to be applied across both funding streams. We also manage, on behalf of DFES and DCMS, the School Sport Partnership evaluation, which published its first round of findings this year.

**FINANCIAL DIRECTIONS ISSUED UNDER SECTIONS 26 (3), (3A) AND (4)
OF THE NATIONAL LOTTERY ETC. ACT 1993 (AS AMENDED BY THE
NATIONAL LOTTERY ACT 1998)**

The English Sports Council shall comply with the requirements contained within the attached Statement of Financial Requirements, which have the status of directions under section 26 of the National Lottery etc. Act 1993, as amended (“the Act”). The Statement of Financial Requirements complements the Council’s Management Statement and Financial Memorandum (MS/FM), which deals with corporate management matters and with the application of non-Lottery funds, and should be read in conjunction with the MS/FM.

Signed by authority of the Secretary of State for Culture, Media and Sport

ANDREW RAMSAY
Director of Creative Industries, Broadcasting and Gambling
Department for Culture, Media and Sport

ENGLISH SPORTS COUNCIL

STATEMENT OF FINANCIAL REQUIREMENTS

This Statement of Financial Requirements is effective from 17 May 2004

Introduction

1. This statement of Financial Requirements (SFR) replaces any previous SFR issued. It complements the English Sports Council's Management Statement and Financial Memorandum (MS/FM) whose provisions, unless otherwise stated in this SFR, apply to the administration of National Lottery proceeds and the costs of administering Lottery proceeds. It also complements and should be read in conjunction with the Accounts Directions issued to the Council under section 35(3) of the Act.
2. The Council must operate within the principles of administrative law. Lottery proceeds are public monies, and shall be used only to pay grants, to defray administration expenses incurred in the distribution of those funds (including those connected with delegation of Lottery distribution), or to meet the cost of non-cash grants. The Council should have regard to value for money, and to additionality principles, in all aspects of its administration of Lottery funds.
3. Systems of internal control deployed by the Council should be designed to manage risk to a reasonable level rather than eliminate all risk of failure to the achievement of policies, aims and objectives. Systems of internal control should be based on an ongoing process to identify and prioritise the principal risks to the Council not achieving its objectives, to evaluate the likelihood and impact of those risks and to manage them efficiently, effectively and economically.

Applications

4. The Council should make guidance on how to apply for Lottery funds widely available and should distribute funds only in response to applications. It may exercise as it sees fit, putting appropriate management and accountability arrangements in place, its powers under the Act to:
 - co-ordinate applications with other distributing bodies and/or other organisations;
 - participate in a joint scheme;
 - solicit applications;
 - delegate, internally or externally, decisions as to whom Lottery money is to be distributed.
5. The Council should ensure that, where appropriate, applicants are informed of the circumstances in which they will have to satisfy European Union (EU) and World Trade Organisation (WTO) procurement rules.
6. The Council should adopt appropriate policies for the appraisal of applications, depending on the nature, size and complexity of the project proposed. These should follow the best current practice and utilise, where appropriate, the Treasury "Green Book" and the Office of Government Commerce's Project Profile Model (PPM), used to determine the need for Gateway reviews.
7. The Council should notify the Secretary of State whenever it receives an application that falls under section 27 of the Act, and where possible should inform the Secretary of State as soon it becomes aware that such an application is likely to be made. Where the

Council is minded to approve the application, it should submit a clear analysis of why the Secretary of State should not exercise section 27 powers, and should not finally approve the application until it receives written notification of the Secretary of State's decision not to exercise section 27 powers.

8. The Council should collect what information it considers appropriate on each application it receives, and on each successful application. It should supply such information to the Secretary of State as and when requested. It should share information on applications with other distributing bodies where it judges that there is a significant risk that an applicant could fraudulently apply to more than one body.

Successful applications and payments of grant

9. The terms and conditions with which each grant or loan recipient must comply should be clearly set out. These should include a provision that the grant can be clawed back if there is a change of use from the one originally intended, and/or that an appropriate proportion of the value of the asset should be repaid. They should also include a provision for access by the Comptroller and Auditor General; requirements for the applicant to pay to the Council a share of the proceeds from the disposal of assets (including their transfer to the private sector) purchased or enhanced with the assistance of Lottery funding; and for the applicant to repay the grant in full or in part if any of the grant conditions are breached, including instances where the purpose for which the grant was made is not fulfilled, or seems unlikely to the Council to be fulfilled. The Council may vary the terms and conditions of a grant or loan by written agreement with the recipient.
10. The Council may waive such requirements and 'write off' the grant if it considers that this would be appropriate having regard to all the circumstances. However, write-offs totalling £50,000 or more in a single financial year must be reported to the Secretary of State.
11. In addition, where The Council is participating in a joint scheme with other distributing bodies, the Accounting Officers of the participating bodies may, by mutual agreement, delegate grant decision-making authority, and the authority to authorise write-offs and special payments, to the Accounting Officer of one of the bodies or, where appropriate, to a suitably qualified person empowered to act for an external delegate. The person so authorised should report back to the Accounting Officers of the other participating bodies on the achievements of the joint scheme.
12. Grants paid to successful applicants must come from a separate bank account(s) maintained specifically for the transfer of funds from the NLDF to approved projects. This, the Distributing Body's Lottery Account(s) (DBLA(s)), should also be used to cover any costs incurred in administering the Lottery by the Council or any delegates.
13. The Council may hold funds for a short time in DBLA(s) (which may be an interest-bearing instant access account) but may not otherwise invest Lottery money on its own behalf. Draw down requests should reflect the Council's best estimate of the amount needed during the following week. The DBLA(s) should not be overdrawn at any time.
14. Grant distribution may also be made using non-cash methods (for example, vouchers redeemable for goods and services from an approved supplier or contractor). Grants may be made to set up or augment endowments.
15. Grants should not normally be issued to successful applicants in advance of need. However, the Council can and should have regard to the flexibility provided for in relevant DCMS and other Government advice and guidance. The Council should also bear in mind the need to release funds without undue delay so that the applicant can pay bills promptly in accordance with best commercial practice.
16. The Council should set up appropriate arrangements for monitoring and evaluating projects both while they are in progress and after completion.

General administrative & financial matters

17. The Chief Executive of the Council is normally designated as the Accounting Officer for the Lottery Funds under the Council's control, and the responsibilities are set out in the Chief Executive's designation letter. In particular he is responsible for signing the accounts for the Council's Lottery distribution activities, and ensuring that:
 - Lottery money is distributed with due regard to regularity and propriety;
 - Bodies engaged as partners or agents for the purpose of processing Lottery applications and paying funds, or delegated to make decisions on the Council's behalf, are fit and proper and have established appropriate management arrangements;
 - Lottery money is used economically, efficiently, and effectively even though grant decisions may have been delegated to an outside person, organisation, committee, or are distributed under a scheme in conjunction with other distributors.
18. The Council will devise and implement appropriate indicators for analysing its own administrative efficiency and performance. These should be agreed with its sponsor division in DCMS. Performance measures, and targets for them, should be included in the annual business/operational plans.
19. In making forward commitments the Council must have due regard to past and projected income flows and to the need to keep its cash balance in the NLDF to a level which is consistent with safeguarding its commitments. In complying with this direction, the Council should have regard to relevant guidance.

Policy Directions Issued under Section 26 of the National Lottery etc Act 1993 amended 1998

Following the enactment of the new Lottery legislation in June 1998, the Government revised its Policy Directions. These directions ask that we take into account certain matters in determining 'the persons to whom, the purposes for which and the conditions subject to which' we distribute Lottery money.

A To ensure that money is distributed for projects which promote the public good or charitable purposes and which are not intended primarily for private gain.

All applications must be submitted on behalf of a bona fide organisation with a written constitution (voluntary organisations), articles of association (limited companies) or statutory powers (public bodies). All applications are assessed against the paramount priority of community or wider benefit. It is very unusual for the Sport England Lottery Fund to support applications from companies limited by shares which distribute profits. Where it does, we insist on rigorous conditions to ensure that no undue financial gain can accrue to any individual.

B To ensure that Sport England considers applications which relate to the complete range of its activities and in respect of which it has the power to distribute money, taking into account:

- **its assessment of the needs of sport and its priorities for the time being for addressing them**
- **the need to ensure that all parts of England have access to funding**
- **the scope for reducing economic and social deprivation at the same time as creating benefits for sport.**

Applications in respect of every sport recognised by Sport England are eligible for funding by the Sport England Lottery Fund. The list is reviewed periodically to ensure that it remains topical and up to date. Though some programmes, such as the World Class Performance programme, may be limited to certain sports, this is done by means of strict and objective eligibility criteria that relate directly to the aims of the programme. All parts of the country have access to Lottery funding and every district of England has already benefited. In 2004/05, Sport England delegated funding for community investment to Regional Sports Boards, on a formula based on per capita and degree of deprivation. Regional Sports Boards in consultation with local community and stakeholders, drew up regional plans to identify new priorities for funding.

C To promote access to sport for people from all sections of society.

In addition to its focus on people in areas of deprivation, Sport England has also accorded specific priority to young people, ethnic minority communities, people with a disability, older people and women. Every organisation that received an award in 2004/05 demonstrated that its application would benefit the public. Applicants, as a matter of course, also have to demonstrate maximum access for disabled people.

D To promote knowledge of and interest in sport in children and young people.

Children and young people are specific targets of the Sport England Lottery Fund. Young people are supported by coaching programmes at all levels, to enable them to participate and improve their sporting skills. Aimed at ensuring the success of England's top sports performers over the next 10 years, two programme areas, World Class Start and World Class Potential, were launched in December 1998 and underpin the World Class Performance programme. World Class Start aims to identify and nurture our most talented young people before they move on to the World Class Potential programme. We fund 45 County Sports Partnerships across the country, with a key priority to identify ways in which to encourage young people to participate in sport, and in particular to bridge the gap as young people leave school.

E To further the objectives of sustainable development.

Sport and recreational facilities make a major contribution to local communities and the economy, but they also have a significant environmental impact locally, regionally and globally. This is due to the fact that they are often substantial buildings using considerable quantities of energy to operate, especially if they include a swimming pool.

The complete life cycle of the facilities and materials must be considered, and the design must reflect best practice in access and proximity to transport, layout and orientation, flexibility and adaptation, specification of materials, and minimisation in use of energy and water resources.

Timber must be obtained from renewable resources and projects should contribute to a reduction in pollution and global warming.

F For money to be distributed to projects only where they are for a specific, time-limited purpose.

Revenue programmes will either operate on a specifically time-limited basis or will only benefit individuals while they remain within the definition of the programme and have a need for financial support.

G For applicants to demonstrate:

- **the financial viability of the project for the period of the award**
- **where capital funding or setting-up costs are sought, a clear business plan beyond the period of the award for running and maintenance costs**
- **in other cases, that consideration has been given to the likely availability of other funding to meet any continuing costs after completion of the period of the Lottery award, taking into account the size and nature of the project, and that Lottery funding will be used to assist progress towards viability beyond the period of the award, wherever possible.**

Financial viability is a prime factor in the appraisal of Sport England Lottery Fund applications and these questions are asked of all applicants and their answers rigorously assessed in the context of their potential risk. Each organisation that received an award in 2004/05 had to demonstrate that its funding was secure and sufficient to last for a reasonable time after completion of the award period. No capital projects are permitted to commence until all partnership funding has been secured. The monitoring and evaluation programme pays particular attention to the continuing financial viability of all Sport England Lottery Fund projects. Where revenue funding is awarded on a time-limited basis, the project or programme must either have an exit strategy identifying future sources of funding or it should have achieved its objectives.

H To require an element of partnership funding and/or contributions in kind, from other sources, commensurate with the reasonable ability of different kinds of application, or applicants, in particular areas to obtain such support.

This demonstrates that the local community and/or other bodies are committed to the project. The amount of partnership funding required depends on the project. However, applicants from areas of defined social and economic deprivation who adequately demonstrate financial need will continue to be eligible to obtain a higher proportion of the cost of the project from Lottery funds than is normally awarded. The nature and extent of partnership funding can vary and is not always in cash.

I The desirability of working with other organisations, including other distributors, where this is an effective means of delivering elements of its Strategy.

The Sport England Lottery Fund is increasing its partnership working with other Lottery distributors. In 2004/05 we participated in the Awards for All programme. We also work closely with the Big Lottery Fund (BLF), particularly with regard to the Green Spaces scheme, under which we and an award partner of BLF deliver the Active England programme. In addition, we are managing the Space for Sport and Arts programme on behalf of Arts Council England and the BLF, DCMS & DfES.

J To ensure that its powers to solicit applications are used only in connection with the pursuit of strategic objectives.

These powers will be used sparingly and in accordance with the direction. However, they will be utilised if the Sport England Lottery Fund is failing to meet its objectives for delivering the benefits of Lottery funding to all sections of society. The Sport England Lottery Fund will ensure that its powers are used only in connection with the pursuit of strategic objectives. In particular, in 2004-05 they were used under the Active England initiative to aid the delivery of one significant project per region by 31st March 2005.

K To collect such information as it considers necessary to make decisions on each application, including independent advice when required.

The Sport England Lottery Fund reserves the right (under this direction) to ask applicants for whatever additional information it sees fit, in addition to that requested in the application pack. It also seeks, when necessary, the confidential, independent and objective views of expert advisers. As a publicly accountable body, our first duty is to ensure that Lottery funds are properly spent and accounted for, that risk is minimized or managed effectively, and that fraud is avoided

Roger Draper
Chief Executive and Accounting
Officer of the English Sports Council

January 2006

Lord Carter of Coles
Chair of the English Sports Council

January 2006

The English Sports Council National Lottery Distribution Account

Accounts for the year ended 31 March 2005

FOREWORD

HISTORY AND BACKGROUND OF THE ENGLISH SPORTS COUNCIL

1. The English Sports Council (operating as Sport England) was established on 19 September 1996 by Royal Charter, and its objectives are set out in its annual report.
2. On 1 January 1997, the English Sports Council took over operational responsibility for work in England from the Sports Council. At the same time the new United Kingdom Sports Council (operating as UK Sport) took over operational responsibility for United Kingdom affairs. All the assets, liabilities and undertakings of the Sports Council were transferred to the new Councils on 1 January 1997. No date has been set for the formal winding up of the Sports Council which has remained dormant since 1 January 1997.
3. The Sports Council was the sole trustee of a charitable trust, the Sports Council Trust which was constituted by a Declaration of Trust made on 5 May 1972 and dissolved on 31 October 1992. The Sports Council confirmed that it would guarantee all liabilities of the Sports Council Trust which might arise in the future and this undertaking has passed to the English Sports Council. The Sports Council Trust Company was incorporated on 27 June 1990 as a company limited by guarantee. The Company has obtained charitable status, its Charity Number being 803779. The English Sports Council has become the sole guarantor of the Sports Council Trust Company. The Council's rights over the assets of the Sports Council Trust Company are severely restricted, both by Charity law and by the Trust Company's constitution.
4. Under the provisions of the National Lottery etc. Act 1993, the Sports Council was licensed as the Distributing Body for the lottery funds allocated for expenditure on or in connection with sport in England. This was the first time that a statutory duty had been imposed on the Council and this duty has been transferred to the English Sports Council. The current licence is due to expire in March 2009 and the Department for Culture, Media and Sport (DCMS) are currently considering future arrangements beyond this date.
5. These accounts have been prepared, in accordance with directions issued by the DCMS on 29 April 2002 and in compliance with the provisions of sections 34 and 35 of the National Lottery etc. Act 1993, to report on the activities and results of the Sport England Lottery Fund. A copy of that direction may be obtained from the Chief Executive of the English Sports Council at 3rd Floor Victoria House, Bloomsbury Square, London WC1B 4SE.
6. The National Lottery Act etc. 1993 requires these accounts to be audited by the Comptroller and Auditor General. The audit fee for the year is £40,000, which includes the audit of the Space for Sport and Arts memorandum accounts. No other audit services were provided.

REVIEW OF ACTIVITIES

7. Our Vision is to make England an active and successful sporting Nation. We do this by promoting the principles of Start Stay and Succeed throughout sport.
8. During the year the Council continued to implement its modernisation and regionalisation programme. Focus switched away from high-level strategy and organisational structures to delivery through the development of the 'Single System for Community Sport' and the implementation of 'Whole Sport Plans' with the Governing Bodies of Sport, the completion of our Delivery Plan and a fundamental review of our business control systems.
9. The Sport England Lottery Fund's principal activity is to support sport in England by the assessment and processing of applications, and subsequent distribution of funds

The English Sports Council National Lottery Distribution Account

Accounts for the year ended 31 March 2005

resulting from requests for funding from the National Lottery source, with subsequent monitoring and evaluation of grant awards.

10. The increase in Lottery Funds for the year as disclosed in the Income and Expenditure Account amounted to £49.7m (2004: increase £22.8m). This is the second year requiring the full implementation of FRS 17 (Retirement Benefits). This has resulted in a charge of £0.5m (2004: £3.8m) to the income and expenditure account in respect of Sport England's Lottery Fund's share of the pension scheme deficit of which it is a member (London Pensions Fund Authority Fund). The actuarial valuation of the Fund at 31 March 2005 for the purposes of FRS17 showed an excess of liabilities over assets for the fund of £29.9m (2004: £22.2m), of which Sport England Lottery Fund's share of the deficit is £17.9m (2004: £13.3m), with the balance apportioned to Sport England's Grant-In-Aid account.
11. The combined value of hard and soft commitments at 31 March 2005 stood at £280.1m. This exceeded the available resources in the National Lottery Distribution Fund and other assets by £86.0m (44.2%). This compares with a combined value of £354.3m at 31 March 2004 which represented an excess of commitments over resources of £153.8m (76.7%).
12. The balance in the National Lottery Distribution Fund at 31 March 2005 of £210.7m adequately covers the forecast commitments for the forthcoming year.
13. The Sport England Lottery Fund had available to it, from National Lottery receipts and interest generated within the National Lottery Distribution Fund, £179.9m (2004 : £170.7m) during the period covered by these accounts. This represents an increase of £9.2m or 5.4%.
14. The Sport England Lottery Fund itself generated a further £0.24m (2004: £0.29m) in gross bank interest.
15. The Sport England Lottery Fund has entered into a jointly funded scheme called Space for Sport and Arts. The programme is jointly funded by a number of partners; the Big Lottery Fund (formally known as the New Opportunities Fund) (£25m), the Arts Council England (£5m), Sport England (£25m) and Department for Culture, Media & Sport (£79m), giving a total funding available to the Programme of £134m. The fifth partner, the Department for Education & Skills does not contribute funding to the programme, but does provide technical and educational expertise to the programme. The joint scheme does not have its own legal status and therefore is accounted for proportionally in each of the funders separate accounts. The Sport England Lottery Fund proportion is 19% and the outstanding grants balance of £8.9m has been included in these accounts. A summary memorandum set of accounts for the whole scheme is included as an addendum to these accounts.
16. The Sport England Lottery Fund has been appointed an award partner by the New Opportunities Fund to deliver the Green Spaces Programme, to provide, protect and improve playing fields and school playgrounds. The total funding for the programme is £31.6m of which £3.4m was received this year giving total receipts of £30.4m to date.
17. The Active England programme was established in July 2003 under s43 Directions by the Secretary of State for Culture, Media and Sport to create and support innovative sustainable multi-activity environments in areas of social sport and health deprivation by 2005 to increase participation in sport and physical activity among all sections of society in England but typically those under represented in sport and physical activity participation. It is not a joint scheme as described under section 25b of the 1993 National Lottery etc. Act. The Active England grant funding is a jointly funded scheme between the Big Lottery Fund (£77.5m), and Sport England Lottery Fund (£31.0m). The total grant funding for the programme is £108.5m. The overheads for this programme are totally funded by Sport England Lottery Fund. These accounts

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reflect Sport England's share of the programme, approximately 29%. The Exchequer accounts of Sport England contain a summary memorandum set of accounts for the whole scheme as an addendum.

18. Following an agreement dated 3 February 2004 between Sport England and the DfES the responsibility for the management of the School Sports Coordinators (SSC) programme has been transferred to AEA Technology plc. At 31 March 2005 Sport England owed £7.5m to AEA Technology plc, which is the balance of contribution from Sport England Lottery Funds to the SSC programme not paid out.
19. The Sport England Lottery Fund continued its funding of the Football Youth development programme. This four-year programme, which started in 2003, is a partnership between Government, football and Sport England to develop youth academies at the 72 football league clubs. Sport England's contribution to the programme is £2.5m per annum.
20. Sport England provides lottery funds to the Awards for All programme administered by the Community Fund (now part of the Big Lottery Fund). In 2005 our contribution was £5,952,000, 10.66% of the total funding. In September 2004, the Community Fund identified that the Awards for All programme may have been subject to fraud from applicants who had made multiple applications for small grants. Early investigations suggest that the current best estimate of the loss attributable to Sport England for the year ended 31 March 2005 would be £87,000. Based on the proportion of funds contributed to the Awards for All programme, the current best estimate of the loss attributable to Sport England since we began contributing to the programme in April 1999, would be £498,000. A full investigation into the suspected frauds is underway and, on completion of this investigation, the Awards for All partners will consider whether recoveries are possible and appropriate. Any remaining losses will then be formally written off.
21. Under section 22 of the Lottery etc. Act 1993, the Secretary of State for Culture, Media and Sport allocated 20% of the sum paid into the National Lottery Distribution Fund for expenditure on, or connected with sport. Section 23(2) establishes the Sports Council (and subsequently Sport England) as one of the distributors of this portion along with the Sport Councils of the other Home Countries. Since that time the percentage allocated for expenditure on, or connected with, sport has been reduced to 16.67% of the total sum available from the National Lottery Distribution Fund.
22. Sport England's share of the 20% allocated to sport was originally 16.67%. Since then, its share of the total allocation available for sport has varied as follows: -
 - a. In October 1997 following the Government's creation of the New Opportunities Fund the percentage allocation was reduced to 13.89%;
 - b. Between 15 February 1999 and 16 May 1999, the Sport England percentage allocation was further reduced to 4.17% to provide the desired level of funding for the Millennium Commission and the New Opportunities Fund by the Apportionment of Money in the National Lottery Distribution Fund Order 1999;
 - c. From 17 May 1999, Sport England's share reverted to 13.89%; and
 - d. From 1 July 1999, the percentage allocation was reduced to 12.60% (being 75.58% of the total available for the five sport lottery distributors) following the Secretary of State for Culture, Media and Sport's introduction of an Order in Parliamentary Session to establish the United Kingdom Sports Council as a distributor of National Lottery funds alongside the existing four home country Sports Councils.

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23. During the 2005 financial year, Sport England Lottery Fund made awards to 2,091 organisations and individuals (2004: 2,027). The total awards that had been accepted by applicants (hard commitments) totalled £139.5m (2004: £160.7m).

At the end of the period 1,196 (2004: 2,343) hard commitment obligations and 166 (2004: 232) soft commitments obligations remained outstanding.

24. There were no additions to tangible fixed assets within the Sport England Lottery Fund during the period.

LIKELY FUTURE DEVELOPMENTS & POST BALANCE SHEET EVENTS

25. We have developed a medium term business plan and our Delivery Plan. Our Delivery Plan has received the approval of DCMS and delivery of the National stream (via Whole Sport Plans through Governing Bodies) and the Community stream (through the 9 Regional Sports Boards) is underway.

26. Discussions are ongoing with DCMS on a number of issues including the Comprehensive Spending Review 2006, the renewal of the Lottery licence post-2009 and our Funding Agreement. Our core strategy can still be summarised in the following four objectives:

- Start: increase participation in sport in order to improve the health of the nation, with a focus on priority groups;
- Stay: retain people in sport and active recreation through an effective network of clubs, sports facilities, coaches, volunteers, and competitive opportunities;
- Succeed: achieve sporting success at every level; and
- Internal efficiency: ensure that we operate and allocate our resources with maximum effectiveness.

27. Sport England announced on 1 February 2005 its commitment to four year funding for 32 priority and development sports in England. £192 million will be committed to Governing Bodies to fund Whole Sport Plans, and £31.2m core funding for County Sport Partnerships. Over the past 18 months we have been rolling out County Sport Partnerships (CSP) across England. There are now 45 CSP working to help people of all ages benefit from sport at a sub-regional level, but progress is happening at varying rates across the country. To ensure the complete nationwide network is in place by March 2006, Sport England has focussed more resources to accelerate delivery over the next three months.

28. We have now completed our Sport England Delivery Plan for 2005-08. The Delivery Plan provides the Framework for the achievement of DCMS Public Service Agreement 3: Community Sport:, whereby Sport England aims by 2008 to increase by 3% the take-up of sporting opportunities, by adults and young people aged 16 and over from priority groups, by increasing the number who participate in active sport.

29. Sport England is fully supportive of London's 2012 Olympic Games.

30. In September 2005 the Government announced plans to streamline the way sport is organised, clarify the responsibilities of sporting agencies and improve the chances of Britain's medal hopefuls for the 2012 Olympic Games and Paralympic Games.

Funding and management of the World Class Potential Programmes for Olympic and Paralympic sports (£15.3m* per annum) and management responsibility for the performance element of non-Olympic sports will transfer from Sport England to UK Sport with effect from 1 April 2006. In addition UK Sport will take responsibility for the following schemes; the Talented Athlete Scholarship Scheme (£4m per annum),

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the TASS 2012 Scholarships (£1m per annum) and the funding and directing of the work of the English Institute of Sport (£10.5m per annum).

* This figure was still subject to negotiation at the time of signing the accounts.

These changes will create a clear organisational distinction between community and elite sport that will allow Sport England to focus on delivering greater participation at the frontline through the Regional Sports Boards. The transfer of these programmes from Sport England will require a corresponding reduction in overheads of around £3m pa. To achieve this, Sport England will continue to streamline its head office in London and deploy those resources to the regions. Having already significantly cut administrative costs in the last two years, further reforms will cut down on administration costs and re-deploy further resources to frontline services.

RESEARCH AND DEVELOPMENT

31. The English Sports Council has a diverse research and development programme and during the year it spent a total of £210,000 (2004 - £nil) on research projects connected with the participation in sport of people from ethnic minority backgrounds and amongst people with disabilities and on facility use and development.

EMPLOYMENT ISSUES

32. The English Sports Council is committed to the promotion of equality of opportunities in employment and to the development of a management and staff, which is well trained in issues of equality. The Council encourages full and fair consideration of registered disabled people for all vacancies, and makes every effort to provide them with the facilities they need to ensure equal opportunities for career development. The Council, which strives to be an equal opportunities employer, intends that no job applicant or employee shall receive less favourable treatment because of gender, marital or family status, age, disability, ethnic origin, creed, sexual orientation, Trade Union membership, or by any other condition or requirement which can not be shown to be justifiable.
33. The English Sports Council involves employees in decisions, which may affect their health, safety or welfare, through its Whitley Council, which brings together representatives of the management, and trade unions in a working environment.

FUNDING AGREEMENT WITH THE DEPARTMENT FOR CULTURE, MEDIA AND SPORT

34. The English Sports Council has a Funding Agreement with the Department for Culture, Media and Sport under which key performance targets are set for the Council. Information relating to these Performance Targets and the Council's achievement against them may be found in the Annual Report.

PROMPT PAYMENT POLICY

35. The English Sports Council seeks to abide by the Better Payment Practice Code and in particular to pay bills in accordance with contracts and suppliers terms. Any complaints about failure to pay on time are dealt with expeditiously. In 2005 97% of undisputed invoices were paid within a 30 day period (2004 – 97%).

THE EURO

36. The activities of the English Sports Council are mainly national and to date a very limited number of transactions have occurred in Euros. As such, the cost of ensuring compliance has not been material.

ORGANISATIONAL STRUCTURE OF THE ENGLISH SPORTS COUNCIL

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37. The Chair of the English Sports Council, appointed by the Secretary of State for Culture, Media and Sport, has particular responsibility for providing effective strategic leadership on the following matters:-

- Formulating the Council's strategy for discharging its statutory duties and other activities;
- Encouraging high standards of propriety and promoting the efficient and effective use of staff and other resources throughout the Council;
- Ensuring that the Council, in reaching decisions, takes proper account of guidance provided by the Secretary of State or the Department; and
- Representing the views of the Council to the general public.

38. The Council members have corporate responsibility for ensuring that the English Sports Council fulfils the aims and objectives set out in its Royal Charter or by the Secretary of State. They are specifically responsible for:

- Establishing the overall strategic direction of Sport England;
- Ensuring that high standards of corporate governance are observed at all times;
- Ensuring that the Council operates within the limits of its statutory authority and any delegated authority agreed with the Department;
- Appointing, with the Secretary of State's approval, a Chief Executive of the Council; and
- Ensuring that a distinction is made between strategic planning and management, which are the responsibility of The Council, and day-to-day management issues which have been delegated to the Chief Executive.

39. The English Sports Council makes decisions relating to the award of financial support for projects from the Sport England Lottery Fund. These decisions are now being made by Regional Sports Boards and The National Investment Committee, with formal notification of all award decisions to the Board. The members of the Council's Board for the period under review were:

CHAIR	Lord Carter of Coles
VICE-CHAIR	Tessa Sanderson OBE (appointment ended January 2005)
MEMBERS	Garth Crooks OBE (appointment ended January 2005) David Geldart David Ross Brigid Simmonds (appointment ended January 2005) Sir Andrew Foster Karren Brady (appointed 21 March 2005) Michael Farrer (appointed 21 March 2005)

The Council has a policy of appointing Regional Sports Board Chairs on a 9 month rotational basis. As at year end the Regional Sports Board Chairs were:

Tim Cattle-Jones (North East RSB)
Mary McAnally (South East RSB)
Andy Worthington MBE (North West RSB)

40. The Council also has a number of regular and ad hoc Committees and Advisory Groups, which in 2005 included:

- | <u>Committees</u> | <u>Advisory Groups</u> |
|---|--|
| <ul style="list-style-type: none">• Audit Risk and Governance• National Investment | <ul style="list-style-type: none">• Partnerships Forum• Innovation Advisory Panel |

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- Equity
- Staffing and Remuneration

41. The Chief Executive is designated as the Council's Accounting Officer. As such he is personally responsible for safeguarding the public funds for which he has charge, for propriety and regularity in the handling of those funds and for the day-to-day operations and management of The Council.
42. The Chief Executive manages the day-to-day affairs of the Council through a number of senior directors to whom he has delegated specific functional roles and powers. These senior directors are shown in Notes 3.2 and 3.3 of the accounts.

BOARD AND COMMITTEE MEMBERS INTERESTS

43. Sport England manages a register of the interests of its Board and Committee Members. Subject to the agreement of individual members this register may be viewed, by appointment, at Sport England's offices at 3rd Floor, Victoria House, Bloomsbury Square, London WC1B 4SE.

CORPORATE GOVERNANCE

44. 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, the Council differs from a limited liability company and some aspects of the Code of Best Practice (issued by the Turnbull Committee) on the Financial Aspects of Corporate Governance, are not applicable. However, the Council has adopted a revised Code of Best Practice which has been developed by the Department for Culture, Media and Sport and is based on the recommendations of the Turnbull Committee. The Council complies with that Code of Best Practice in all material respects.
45. In line with the guidance issued by HM Treasury, a Statement on Internal Control has been prepared which appears on pages 39 to 42 of these accounts.
46. The Council is a single legal entity with indivisible functions, powers and liabilities including safety and environment issues. The Council has responsibility for monitoring performance against budgets and corporate plans, statutory accounts and other related matters.
47. The Council has an Executive Management Team comprising the Chief Executive and appropriately qualified and experienced Directors of executive functions who are charged with day-to-day management, ensuring that operational and financial controls are operating effectively, monitoring progress against operational plans, budgets and targets and other major issues affecting the Council's activities.
48. The Council has an Audit and Corporate Governance Committee which meets between 4 and 5 times per year and which is chaired by Sir Andrew Foster.

Roger Draper
Chief Executive and Accounting Officer
Sport England

January 2006

Lord Carter of Coles
Chair
of The English Sports Council

January 2006

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STATEMENT OF THE COUNCIL'S AND CHIEF EXECUTIVE'S
RESPONSIBILITIES

1. Under section 35(2) and (3) of the National Lottery etc. Act 1993, as amended, the English Sports Council is required to prepare a statement of accounts for the financial period in the form and on the basis directed by the Secretary of State for Culture, Media and Sport with the consent of the Treasury.

The financial statements are prepared on an accruals basis and must show a true and fair view of the state of affairs of the English Sports Council's Lottery distribution activities at the period end and of its income and expenditure and cash flows for the financial period.

2. In preparing the accounts the Council 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; and
 - prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Council will continue in operation.
3. The Accounting Officer for the Department for Culture, Media and Sport has designated the Chief Executive of the English Sports Council as the Accounting Officer for the Council. 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), and in the Financial Directions issued by the Secretary of State for Culture, Media and Sport under section 26(3) of the National Lottery etc. Act 1993, as amended.

Roger Draper
Chief Executive and Accounting Officer
Sport England

January 2006

Lord Carter of Coles
Chair
of The English Sports Council

January 2006

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STATEMENT ON INTERNAL CONTROL

1.SCOPE OF RESPONSIBILITY

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the English Sports Council's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting. I also has responsibility for ensuring that Lottery funds are distributed with due regularity and propriety and for identifying and reporting any systems failure significant enough to call into question the fitness of a body to continue receiving Lottery funding.

The Accounting Officer is accountable through Financial Directions issued under Section 26(1)(3) and (3a) of the National Lottery etc. Act 1993 to the Permanent Secretary and Accounting Officer of the Department for Culture Media and Sport (DCMS) and to the Board of the English Sport Council.

The Council Board of the English Sports Council acknowledges its responsibility for the property, rights, liabilities and obligations of the English Sports Council and for maintaining a sound system of internal control and is advised on the discharge of these responsibilities by the Audit, Risk and Governance Committee.

2.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 prioritise the risks to the achievement of the 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.

2005 was a year of consolidation for the English Sports Council involving the bedding down of the new organisational structure following the significant reduction in staff numbers in the previous year and the re-focussing of its activities on more strategic issues. It also involved the recruitment of new staff in key positions and a fundamental review of business processes and systems. The system of internal control was significantly reviewed and improved during 2005 and by 31 March 2005, accords with Treasury guidance.

3.CAPACITY TO HANDLE RISK

As Accounting Officer I am personally responsible for ensuring the English Sports Council has an effective risk management process. We have a documented risk strategy that follows the Treasury's guidance on risk policy and processes, defines what is meant by risk and risk management and outlines the key principles underpinning our approach to the management of risk. All identified strategic and significant operational risks are allocated to an appropriate member of the Executive Group to manage as primary risk owners.

Our staff have access to intranet based risk management policies, which include detailed guidance on standards of behaviour and conduct, equal opportunities, fraud, whistle blowing and Health and Safety matters. In 2005 we also developed our IT strategy. Staff can also access independent professional advice in the furtherance of their duties and are encouraged to undertake appropriate training both in a formal environment and in their place of work.

Our Governance, Risk and Assurance (GRA) directorate also provide specialist expertise on specific issues for example by investigating and advising on Lottery funded capital schemes that are experiencing difficulties.

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4. THE RISK AND CONTROL FRAMEWORK

Our work on improving risk management continues. The key elements of our risk management strategy are:

- i. to identify the risks that may impact on the English Sports Council's objectives and assign appropriate owners to manage them;
- ii. to evaluate the identified risks to establish the likelihood of the risk occurring and the potential impact if the risk occurred;
- iii. to identify appropriate response actions to risks; and
- iv. to regularly review and report on our risk position to give on going assurance.

An important issue when considering response actions to risk is the level of risk we are prepared to accept or tolerate before action is considered necessary. This is known as "risk appetite". We recognise that it is not possible to have a "one size fits all" risk appetite and are unlikely to achieve good value for money in trying to eradicate a risk completely. Each risk is therefore judged on its perceived importance to the business objectives and the response resources available when deciding an acceptable risk tolerance level. For example we have a low tolerance to risk when investing Lottery funds in national projects and programmes and therefore invest appropriate resources to bring the risk of undesirable outcomes to an acceptable level.

During 2005 we adopted a "top down and bottom up" approach to risk identification to ensure completeness of risks identified. My Executive Group and I identified, assessed and recorded in a risk register the key risks that we consider threaten the achievement of the English Sports Council's main objectives. Each identified risk was allocated to an appropriate team member to own and manage. Our operational staff attended risk management seminars and, in consultation with their managers, also identified and assessed the risks and opportunities relevant to their work. Details of operational risks identified were recorded in a separate register with the "top ten" risks reported to the Executive Group. (The reporting of these risks however was not fully sustained throughout 2005.)

The most significant potential risks identified during 2005 included:

- i. The adequacy of processes and controls to detect major loss or fraud and to maintain accurate records;
- ii. The adequacy of leadership and management skills and an appropriate pay and grading framework;
- iii. A continuing reduction in Lottery income; and
- iv. A failure to deliver high profile national projects.

Although we have made significant progress in identifying, assessing and recording our risks further work is planned to ensure risks are firmly linked to business objectives, key risk indicators are identified and monitored and risk registers are more regularly reviewed, updated and reported to the Executive Group.

The following processes help to embed risk management in our organisation although we continue to work on progressing this area:

- The availability to staff of comprehensive, intranet based risk management policies within the context of a 'no blame culture' so that risks can be openly discussed and dealt with;
- A rigorous system of checks and controls, such as eligibility and status checks on Lottery applications and appropriate corroborative evidence for payments, together with detailed staff guidance that help prevent and detect fraud;

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- The requirement for all staff and board members to complete declaration of interest forms to help identify potential conflicts of interest;
- The utilisation of the Office of Government Commerce (OGC) processes and tools;
- The development of project management processes and monthly reporting to the English Sports Council Board;
- Effective financial control processes that are subject to regular review and improvement where necessary;
- Establishment of project boards to oversee delivery of key projects and deliverables including, for each project, a project board which formally identifies and evaluates key risks, and maintains a risk register;
- Identification through the performance appraisal mechanism of staff development and training needs; and
- The development of an effective internal audit function and an appropriate corporate governance framework.

We are continually looking at ways to improve how we manage risks with external stakeholders. For example:

- We have established client managers for recognised sports National Governing Bodies (NGBs) and every priority and development sport, and complemented this with a series of regular updates for NGB chief executives and one-to-one meetings and “consultation camps”;
- We have recently completed, through an appointed external audit firm, a three year programme of “fit for purpose” reviews of all NGBs in receipt of Lottery money to provide assurance about the ability of these bodies to manage public funds;
- Where we have co-funded projects and programmes, we look to manage the risks with other key stakeholders through a combination of measures that include comprehensive Funding Agreements, appointing external contractors to monitor project progress, project risk registers to identify, record and control risks and regular project progress reviews at Board level; and
- We have identified opportunities to improve the efficiency and accuracy of our payroll by outsourcing this process to a third party bureau and have used independent advisors to review our suite of financial controls.

5. 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 executive managers within the 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 Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The following help me maintain and review the effectiveness of the system of internal control:

- Executive Group members – I meet weekly with the other five members of my Executive Group to consider and discuss the Council’s operational plans and objectives;

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- The Board – which comprises a Chair, three Regional Sports Board members (selected from the nine Regions on a rotational basis), the Executive Group, the Chair of the Audit, Risk and Governance Committee and five other members. All Board members are appointed by the Secretary of State (DCMS). We meet 8 times a year to discuss the Council's strategy and performance, progress on major projects and to assess investment decisions;
- The Audit, Risk and Governance Committee – which is chaired by an independent Council member and consists of another three Council members. The Audit, Risk and Governance Committee meets at least four times a year with both Internal and External Auditors present and the Council, to receive and respond to reports, to consider and advise me on the appropriateness of our corporate governance and internal control arrangements and to review the internal and external financial statements prior to submission to the Board. At least one session each year is held with the Internal and External Auditors without officers present;
- Annual Assurance Statements – members of my Executive Group are required to give me documented assurances regarding compliance with their operational risk management and internal control responsibilities;
- Governance Risk and Assurance – this directorate undertakes internal audits to Government Internal Audit Standards and provides regular reports and an overall annual opinion on risk management, control and governance in the English Sports Council. During 2005 the directorate undertook planned audits in four of the nine regional offices, reviewed certain key Head Office processes, managed the “fit for purpose” reviews of NGBs and provided risk management expertise to the English Sports Council and NGBs;
- External auditors – who provide internal control comments in their management letters and other reports; and
- Other specific risk reviews – these include Health and Safety audits at all National Sports Centres, Head Office and regional offices; OGC Gateway reviews of certain projects; and commissioned third party reviews of certain policies and processes.

6. INTERNAL CONTROL ISSUES

The following issues arose in the year:

- We conducted a thorough review and overhaul of our key business systems and processes and identified the need for further training and development of staff to ensure that key controls are understood fully and complied with;
- We identified the need for further work in developing a procurement strategy, maximising OGC and other procurement opportunities and increasing staff awareness of procurement procedures;
- We have commenced work on reviewing our pension deficit, our pay and grading structure and our performance management framework. This will be completed during 2006; and
- We also identified the need to update and formally document our business continuity plans and succession planning strategy. This will be undertaken in 2006.

Signed:

Roger Draper
Chief Executive and Accounting Officer
Sport England

January 2006

Lord Carter of Coles
Chair
of The English Sports Council

January 2006

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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 45 to 63 and pages 64 to 68 of the attached Space for Sport and Arts memorandum accounts under the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998). These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets at their value to the business by reference to current costs and the accounting policies set out on pages 49 to 51.

Respective responsibilities of the Council, the Chief Executive and Auditor

As described on page 38, English Sports Council and the Chief Executive, as the Accounting Officer, are responsible for the preparation of the financial statements in accordance with the National Lottery etc. Act 1993 (as amended) and the directions made thereunder by the Secretary of State for Culture, Media and Sport and for ensuring the regularity of financial transactions. The Council and the 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 etc. Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Council has not kept proper 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 39 to 42 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 Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Council's Corporate Governance procedures or its risks 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 financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the English Sports Council Lottery Distribution Account's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial

The English Sports Council National Lottery Distribution Account
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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.

Audit Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the English Sports Council - Lottery Distribution Account at 31 March 2005 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 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

January 2006

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

The maintenance and integrity of Sport England's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The English Sports Council National Lottery Distribution Account
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INCOME AND EXPENDITURE ACCOUNT

	Note	2005	2004
		£000	£000
<u>INCOME</u>			
Share of proceeds from the National Lottery	2.1	170,912	163,656
Investment returns from the National Lottery	2.1	8,965	7,079
Bank interest receivable		240	288
Funding from BLF for Playing Fields & Community Green Spaces Programme		3,359	23,178
Funding from DCMS, PFA, FF and FA for Football Youth Development Programme		6,071	6,433
Funding from BLF for PE & Sport in Schools		352	551
Other income		0	1,346
		189,899	202,531
<u>EXPENDITURE</u>			
Grant commitments made in the year	11	139,498	160,667
Grant de-commitments occurring in year	11	(18,413)	(6,033)
Staff costs	3.1	7,522	9,165
Modernisation costs	3.1	0	283
Depreciation - tangible assets	4	12	42
Other operating costs	9	10,987	11,772
Pension charge	10	546	3,771
		140,152	179,667
<u>INCREASE IN LOTTERY FUNDS BEFORE TAXATION</u>		49,747	22,864
Taxation		(77)	(83)
<u>INCREASE IN LOTTERY FUNDS</u>		49,670	22,781

All Income and Expenditure relates to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		2005	2004
		£000	£000
Increase in lottery funds		49,670	22,781
Actuarial (loss)/gain in pension plan	10	(4,064)	1,828
Total recognised gains for the year		45,606	24,609

THE NOTES ON PAGES 49 TO 63 FORM PART OF THESE ACCOUNTS

The English Sports Council National Lottery Distribution Account
Accounts for the year ended 31 March 2005
BALANCE SHEET

	Note	2005 £000	2004 £000
<u>FIXED ASSETS</u>			
Tangible Assets	4	0	12
		0	12
<u>CURRENT ASSETS</u>			
Investments - balance in NLDF	2.1	210,737	201,560
Debtors and prepayments	7	3,399	9,524
Cash at bank and in hand		3,196	7,028
		217,332	218,112
<u>CREDITORS falling due within one year</u>			
Sundry creditors	8	5,251	4,246
Hard grant commitments	11	136,480	122,219
		141,731	126,465
<u>NET CURRENT ASSETS</u>		75,601	91,647
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		75,601	91,659
<u>CREDITORS falling due after more than one year</u>			
Superannuation scheme	10	17,934	13,324
Hard grant commitments	11	41,822	108,096
		59,756	121,420
<u>NET ASSETS/ (LIABILITIES)</u>		15,845	(29,761)
REPRESENTED BY:			
<u>LOTTERY FUNDS</u>			
Revenue surplus/ (deficit)	13	15,845	(29,761)
		15,845	(29,761)

Roger Draper
Chief Executive and Accounting
Officer of the English Sports Council

January 2006

Lord Carter of Coles
Chair
of the English Sports Council

January 2006

THE NOTES ON PAGES 49 TO 63 FORM PART OF THESE ACCOUNTS

The English Sports Council National Lottery Distribution Account

Accounts for the year ended 31 March 2005

CASH FLOW STATEMENT

	2005	2004
	£000	£000
<u>OPERATING ACTIVITIES</u>		
<u>Payments</u>		
Staff	(7,522)	(9,448)
Operating costs	(9,625)	(8,645)
Awards	(173,098)	(250,807)
<u>Income</u>		
Funding for Green Spaces	7,856	18,681
Funding for Football Youth Development	7,351	6,309
Funding from NOF for PE & Sport in School	352	303
Other Income	0	1,346
	(174,686)	(242,261)
Net cash outflow from operating activities	(174,686)	(242,261)
<u>CAPITAL EXPENDITURE & FINANCIAL INVESTMENT</u>		
<u>Payments</u>		
Purchase of tangible fixed assets	0	0
Net cash (outflow)/inflow from investing activities	0	0
<u>RETURN ON INVESTMENTS AND SERVICING OF FINANCE</u>		
Interest and dividends received	240	288
	240	288
<u>TAXATION</u>		
Corporation Tax paid	(86)	(104)
<u>MANAGEMENT OF LIQUID RESOURCES</u>		
Cash drawn down from NLDF	170,700	237,400
Net Cash outflow	(3,832)	(4,677)
Opening cash balances	7,028	11,705
Net cash outflow	(3,832)	(4,677)
Cash and bank balances as at 31 March	3,196	7,028

THE NOTES ON PAGES 49 TO 63 FORM PART OF THESE ACCOUNTS

The English Sports Council National Lottery Distribution Account
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RECONCILIATION OF OPERATING SURPLUS TO NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES

	2005	2004
	£000	£000
Operating surplus	49,747	22,864
Depreciation of tangible assets	12	42
Decrease in debtors	6,125	1,431
Decrease in creditors	(46,389)	(97,403)
Interest receivable	(240)	(288)
Actuarial (loss)/ gain in pension plan	(4,064)	1,828
Increase in NLDF (excluding cash drawn down)	(179,877)	(170,735)
Net cash outflow from operating activities	(174,686)	(242,261)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2005	2004
	£000	£000
Decrease in cash in period	(3,832)	(4,677)
Movement in liquid resources – NLDF Balance	9,177	(66,665)
Change in net funds	5,345	(71,342)
Net funds at 1 April 2004	208,588	279,930
Net funds at 31 March 2005	213,933	208,588

THE NOTES ON PAGES 49 TO 63 FORM PART OF THESE ACCOUNTS

The English Sports Council National Lottery Distribution Account
Accounts for the year ended 31 March 2005

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

Accounting Convention

- 1.1 The financial statements have been prepared under the historical cost convention as modified by the inclusion of fixed assets at their value to the business by reference to current costs and in accordance with the Accounts Direction issued by the Secretary of State for Culture, Media and Sport on 29 April 2002. Without limiting the information given, the accounts meet the requirements of the Companies Act 1985, the Accounting Standards issued or adopted by the Accounting Standards Board, the Treasury guidance on the accounts of Non Departmental Public Bodies and the National Lottery etc. Act 1993 insofar as those requirements are appropriate to the Sport England Lottery Fund.
- 1.2 The accounts have been prepared under the accruals convention and all income and expenditure is taken into account in the financial period to which it relates.
- 1.3 In compliance with section 35 of the National Lottery etc. Act 1993 the accounts cover the year to 31 March 2005. Comparative figures are shown for the year ended 31 March 2004.
- 1.4 Separate accounts have been prepared for the English Sports Council accounts funded from Grant in Aid, in accordance with the instructions issued by the Secretary of State. Consolidated accounts have not been prepared.

Hard and Soft Commitments

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

Receipts from the National Lottery

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

The English Sports Council National Lottery Distribution Account

Accounts for the year ended 31 March 2005

National Lottery Costs

The English Sports Council is required to apportion between its Grant-in-Aid and National Lottery Distribution activities (which it operates under the title of the Sport England Lottery Fund), the costs of services provided from its Grant-in-Aid budget that are directly and demonstrably used on the Sport England Lottery Fund functions and vice versa. The costs so apportioned to the National Lottery Distribution activities will be paid from the Sport England 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; the basis of allocation falls into two broad categories, namely those related to staff numbers and those for which an estimate of proportion of time devoted to lottery activities is more suitable. In all cases the charges have been calculated on a full cost recovery basis in accordance with HM Treasury's "Fees and Charges Guide".

Tangible Fixed Assets

1.7 The Sport England Lottery Fund does not own any freehold land or buildings although it has historically chosen to capitalise within its accounts sums expended on refurbishment of its leasehold office accommodation. All tangible fixed assets are shown at cost less accumulated depreciation.

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

• Computer Hardware	3 years
• Computer Software	3 years
• Furniture and Fittings	Remainder of lease
• Office Equipment	Remainder of lease
• Leasehold Property/Refurbishment	Unexpired period of the lease

Pension Costs

1.9 From the 2004 year, contributions to the Council's pension schemes are accounted for in accordance with the requirements of FRS17 in relation to Retirement Benefits.

Operating Leases

1.10 Rentals paid under operating leases are expended in the period to which the charge relates.

Investments

1.11 Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of these balances attributable to the Lottery Sports Fund is shown in the accounts and, at 31 March 2005, has been certified by the Secretary of State for Culture, Media and Sport as being available for distribution by the Sport England Lottery Fund in respect of current and future commitments.

Taxation

1.12 Amounts of interest in the National Lottery Distribution Fund do not fall within the scope of Corporation Tax. Once drawn down into the nominated accounts of the Sport England Lottery Fund interest thereon is subject to Corporation Tax and is fully provided in the period to which it applies.

The English Sports Council National Lottery Distribution Account

Accounts for the year ended 31 March 2005

Joint schemes

- 1.13 Where the Sport England Lottery Fund has entered into a joint scheme, as defined in the National Lottery Act 1998, hard commitments made through the joint scheme are accounted for on the basis of the funds share in the scheme. Funds advanced to the joint scheme for the purpose of payments of hard commitments are recorded as a debtor until the Sport England Lottery Fund receives confirmation that the grant commitments have been met. Administration costs are included in the Income & Expenditure account at the amount charged to the Fund.

Dilapidations

- 1.14 Full provision for the probable cost of dilapidations at the end of a property lease is made in the accounts in the year in which it is decided not to renew the lease. Provision has been made in the year ended 31 March 2005 for the probable cost of dilapidations in respect of two leases which have not been renewed. The Income and Expenditure charges have been allocated between Exchequer and Lottery on the basis of the share of the relevant revenue costs allocations with the Lottery portion included in the Sport England Lottery Fund balance.

Active England Programme

- 1.15 The Active England programme is a jointly funded scheme between the Big Lottery Fund (£77.5m), (formerly known as the New Opportunities Fund), and Sport England (£31.0m). The total grant funding for the programme is £108.5m. The overheads for this programme are totally funded by Sport England. Income received from The Big Lottery Fund for the Active England Programme is recorded in the accounts of The English Sports Council. The full programme is disclosed in a Memorandum Account of the English Sports Council Group Accounts which can be found at the end of the English Sports Council Exchequer accounts.

The English Sports Council National Lottery Distribution Account
Accounts for the year ended 31 March 2005

2 NATIONAL LOTTERY DISTRIBUTION FUND

2.1 During the period under review the Sport England Lottery Fund received and distributed the following sums:

	2005	2004
	£000	£000
Balance brought forward	201,560	268,225
Share of net operator proceeds	170,912	163,656
Investment returns from National Lottery Distribution Fund	8,965	7,079
Available for distribution	381,437	438,960
Funds drawn down	(170,700)	(237,400)
Balance carried forward	210,737	201,560

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

3 STAFF COSTS

3.1 The aggregate staffing costs of the Sport England Lottery Fund during the period under review were as follows:

	2005	2004
	£000	£000
Wages and salaries	6,024	7,729
Social security costs	504	613
Other pension costs	994	823
	7,522	9,165
Modernisation costs	0	283
Total Employee Costs	7,522	9,448

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

	2005	2004
	No	No
Finance and Administration	23	27
Operations/Planning/Development	148	178
Public Relations/Communications	8	7
Average Staff Numbers	179	212

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3.2 The total actual remuneration (including performance pay) and pension entitlements of the senior executive members of the Council's staff for the year ended 31 March 2005 were as follows:

	Remuneration	2005		
		Accrued Pension At Age 65 at 31/03/05	Real Inc in Pension at Age 65 at 31/03/05	Pension CETV at 31/03/05
		£000	£000	£000
Roger Draper: Chief Executive	160-165	0-5	0-2.5	81-82
Barry Chivers: Director of Governance Risk & Assurance (resigned 31 May 2005)	60-65	15-20	0-2.5	299-300
Lloyd Conaway: Director of Partnerships & Investment (resigned 4 October 2004)		Permission to disclose not sought		
Ian Fytche: Director of Strategy	100-105	15-20	2.5-5	231 -232
Ewan Shinton: Director of National Projects (resigned 3 October 2004)		Permission to disclose not sought		
David Payne: Director – Investment (resigned 31 January 2005)		Permission to disclose not sought		
Clive Heaphy: Director of Finance	115-120	0-5	0-2.5	19-20
Michelle Phillips: Director of Business Development (resigned 7 June 2004)		Permission to disclose not sought		
Kate Wallace: Director of Communications (appointed 1 November 2004)	40-45	0-5	0-2.5	3-4
Stephen Baddeley: Director of Sport (appointed 22 November 2004)	30-35	0-5	0-2.5	7-8
Joanna Robinson: Director of Regions (appointed 1 October 2004)	90-95	0-5	0-2.5	13-14

Lloyd Connaway, David Payne, Michelle Phillips and Ewan Shinton received termination settlements during the 2005 year for which permission to disclose has not been sought.

Within 2005, Roger Draper received total actual emoluments of £162,564 which comprised a salary of £123,908, bonus of £24,070 and employers pension contributions of £14,586.

Roger Draper is employed on a permanent contract and is a member of the English Sports Council's superannuation scheme under which the employer contributes 14.3% of pensionable pay. Pension rights are accrued at a rate of 1/80th of annual salary for each year of pensionable service.

The Chief Executive spends approximately 50% of his time on Sport England Lottery Fund activities but is included in this note at his full salary.

The English Sports Council National Lottery Distribution Account
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3.3 The total actual remuneration (including performance pay) and pension entitlements of the senior executive members of the Council's staff for the year ended 31 March 2004 were as follows:

	Remuneration	2004		
		Accrued Pension At Age 65 at 31/03/04	Real Inc in Pension at Age 65 at 31/03/04	Pension CETV at 31/03/04
		£000	£000	£000
Roger Draper: (Chief Executive)	120-125	0-5	0-2.5	63-64
Barry Chivers: Director of Governance Risk and Assurance	45-50	15-20	0-2.5	258-259
Lloyd Conaway: Director of Partnerships & Investment		Permission to disclose not sought		
Ian Fytche: Director of Strategy	70-75	10-15	2.5-5	171-172
David Carpenter: Director: More Medals & Lottery Coordination (left 11 April 2003)		Permission to disclose not sought		
Malcolm Munro: Director of Communications (left 30 August 2003)		Permission to disclose not sought		
David Payne: Director – Investment	75-80	5-10	0-2.5	458-459
Michelle Phillips: Director of Business Development		Permission to disclose not sought		
Ewan Shinton: Director of National Projects (started 3 November 2003)	30-35	0-5	0-2.5	3-4
Clive Heaphy: Director of Finance (started 25 September 2003)	45-50	0-5	0-2.5	6-7

3.4 Within 2005 the Chair of the English Sports Council (Lord Carter of Coles), received remuneration of £26,948 (2004 -£26,420) comprised entirely of salary payments.

The Vice chair of the English Sports Council received the following total remuneration:

	2005	2004
	£	£
Tessa Sanderson OBE (appointment ended 31 January 2005)	14,137	15,925

The Chair and Vice Chair spent approximately 50% of their time on Sport England Lottery Fund activities but is included in this note at their full entitlement.

The English Sports Council National Lottery Distribution Account
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- 3.5 Members of the English Sports Council received the following total remuneration in respect of their attendance at Council Meetings:

	2005	2004
	£	£
Brigid Simmonds (appointment ended 31 January 2005)	14,440	16,570
Garth Crooks OBE (appointment ended 31 January 2005)	0	190
Sir Andrew Foster	329	0
David Geldart	1,492	1,564
David Ross	0	0
Karren Brady (appointed 21 March 2005)	0	0
Michael Farrer (appointed 21 March 2005)	0	0
Tim Cattle-Jones	1,099	0
Mary McAnally	2,483	1,384
Andy Worthington MBE	4,433	1,287

- 3.6 One of the members of the English Sports Council was also a Director of Phoenix Sports Limited and Caversham Lakes Trust Limited. This member received no remuneration from the Company of which they are a Director.

4. TANGIBLE FIXED ASSETS

	Refurbishm ent	Equipment Fixtures & Fittings	Total Tangible Fixed Assets £000
	£000	£000	£000
Cost at 1 April 2004	604	1,102	1,706
Additions/Disposals	0	0	0
Cost at 31 March 2005	604	1,102	1,706
Accumulated depreciation at 1 April 2004	604	1,090	1,694
Charge for the year	0	12	12
Disposals	0	0	0
Accumulated depreciation at 31 March 2005	604	1,102	1,706
Net book value at 31 March 2005	0	0	0
Net book value at 31 March 2004	0	12	12

5 CAPITAL COMMITMENTS

- 5.1 At 31 March 2005 the Sport England Lottery Fund had made £nil committed in respect of capital expenditure for administrative purposes (2004: £nil) and £nil authorised in respect of capital expenditure for administrative purposes but not contracted (2004: £nil).

The English Sports Council National Lottery Distribution Account
Accounts for the year ended 31 March 2005

6 INVESTMENTS

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

7 DEBTORS

	2005	2004
	£000	£000
Trade debtors	3,399	9,524
(All amounts fall due within one year)	3,399	9,524

8 CREDITORS

	2005	2004
	£000	£000
English Sports Council - Exchequer*	5,174	4,160
Corporation tax	77	86
(All amounts fall due within one year)	5,251	4,246

*includes lottery portion of exchequer provisions for modernisation and dilapidations.

The English Sports Council National Lottery Distribution Account
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9 OTHER OPERATING COSTS

9.1 These costs can be summarised as follows:

	2005	2004
	£000	£000
Accommodation & Office	1,824	1,745
Assessment Costs	845	2,166
Auditors' Remuneration	33	31
Internal Audit	97	234
Monitoring & Evaluation	1,403	1,026
Professional Fees	2,362	2,387
Publications & Communications	1,126	1,154
IT Supplies & Support	357	342
Panel Members Travel, Subsistence & Hospitality	36	2
Other Staff Costs	676	517
Staff Travel, Subsistence & Hospitality	430	488
VAT	1,798	1,680
Total Other Operating Costs	10,987	11,772

10 SUPERANNUATION SCHEME; ENGLISH SPORTS COUNCIL

The majority of staff of the English Sports Council are members of the London Pension Fund Authority Superannuation Scheme (LPFA). The English Sports Council is one of a large number of employers whose staff participate in the scheme, but the data given in this note relates just to the Council.

The pension scheme is of the defined benefit type and it is funded by employees and employers at actuarially determined rates. Employer contributions for members of the Scheme amounted to £690,946 in 2005 (£462,061 in 2004). The Council is also a member of a second, closed pension scheme. This scheme was closed after an earlier restructure of The Sports Council in 1997. The Council still contributes towards the unfunded liabilities of this scheme. This element of the closed scheme has been brought to account in the Council's accounts and is included in the figures shown in the following tables. The Council has included the whole of the amounts brought to account in relation to this closed scheme in its accounts; no amount has been apportioned to Sport England Lottery.

The fund is subject to triennial valuations by the consulting actuaries to the LPFA and the latest valuation was carried out as at 31 March 2004, and published in January 2005. The actuarial method used calculates the net deficit or surplus as the difference between the present value of employees' and employers' future contributions together with the value of existing fund assets, and the present value of the benefit entitlements of existing members, pensioners and their dependents.

Estimations based on the main actuarial assumptions of the valuation are:

- the overall investment return on the fund's existing and future assets to be 6.3% and 6.6% in nominal terms respectively and 3.5% and 3.8% in real terms respectively;

The English Sports Council National Lottery Distribution Account

Accounts for the year ended 31 March 2005

- the per annum rate of increase in general levels of pay to be 4.4% in nominal terms and 1.5% in real terms; and
- the market value of scheme assets at 31 March 2001 was £1,378 million, and the actuarial value was sufficient to cover 100% of the benefits which had accrued to members of the scheme.

Following the advice of the consulting actuaries to the LPFA the English Sports Council's employer contribution (as a percentage of pensionable payroll) was 14.3% from 1 April 2004 (2004 – 12.8%). The rate of contribution for employees was 6.0% (2004 - 6.0%).

These estimated figures, which have been provided by the LPFA's consulting actuaries, relate to Sport England as a whole. Financial Reporting Standard 17 "Retirement Benefits" requires the disclosure of the following additional information, in respect of the superannuation scheme.

The independent actuary's valuation at 31 March 2005 for the purposes of FRS17 estimates a net pension liability of £31,607,000 (2004: £22,207,000). This includes £1,717,000 in relation to the closed scheme and £29,890,000 in relation to the current scheme. Further details on the valuation are set out below.

The FRS17 valuation is for Sport England as a whole, the actuaries have not made separate valuations for Sport England between Exchequer liabilities Sport England Lottery liabilities. The Board estimate that 40% of the current scheme liability (£29,890,000) should be apportioned to Exchequer and 60% apportioned to Lottery. Therefore the liability carried in these accounts, as at 31 March 2005 is £17,934,000 (2004: £13,324,000). The Board have decided that no apportionment of the closed scheme liability should be applied to the Lottery accounts.

Balance Sheet Disclosure as at 31 March 2005

Assumptions as at		31 March 2005	31 March 2004
		% per annum	% per annum
Price increases		2.9%	2.9%
Salary increases		4.4%	4.4%
Pension increases		2.9%	2.9%
Discount rate		5.4%	6.5%
Assets (Whole Fund)	Long Term Return	Fund Value at	Fund Value at
		31 March 2005	31 March 2004
		£'000	£'000
	% per annum		
Equities	7.7%	22,201	18,458
Bonds	4.8%	3,040	2,814
Property	5.7%	2,005	844
Cash	4.8%	944	354
Total	7.1%	28,190	22,470
Net Pension Liability at		31 March 2005	31 March 2004
		£'000	£'000
Estimated Employer Assets (A)		28,190	22,470
Total Value of Liabilities (B)		58,080	44,680
Net Pension Liability (A)-(B)		(29,890)	(22,210)

The Lottery share of the net pension liability needs to be charged though the income and expenditure account.

The Lottery share as determined by the Board as at 31 March 2005 is calculated at 60% of £29,890,000 giving a total amount of £17,934,000.

The English Sports Council National Lottery Distribution Account
Accounts for the year ended 31 March 2005

The income and expenditure account for the year includes a charge of £546,000 (2004: £3,771,000) in respect of the Lottery share of the net pension liability that has occurred in the year .

The increase in the pension scheme deficit for 2004 is £4,610,000 which includes an actuarial loss of £4,064,000 which has been charged directly to revenue reserves, therefore £546,000 has been charged to the income and expenditure account to reflect the FRS17 valuation.

Further details on the valuation are set out below covering amounts charged to operating profit. The information set out below covers the whole scheme of which the Board has determined that 60% relates to Lottery.

Analysis of amount charged to operating profit

Amount Charged to Operating Profit	Year to	Year to
	31 March 2005	31 March 2004
	£000	£000
Service Cost	1,466	1,180
Past Service Costs	0	0
Curtailement and Settlements	657	5,516
Decrease in irrecoverable surplus	0	0
Total Operating Charge (A)	2,123	6,696
Amount Credited to Other Finance Income	Year to	Year to
	31 March 2005	31 March 2004
	£000	£000
Expected Return on Employer Assets	1,683	1,308
Interest on Pension Scheme Liabilities	(2,499)	(2,389)
Net Return(B)	(813)	(1,081)
Net Revenue Account Cost (A)-(B)	2,936	7,777

Analysis of Amount Recognised in Statement of Total Recognised Gains & Losses (STRGL)

	31 March 2005	31 March 2004
	£000	£000
Actual Return less expected return on pension scheme assets	765	2,824
Experience gains & losses arising on the scheme liabilities	4,056	222
Changes in financial assumptions underlying the present value of the scheme liabilities	(11,594)	-
Actuarial gain / (loss) in pension plan	(6,773)	3,046
Change in irrecoverable surplus from membership fall and other factors	-	-
Actuarial gain/ (loss) recognised in STRGL	(6,773)	3,046

Of the actuarial gain/(loss) shown above of £(6,773,000) and £3,046,000 the Lottery share based on 60% allocation is £(4,064,000) and £1,828,000.

Movement in Surplus/ Deficit During the Year

	31 March 2005	31 March 2004
	£000	£000
Deficit at the beginning of the year	(22,210)	(18,969)
Current Service Cost	(1,466)	(1,180)
Employer Contributions	1,744	1,287
Contributions in respect of Unfunded Benefits	282	206
Other Income	-	-
Other Outgoings	-	-
Past Service costs	-	-
Impact of Settlements and Curtailments	(657)	(5,516)
Net Return on Assets	(816)	(1,081)
Actuarial Gain/(Loss)	(6,773)	3,046
Deficit at the End of Year	(29,890)	(22,207)

The English Sports Council National Lottery Distribution Account
Accounts for the year ended 31 March 2005

History of Experience Gains & Losses

	31 March 2005	31 March 2004
	£000	£000
Diff. Between the expected and actual return on assets	765	2,824
Value of Assets	28,190	22,472
Percentage of Assets	2.7%	12.6%
Experience Gains on Liabilities	4,056	222
Present Value of Liabilities	58,084	44,680
Percentage of the Present Value of Liabilities	7.0%	0.5%
Actuarial Gains/(Losses) recognised in STRGL	(6,773)	3,046
Present Value of Liabilities	58,084	44,680
Percentage of the Present Value of Liabilities	11.7%	6.8%

The figures presented in this note are prepared for the purposes of FRS17 and are not appropriate for calculations that may be undertaken for funding purposes.

The English Sports Council National Lottery Distribution Account
Accounts for the year ended 31 March 2005

11 HARD COMMITMENTS

	2005	2004
	£000	£000
Hard commitments brought forward	230,315	326,488
Hard commitments paid	(173,098)	(250,807)
Hard de-commitments	(18,413)	(6,033)
Hard commitments entered into	139,498	160,667
Hard commitments carried forward as at 31 March	178,302	230,315

	2005	2004
	£000	£000
Amounts due during 2004/05 Financial Year	-	122,219
Amounts due during 2005/06 Financial Year	136,480	60,708
Amounts due during 2006/07 Financial Year	29,910	37,225
Amounts due during 2007/08 Financial Year	10,963	8,799
Amounts due during 2008/09 Financial Year	949	1,364
Hard commitments carried forward as at 31 March	178,302	230,315

The allocation of Hard Commitments over the financial years is based on management's latest assessment of the likely timing of cash payments. These assumptions are periodically reviewed and updated.

12 SOFT COMMITMENTS

	2005	2004
	£000	£000
Soft commitments brought forward	124,024	214,698
Soft commitments transferred to Hard	(139,498)	(112,959)
Soft de-commitments	(25,747)	(55,855)
Soft commitments entered into	142,976	78,140
Soft commitments carried forward as at 31 March	101,755	124,024

The amounts committed to hard and soft commitments exceed the available resources by £85,910,000 (2004-£153,785,000). It has been the policy of Sport England to make forward commitments against future income streams to speed up the out flow of lottery cash, which is in line with DCMS policy.

The English Sports Council National Lottery Distribution Account
Accounts for the year ended 31 March 2005

13 REVENUE RESERVES

	2005	2004
	£000	£000
(Deficit) brought forward	(29,761)	(54,370)
Increase in lottery funds for the year	49,670	22,781
Actuarial gain/(loss) in pension plan	(4,064)	1,828
Surplus/(deficit) carried forward	15,845	(29,761)
Analysed as follows;		
Revenue reserve	33,779	(16,437)
Pension reserve	(17,934)	(13,324)
Surplus/(deficit) carried forward	15,845	(29,761)

14 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Sport England Lottery Fund relies mainly on Lottery Awards with some partnership funding to finance its operations. Other than items such as trade debtors and creditors etc that arise from its operations and cash resources, it holds no other financial instruments nor enters into derivative transactions, interest rate swaps or other forward foreign currency contracts.

The Sport England Lottery Fund does not borrow and therefore has no exposure to interest rate risks nor liquidity risk.

15 RELATED PARTY TRANSACTIONS

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

None of the Council Members, key managerial staff or other related parties has undertaken any material transactions with the English Sports Council during the year.

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

The following related party transactions occurred during the year in respect of Council Members, Regional Sports Board Members, and key managerial staff.

The English Sports Council National Lottery Distribution Account
Accounts for the year ended 31 March 2005

Name	Organisation or Scheme	Relationship	Grant or other transaction	Amount outstanding at 31 March 2005
			£000	£000
Lord Carter of Coles	UK Sport	Board Member	7,965	0
Lord Carter of Coles	Globalsurf Ltd	Director	41	0
David Geldart	British Cycling Federation	Family Connection	2,975	2,900
Brigid Simmonds	Leicester City PLC	Non Executive Director	248	43
Brigid Simmonds	Lawn Tennis Association	Member	2,500	2,000
Brigid Simmonds	Central Council of Physical Recreation	Co-opted Director	1,410	2,000
David Knight	Portsmouth City Council	Chief Officer	5,545	5,490
Stephen Baddeley	Badminton Association of England	Chief Executive	3,458	2,695
Stephen Baddeley	Skills Active	Board Member	525	0
Roger Draper	Lawn Tennis Association	Former Employee	2,500	2,000
Jim Clarke	Royal Yachting Association	Member	4,720	2,965
Tim Garfield	Nottingham City Council	Family Connection	10	0
David Gent	British Canoe Union	Life Member	1,700	1,700
David Gent	Sports Aid	Governor	3,000	0
Judith Rasmussen	Wear Valley District Council	Former Employee	1,002	1,002
Judith Rasmussen	British Triathlon Association	Member	866	851
Loretta Sollars	British Triathlon Association	Member	866	851
Loretta Sollars	Amateur Athletic Association	Employee	158	0
Ged Roddy	University of Bath	Director of Sport	731	731
Ged Roddy	English Institute of Sport	Director	8,500	0
Ged Roddy	Lawn Tennis Association	Council Member	2,500	2,000
Andy Worthington	Metropolitan Borough of Wirral	Director of Leisure Services	330	215
Stewart Kellett	Lancashire Sport	Employee	117	117
Tony Mallin	Amateur Rowing Association	Treasurer/Member	3,375	2,900

The English Sports Council National Lottery Distribution Account
The Space for Sport and Arts Programme
Memorandum accounts for the year ended 31 March 2005

INCOME AND EXPENDITURE ACCOUNT

	Note	2005 £000	2004 £000
<u>INCOME</u>			
Share of proceeds from Space for Sport and Arts partners	1	11,875	0
Interest received		316	122
		12,191	122
<u>EXPENDITURE</u>			
Refund of proceeds to Space for Sport and Arts partners		0	1,882
Grant commitments made in the year		16,318	1,099
Grant de-commitments made in the year		(4,352)	(3,335)
Staff costs	2	62	136
Other operating costs	3	67	304
		12,095	86
<u>INCREASE IN LOTTERY FUNDS BEFORE TAXATION</u>			
		96	36
Taxation		(96)	(36)
<u>INCREASE IN LOTTERY FUNDS</u>			
		0	0
Retained Surplus of Lottery Funds			
- current period		0	0
- carried forward as at 31 March		0	0

THE NOTES ON PAGES 66 TO 68 FORM PART OF THESE ACCOUNTS

The English Sports Council National Lottery Distribution Account
The Space for Sport and Arts Programme
Memorandum accounts for the year ended 31 March 2005

BALANCE SHEET

	Note	2005 £000	2004 £000
<u>CURRENT ASSETS</u>			
Balances due from Sport England		8,858	17,272
Balances due from SSA Partners	4	15,830	31,483
Cash at bank and in hand		264	14,641
		24,952	63,396
<u>CREDITORS</u>			
Hard grant commitments falling due within one year	5	22,773	59,224
Other creditors		96	36
		22,869	59,260
<u>NET CURRENT ASSETS</u>			
		2,083	4,136
Hard grant commitments over one year	5	(2,083)	(4,136)
<u>TOTAL ASSETS LESS LIABILITIES</u>			
		0	0
REPRESENTED BY :			
<u>LOTTERY FUNDS</u>			
Revenue reserves		0	0
		0	0

THE NOTES ON PAGES 66 TO 68 FORM PART OF THESE ACCOUNTS

The English Sports Council National Lottery Distribution Account
The Space for Sport and Arts Programme
Memorandum accounts for the year ended 31 March 2005

1 INCOME

The Space for Sport and Arts Programme is a jointly funded scheme between the Big Lottery Fund (£25m), (formerly known as the New Opportunities Fund), the Arts Council England (£5m), Sport England (£25m) and Department for Culture, Media & Sport (£79m). The fifth partner, the Department for Education & Skills does not contribute funding to the programme, but does provide technical and educational expertise to the programme. The total funding for the programme is £134m.

The amount due from the Department for Culture, Media & Sport is now fully drawdown.

2 STAFF COSTS

2.1 The aggregate staffing costs of the Sport England Lottery Fund during the period under review were as follows:

	2005	2004
	£000	£000
Wages and salaries	52	124
Social security costs	5	6
Other pension costs	5	6
Total Employee Costs	62	136

2.2 The average number of staff employed was 2. (2004 –4)

3 OTHER OPERATING COSTS

	2005	2004
	£000	£000
Accommodation	7	16
Administration costs	6	5
Auditors' remuneration	7	7
Professional Fees	3	21
Publications and Communications	0	7
IT Supplies & Support	4	11
Signage	0	51
Monitoring & Evaluation	33	153
VAT	7	33
Total Other Operating Costs	67	304

The English Sports Council National Lottery Distribution Account
The Space for Sport and Arts Programme
Memorandum accounts for the year ended 31 March 2005

4 **BALANCES DUE FROM SSA PARTNERS**

	2005 £000	2004 £000
Balances due from Sport England	8,858	17,272
Balances due from Big Lottery Fund	12,676	12,825
Balances due from the Arts Council England	3,154	3,187
Balances due from Department for Culture, Media, & Sport	0	15,471
(All amounts fall due within one year)	24,688	48,755

5 **HARD COMMITMENTS**

	2005 £000	2004 £000
Hard commitments brought forward	63,360	108,178
Hard commitments paid	(50,470)	(42,582)
Hard commitments entered into	16,318	1,099
Hard commitments de-committed	(4,352)	(3,335)
Hard commitments carried forward as at 31 March	24,856	63,360

	2005 £000	2004 £000
Amounts falling due during 2005/06	22,773	59,224
Amounts falling due in later financial years	2,083	4,136
Hard commitments carried forward as at 31 March	24,856	63,360

The English Sports Council National Lottery Distribution Account
The Space for Sport and Arts Programme
Memorandum accounts for the year ended 31 March 2005

6 **SOFT COMMITMENTS**

	2005 £000	2004 £000
Soft commitments brought forward	2,904	943
Soft commitments entered into	19,666	6,580
Soft commitments transferred to hard commitments	(16,318)	(1,099)
Soft de-commitments	(3,452)	(3,520)
Soft commitments carried forward as at 31 March	2,800	2,904

7 **PROGRAMME SUMMARY**

The amounts set out below summarise the costs and payments received from the partners covering the life of the programme since 2001.

	2005 £000	2004 £000
Grant commitments net of de-commitments	127,485	115,520
Operating costs	1,649	1,520
Interest received net of taxation	(401)	(181)
Total at 31 March	128,733	116,859

	2005 £000	2004 £000
Programme expenditure (see above)	128,733	116,859
Payments from partners	(104,045)	(68,104)
Net amount due from partners	24,688	48,755

THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP
Consolidated Accounts for the year ended 31 March 2005

GROUP FOREWORD

HISTORY AND BACKGROUND OF THE ENGLISH SPORTS COUNCIL

1. The English Sports Council (operating as Sport England) was established on 19 September 1996 by Royal Charter, and its objectives are set out in its annual report.
2. On 1 January 1997, the English Sports Council took over operational responsibility for work in England from the Sports Council. At the same time the new United Kingdom Sports Council (operating as UK Sport) took over operational responsibility for United Kingdom affairs. All the assets, liabilities and undertakings of the Sports Council were transferred to the new Councils on 1 January 1997. No date has been set for the formal winding up of the Sports Council which has remained dormant since 1 January 1997.
3. The Sports Council was the sole trustee of a charitable trust, the Sports Council Trust which was constituted by a Declaration of Trust made on 5 May 1972 and dissolved on 31 October 1992. The Sports Council confirmed that it would guarantee all liabilities of the Sports Council Trust which might arise in the future and this undertaking has passed to the English Sports Council. The Sports Council Trust Company was incorporated on 27 June 1990 as a company limited by guarantee. The Company has obtained charitable status, its Charity Number being 803779. The English Sports Council has become the sole guarantor of the Sports Council Trust Company. The Council's rights over the assets of the Sports Council Trust Company are severely restricted, both by Charity law and by the Trust Company's constitution.
4. Under the provisions of the National Lottery etc. Act 1993, the Sports Council was licensed as the Distributing Body for the lottery funds allocated for expenditure on or in connection with sport in England. This was the first time that a statutory duty had been imposed on the Council and this duty has been transferred to the English Sports Council. The current licence is due to expire in March 2009 and the Department for Culture, Media and Sport (DCMS) are currently considering future arrangements beyond this date.
5. These accounts have been prepared, in accordance with directions issued by the DCMS on 29 April 2002 to combine the financial assets and results of the English Sports Council, the Sports Council Trust Company, Phoenix Sports Limited, Caversham Lakes Trust Limited and The English Institute of Sport Limited. A copy of that direction may be obtained from the Chief Executive of the English Sports Council at 3rd Floor Victoria House, Bloomsbury Square, London WC1B 4SE.
6. The financial activities of the lottery funds administered by the English Sports Council, under the title of the Sport England Lottery Fund, have not been included in these accounts and a separate financial report has been prepared for them.
7. The Council is required to have its accounts audited by a body approved by the Secretary of State. The Comptroller and Auditor General has been appointed to audit the accounts. The audit fee is £36,000 for the year and no other services were provided.

REVIEW OF ACTIVITIES

8. Our Vision is to make England an active and successful sporting Nation. We do this by promoting the principles of Start Stay and Succeed throughout sport.
9. During the year the Council continued to implement its modernisation and regionalisation programme. Focus switched away from high-level strategy and organisational structures to delivery through the development of the 'Single System for Community Sport' and the implementation of 'Whole Sport Plans' with the Governing Bodies of Sport, the completion of our Delivery Plan and a fundamental review of our business control systems.
10. The English Sports Council's activities during the year saw the continuation of programmes in pursuance of the Council's objectives including the support of governing bodies of sport, the provision of funding towards regional and national sporting activities and the operation of five National Sports Centres, which are run by external companies under management contracts.

THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP
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11. We also continued to work with Wembley National Stadium Ltd. to ensure that delivery of the new National Stadium takes place within the timescales and costs originally agreed and we worked closely with the London 2012 Olympic Bid team to maximise the chance of a successful bid on 6 July 2005.

The English Sports Council

12. The English Sports Council was allocated Grant-in-Aid of £74,455,000 (2003/04 - £44,572,000) for the year of which £3,675,000 (2003/04 - £3,675,000) was earmarked by the Department for Culture, Media and Sport for the support of Sportmatch - the Government's Business Sponsorship Incentive Scheme; £Nil (2003/04 - £2,500,000) for Reform; £20,000,000 (2003/04 - £1,597,000) for the Community Club Development Programme; £7,670,000 (2003/04 - £1,820,000) for Coaching Task Force; £4,500,000 (2003/04 - £330,000) for School Club Links; £Nil (2003/04 - £50,000) for NASD; and, £835,000 (2003/04 - £Nil) for the Talented Athlete Support Scheme.
13. The Group generated a further £11,335,000 (2003/04 - £11,224,000) from its own activities, of which £7,712,000 (2003/04 - £8,414,000) was received in respect of the National Sports Centres.

Sport Council Trust Company

14. The Sports Council Trust Company's main activities in pursuance of its charitable objectives have been the ownership of certain of the tangible fixed assets used by the English Sports Council, including the National Sports Centres and the awarding of grants in accordance with its charitable objectives.

Phoenix Sports Limited

15. Phoenix Sports Limited completed the construction of its indoor sports facility at Sheffield in July 2003 and implemented a phased opening of the facility from August to October 2003. The facility was officially opened in November 2003.
16. Phoenix Sports Limited operated the facility for eight months of the year before awarding a site management contract to a third party to operate the facility on the Company's behalf.

Caversham Lakes Trust Limited

17. Caversham Lakes Trust Limited let the contract for the construction of a boathouse facility at Caversham Lakes, Reading during the latter part of the 2004/2005 year and work started on site in March 2005. The estimated completion date of the boathouse facility is October 2005.
18. Caversham Lakes Trust Limited has an agreement with the Amateur Rowing Association to operate the rowing facility after completion of construction project.
19. Caversham Lakes Trust Limited incurred expenditure of £632,000 (2003/04 - £3,035,000) on assets under construction, which was funded wholly by a grant from the Sport England Lottery Fund.

The English Institute of Sport Limited

20. On 18 April 2002, The English Institute of Sport Limited was incorporated with the English Sports Council as the sole member. The purpose of the company, which initially is wholly funded by the Sport England Lottery Fund, is to provide support services to elite athletes in areas such as sports science and sports medicine. During the year the company received a one year award from the Sport England Lottery Fund and has continued to expand the services provided, recruited specialist staff and developed independent administration systems and infrastructure.

The English Sports Council Group

21. The Group received £10,849,000 (2003/04 - £8,127,000) from grants from the Sport England Lottery Fund towards the operating costs of; Phoenix Sports Limited £1,304,000 (2003/04 - £796,000), Caversham Lakes Trust Limited £106,000 (2003/04 - £205,000), The English Institute of Sport Limited

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Consolidated Accounts for the year ended 31 March 2005

£9,168,000 (2003/04 - £7,046,000), and The Sports Council Trust Company £271,000 (2003/04 - £79,000). The Group recorded a surplus for the year of £2,706,000 (2003/04 - £7,299,000), before transferring £232,000 (2003/04 - £1,000,000) from the National Centre Reserve. Account has been taken of these provisions in setting the Council's budgets for 2005/06.

22. The major additions to tangible fixed assets within the Group, funded from Grant-in-Aid by the English Sports Council, during the year were:

		£000
Plas-y-Brenin National Mountaineering Centre	Improvements to Cottages	234
HQ & Regional Offices	Computer Equipment & software	743
	Victoria House Fitout residuals	86
	3 Regional Offices Fitouts	184

23. Lord Carter of Coles was appointed as Chair of the English Sports Council in November 2002.
24. Roger Draper was appointed as Chief Executive and Accounting Officer in March 2003.
25. During 2004/05 the Council commenced a review of its pension arrangements in the light of a significantly increased deficit arising principally from investment losses. Discussions continue with staff and Unions in order to find an acceptable resolution.

LIKELY FUTURE DEVELOPMENTS AND POST BALANCE SHEET EVENTS

26. During the year Sport England has developed medium term Business and Delivery Plans. Our Delivery Plan has now received the approval of DCMS. Delivery of the National funding stream (via Whole Sport Plans through Governing Bodies) and the Community funding stream (through the 9 Regional Sports Boards) is underway.
27. Discussions are ongoing with DCMS on a number of issues including the Comprehensive Spending Review 2006, the renewal of the Lottery licence post-2009 and our Funding Agreement.
28. Phoenix Sports Limited: Sport England, as sole member of the company and the major provider of funds (both capital and revenue) to the EIS facility in Sheffield has reviewed its projects and priorities. As a result of this review Phoenix Sports Limited is working with Sheffield City Council on the future of the facility to help ensure its future operational and financial viability.
29. Caversham Lakes Trust Limited: Sport England Lottery Fund has agreed that additional funding will be provided to enable completion of the project. The revised funding and scope of works is subject to final agreement between the Company, Sport England and the Amateur Rowing Association. On completion of the training facility, it is intended that the Amateur Rowing Association will be given a 99 year lease and will operate the whole site.
30. The English Institute of Sport Limited has received an increased award from the Sport England Lottery Fund by way of support for its future priorities and operation of the Company.
31. Sport England is fully supportive of London's 2012 Olympic Games.
32. In September 2005 the Government announced plans to streamline the way sport is organised, clarify the responsibilities of sporting agencies and improve the chances of Britain's medal hopefuls for the 2012 Olympic Games and Paralympic Games.

THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP
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Funding and management of the World Class Potential Programmes for Olympic and Paralympic sports (£15.3m* per annum) and management responsibility for the performance element of non-Olympic sports will transfer from Sport England to UK Sport with effect from 1 April 2006. In addition UK Sport will take responsibility for the following schemes; the Talented Athlete Scholarship Scheme (£4m per annum), the TASS 2012 Scholarships (£1m per annum) and the funding and directing of the work of the English Institute of Sport (£10.5m per annum).

* This figure was still subject to negotiation at the time of signing the accounts.

These changes will create a clear organisational distinction between community and elite sport that will allow Sport England to focus on delivering greater participation at the frontline through the Regional Sports Boards. The transfer of these programmes from Sport England will require a corresponding reduction in overheads of around £3m pa. To achieve this, Sport England will continue to streamline its head office in London and deploy those resources to the regions. Having already significantly cut administrative costs in the last two years, further reforms will cut down on administration costs and re-deploy further resources to frontline services.

RESEARCH AND DEVELOPMENT

33. The English Sports Council has a diverse research and development programme and during the year it spent a total of £462,000 (2003/04 - £174,000) on research projects connected with the participation in sport of people from ethnic minority backgrounds and amongst people with disabilities and on facility use and development.

EMPLOYMENT ISSUES

34. The English Sports Council is committed to the promotion of equality of opportunities in employment and to the development of a management and staff which is well trained in issues of equality. The Council encourages full and fair consideration of registered disabled people for all vacancies, and makes every effort to provide them with the facilities they need to ensure equal opportunities for career development. The Council, which strives to be an equal opportunities employer, intends that no job applicant or employee shall receive less favourable treatment because of gender, marital or family status, age, disability, ethnic origin, creed, sexual orientation, Trade Union membership, or by any other condition or requirement which can not be shown to be justifiable.
35. The English Sports Council involves employees in decisions which may affect their health, safety and welfare through its Whitley Council and its Health and Safety Committee which brings together representatives of the management and trade unions in a working environment.

FUNDING AGREEMENT WITH THE DEPARTMENT FOR CULTURE, MEDIA AND SPORT

36. The English Sports Council has a Funding Agreement with the Department for Culture, Media and Sport under which key performance targets are set for the Council. Information relating to these Performance Targets and the Council's achievement against them may be found in the Annual Report.

PROMPT PAYMENT POLICY

37. The English Sports Council seeks to abide by the Better Payment Practice Code and in particular to pay bills in accordance with contracts and suppliers terms. Any complaints about failure to pay on time are dealt with expeditiously. In 2004/05, 97% of undisputed invoices were paid within a 30 day period (2003/04 - 97%).

THE EURO

38. The activities of the English Sports Council are mainly national and to date a very limited number of transactions have occurred in Euros. As such, the cost of ensuring compliance has not been material.

THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP
Consolidated Accounts for the year ended 31 March 2005

ORGANISATIONAL STRUCTURE OF THE ENGLISH SPORTS COUNCIL

39. The Chairman of the English Sports Council, appointed by the Secretary of State for Culture, Media and Sport, has particular responsibility for providing effective strategic leadership on the following matters: –

- Formulating the Council's strategy for discharging its statutory duties and other activities;
- Encouraging high standards of propriety and promoting the efficient and effective use of staff and other resources throughout the Council;
- Ensuring that the Council, in reaching decisions, takes proper account of guidance provided by the Secretary of State or the Department;
- Representing the views of the Council to the general public.

40. The Council members have corporate responsibility for ensuring that the English Sports Council fulfils the aims and objectives set out in its Royal Charter or by the Secretary of State. They are specifically responsible for: -

- Establishing the overall strategic direction of the Council;
- Ensuring that high standards of corporate governance are observed at all times;
- Ensuring that the Council operates within the limits of its statutory authority and any delegated authority agreed with the Department;
- Appointing, with the Secretary of State's approval, a Chief Executive of the Council;
- Ensuring that a distinction is made between strategic planning and management, which are the responsibility of the Council, and day-to-day management issues which have been delegated to the Chief Executive.

41. The Board members of the English Sports Council during the period under review were:

CHAIR	Lord Carter of Coles
VICE-CHAIR	Tessa Sanderson OBE (appointment ended January 2005)
MEMBERS	Garth Crooks OBE (appointment ended January 2005) David Geldart David Ross Brigid Simmonds (appointment ended January 2005) Sir Andrew Foster Karren Brady (appointed 21 March 2005) Michael Farrar (appointed 21 March 2005)

The Council has a policy of appointing Regional Sports Board Chairs on a 9 month rotational basis. As at year end, the Regional Sports Board Chairs were:

Tim Cattle-Jones (North East RSB)
Mary McAnally (South East RSB)
Andy Worthington MBE (North West RSB)

42. The Council also has a number of regular and ad hoc Committees and Advisory Groups, which in 2004/05 included:

- | <u>Committees</u> | <u>Advisory Groups</u> |
|---|--|
| <ul style="list-style-type: none">• Audit, Risk and Governance• National Investment Panel• Equity• Staffing and Remuneration | <ul style="list-style-type: none">• Partnerships Forum• Innovation Advisory Panel |

THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP
Consolidated Accounts for the year ended 31 March 2005

43. The Chief Executive is designated as the Council's Accounting Officer. As such he is personally responsible for safeguarding the public funds for which he has charge, for propriety and regularity in the handling of those funds and for the day-to-day operations and management of the Council.
44. The Chief Executive manages the day-to-day affairs of the Council through a number of senior directors to whom he has delegated specific functional roles and powers. These senior directors are shown in Note 5.3 of the Accounts.

BOARD AND COMMITTEE MEMBERS INTERESTS

45. Sport England maintains a register of the interests of its Board and Committee Members. Subject to the agreement of individual members this register may be viewed, by appointment, at the Sport England's offices at 3rd Floor, Victoria House, Bloomsbury Square, London WC1B 4SE.

CORPORATE GOVERNANCE

46. 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, the Council differs from a limited liability company and some aspects of the Code of Best Practice (issued by the Turnbull Committee) on the Financial Aspects of Corporate Governance, are not applicable. However, the Council has adopted a revised Code of Best Practice which has been developed by the Department for Culture, Media and Sport and is based on the recommendations of the Turnbull Committee. The Council complies with that Code of Best Practice in all material respects.
47. In line with the guidance issued by HM Treasury, a statement on Internal Control has been prepared which appears on pages 8 to 11 in these accounts.
48. The Council is a single legal entity with indivisible functions, powers and liabilities including safety and environment issues. The Council has responsibility for monitoring performance against budgets and corporate plans, statutory accounts and other related matters.
49. The Council has an Executive Management Team comprising the Chief Executive and appropriately qualified and experienced Directors of executive functions who are charged with day-to-day management, ensuring that operational and financial controls are operating effectively, monitoring progress against operational plans, budgets and targets and other major issues affecting the Council's activities.
50. Sport England has an Audit, Risk and Governance Committee which meets between 4 and 5 times per year and which is chaired by Andrew Foster.

Roger Draper
Chief Executive and Accounting
Officer of the English Sports Council

January 2006

Lord Carter of Coles
Chair of the English Sports Council

January 2006

THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP
Consolidated Accounts for the year ended 31 March 2005

STATEMENT OF THE COUNCIL'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES

1. The Council's Royal Charter requires the Council to prepare a statement of accounts for each financial period in the form and on the basis determined by the Secretary of State for Culture, Media and Sport, with the consent of the Treasury. The accounts are prepared on an accruals basis to show a true and fair view of the Council and Group's state of affairs at the period end, and of its income and expenditure and cash flows for the financial period.
2. In preparing the accounts the Council 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; and
 - prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Council will continue in operation.
3. The Accounting Officer for the Department for Culture, Media and Sport has designated the Chief Executive of the English Sports Council as the Accounting Officer for the Council. 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).

Roger Draper
Chief Executive and Accounting
Officer of the English Sports Council

January 2006

Lord Carter of Coles
Chair of the English Sports Council

January 2006

THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP
Consolidated Accounts for the year ended 31 March 2005

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the English Sports Council's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting. I also have responsibility for ensuring that Lottery funds are distributed with due regularity and propriety and for identifying and reporting any systems failure significant enough to call into question the fitness of a body to continue receiving Lottery funding.

The Accounting Officer is accountable through Financial Directions issued under Section 26(1)(3) and (3a) of the National Lottery etc. Act 1993 to the Permanent Secretary and Accounting Officer of the Department for Culture Media and Sport (DCMS) and to the Board of the English Sports Council.

The Council Board of the English Sports Council acknowledges its responsibility for the property, rights, liabilities and obligations of the English Sports Council and for maintaining a sound system of internal control and is advised on the discharge of these responsibilities by the Audit, Risk and Governance Committee.

2. 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 prioritise the risks to the achievement of the 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.

2004/05 was a year of consolidation for the English Sports Council involving the bedding down of the new organisational structure following the significant reduction in staff numbers in the previous year and the re-focussing of its activities on more strategic issues. It also involved the recruitment of new staff in key positions and a fundamental review of business processes and systems. The system of internal control was significantly reviewed and improved during 2004/05 and by the 31 March 2005, accords with Treasury guidance.

3. Capacity to handle risk

As Accounting Officer I am personally responsible for ensuring the English Sports Council has an effective risk management process. We have a documented risk strategy that follows the Treasury's guidance on risk policy and processes, defines what is meant by risk and risk management and outlines the key principles underpinning our approach to the management of risk. All identified strategic and significant operational risks are allocated to an appropriate member of the Executive Group to manage as primary risk owners.

Our staff have access to intranet based risk management policies, which include detailed guidance on standards of behaviour and conduct, equal opportunities, fraud, whistle blowing and Health and Safety matters. In 2004/05 we also developed our IT strategy. Staff can also access independent professional advice in the furtherance of their duties and are encouraged to undertake appropriate training both in a formal environment and in their place of work.

Our Governance, Risk and Assurance (GRA) directorate also provide specialist expertise on specific issues for example by investigating and advising on Lottery funded capital schemes that are experiencing difficulties.

4. The risk and control framework

Our work on improving risk management continues. The key elements of our risk management strategy are:

THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP
Consolidated Accounts for the year ended 31 March 2005

- i. to identify the risks that may impact on the English Sports Council's objectives and assign appropriate owners to manage them;
- ii. to evaluate the identified risks to establish the likelihood of the risk occurring and the potential impact if the risk occurred;
- iii. to identify appropriate response actions to risks; and
- iv. to regularly review and report on our risk position to give on going assurance.

An important issue when considering response actions to risk is the level of risk we are prepared to accept or tolerate before action is considered necessary. This is known as "risk appetite". We recognise that it is not possible to have a "one size fits all" risk appetite and are unlikely to achieve good value for money in trying to eradicate a risk completely. Each risk is therefore judged on its perceived importance to the business objectives and the response resources available when deciding an acceptable risk tolerance level. For example we have a low tolerance to risk when investing Lottery funds in national projects and programmes and therefore invest appropriate resources to bring the risk of undesirable outcomes to an acceptable level.

During 2004-05 we adopted a "top down and bottom up" approach to risk identification to ensure completeness of risks identified. My Executive Group and I identified, assessed and recorded in a risk register the key risks that we consider threaten the achievement of the English Sports Council's main objectives. Each identified risk was allocated to an appropriate team member to own and manage. Our operational staff attended risk management seminars and, in consultation with their managers, also identified and assessed the risks and opportunities relevant to their work. Details of operational risks identified were recorded in a separate register with the "top ten" risks reported to the Executive Group. (The reporting of these risks however was not fully sustained throughout 2004-05.)

The most significant potential risk areas identified during 2004-05 included:

- i. The adequacy of processes and controls to detect major loss or fraud and to maintain accurate records;
- ii. The adequacy of leadership and management skills and an appropriate pay and grading framework;
- iii. A continuing reduction in Lottery income; and
- iv. A failure to deliver high profile national projects.

Although we have made significant progress in identifying, assessing and recording our risks further work is planned to ensure risks are firmly linked to business objectives, key risk indicators are identified and monitored and risk registers are more regularly reviewed, updated and reported to the Executive Group.

The following processes and actions help us to embed risk management in our organisation although we continue to work on progressing this area:

- The availability to staff of comprehensive, intranet based risk management policies within the context of a 'no blame culture' so that risks can be openly discussed and dealt with;
- A rigorous system of checks and controls, such as eligibility and status checks on Lottery applications and appropriate corroborative evidence for payments, together with detailed staff guidance that help prevent and detect fraud;
- The requirement for all staff and board members to complete declaration of interest forms to help identify potential conflicts of interest;
- The utilisation of the Office of Government Commerce (OGC) processes and tools;
- The development of project management processes and monthly reporting to the English Sports Council Board;
- Effective financial control processes that are subject to regular review and improvement where necessary;

THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP
Consolidated Accounts for the year ended 31 March 2005

- Establishment of project boards to oversee delivery of key projects and deliverables including, for each project, a project board which formally identifies and evaluates key risks, and maintains a risk register;
- Identification through the performance appraisal mechanism of staff development and training needs; and
- The development of an effective internal audit function and an appropriate corporate governance framework.

We are continually looking at ways to improve how we manage risks with external stakeholders. For example:

- We have established client managers for recognised sports National Governing Bodies (NGBs) and every priority and development sport, and complemented this with a series of regular updates for NGB chief executives and one-to-one meetings and “consultation camps”;
- We have recently completed, through an appointed external audit firm, a three year programme of “fit for purpose” reviews of all NGBs in receipt of Lottery money to provide assurance about the ability of these bodies to manage public funds;
- Where we have co-funded projects and programmes, we look to manage the risks with other key stakeholders through a combination of measures that include comprehensive Funding Agreements, appointing external contractors to monitor project progress, project risk registers to identify, record and control risks and regular project progress reviews at Board level; and
- We have identified opportunities to improve the efficiency and accuracy of our payroll by outsourcing this process to a third party bureau and have used independent advisors to review our suite of financial controls.

5. 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 executive managers within the 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 Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The following help me maintain and review the effectiveness of the system of internal control:

- Executive Group members – I meet weekly with the other five members of my Executive Group to consider and discuss the Council’s operational plans and objectives;
- The Board – which comprises a Chair, three Regional Sports Board members (selected from the nine Regions on a rotational basis), the Executive Group, the Chair of the Audit, Risk and Governance Committee and five other members. All Board members are appointed by the Secretary of State (DCMS). We meet 8 times a year to discuss the Council’s strategy and performance, progress on major projects and to assess investment decisions;
- The Audit, Risk and Governance Committee – which is chaired by an independent Council member and consists of another three Council members. The Audit, Risk and Governance Committee meets at least four times a year with both Internal and External Auditors present and the Council, to receive and respond to reports, to consider and advise me on the appropriateness of our corporate governance and internal control arrangements and to review the internal and external financial

THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP
Consolidated Accounts for the year ended 31 March 2005

statements prior to submission to the Board. At least one session each year is held with the Internal and External Auditors without officers present;

- Annual Assurance Statements – members of my Executive Group are required to give me documented assurances regarding compliance with their operational risk management and internal control responsibilities;
- Governance Risk and Assurance – this directorate undertakes internal audits to Government Internal Audit Standards and provides regular reports and an overall annual opinion on risk management, control and governance in the English Sports Council. During 2004/05 the directorate undertook planned audits in four of the nine regional offices, reviewed certain key Head Office processes, managed the “fit for purpose” reviews of NGBs and provided risk management expertise to the English Sports Council and NGBs;
- External auditors – who provide internal control comments in their management letters and other reports; and
- Other specific risk reviews – these include Health and Safety audits at all National Sports Centres, Head Office and regional offices; OGC Gateway reviews of certain projects; and commissioned third party reviews of certain policies and processes.

6. Internal control issues

The following issues arose in the year:

- We conducted a thorough review and overhaul of our key business systems and processes and identified the need for further training and development of staff to ensure that key controls are understood fully and complied with;
- We identified the need for further work in developing a procurement strategy, maximising OGC and other procurement opportunities and increasing staff awareness of procurement procedures;
- We have commenced work on reviewing our pension deficit, our pay and grading structure and our performance management framework. This will be completed during 2005/06; and
- We also identified the need to update and formally document our business continuity plans and succession planning strategy. This will be undertaken in 2005/06.

Roger Draper
Chief Executive and Accounting
Officer of the English Sports Council

January 2006

Lord Carter of Coles
Chair of the English Sports Council

January 2006

THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE ENGLISH SPORTS COUNCIL

I have audited the financial statements on pages 82 to 124 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 88 to 92.

RESPECTIVE RESPONSIBILITIES OF THE COUNCIL, THE CHIEF EXECUTIVE AND AUDITOR

As described on page 75 the English Sports Council and the Chief Executive of the Council, as the Accounting Officer, are responsible for the preparation of financial statements in accordance with the Royal Charter of 19 September 1995 and directions made thereunder by the Secretary of State for Culture, Media and Sport and for ensuring the regularity of financial transactions. The Chief Executive and the Council are also responsible for the preparation of the other contents of the Annual Report. In discharging my responsibilities as independent auditor, 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 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 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 76 to 79 reflects the Council's compliance with the Treasury's guidance on the statement on internal control. I report if it does not meet the requirements specified by the 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 Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risks and control procedures.

BASIS OF OPINION

I conducted my audit in accordance with UK Auditing Standards issued by the Auditing Practices Board. An audit includes an 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 English 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.

THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE ENGLISH SPORTS COUNCIL

OPINION

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the English Sports Council and English Sports Council Group at 31 March 2005 and of its surplus, 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
January 2006

NATIONAL AUDIT OFFICE
157-197 Buckingham Palace Road
LONDON SW1W 9SP

The maintenance and integrity of Sport England's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP

Consolidated Accounts for the Year ended 31 March 2005

GROUP & COUNCIL INCOME AND EXPENDITURE ACCOUNT

CONTINUING OPERATIONS	Note	GROUP		COUNCIL	
		2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
INCOME					
Government Grant-in-Aid: General	2	36,386	32,640	36,386	32,640
Government Grant-in-Aid: Earmarked	2	36,680	9,972	36,680	9,972
		73,066	42,612	73,066	42,612
Income from Activities	3	9,350	8,666	7,941	8,102
Other Operating Income	4	2,358	2,558	1,849	1,694
Big Lottery Fund Income: Active England Programme	1.19	5,732	0	5,732	0
Lottery Grant Released		10,849	8,127	0	0
Transfer from Deferred Government Grant-in-Aid A/C	16	594	629	256	177
		101,949	62,592	88,844	52,585
EXPENDITURE					
Staff Costs	5	11,546	8,846	6,784	5,472
Grants	6	65,411	31,812	65,411	31,812
Active England Programme Awards	1.19	5,732	0	5,732	0
Other Operating Costs	7	17,910	13,177	8,856	5,988
Write Back of Provisions	21	(1,950)	0	(1,950)	0
Pension Charge	19	250	2,514	250	2,514
Notional Interest on Capital Employed		1,047	955	1,047	955
		99,946	57,304	86,130	46,741
OPERATING SURPLUS		2,003	5,288	2,714	5,844
INVESTMENT INCOME					
Dividends and Interest	8	265	131	172	68
Profit/(Loss) on Sale of Quoted Securities	8	9	(38)	0	0
SURPLUS BEFORE TAXATION		2,277	5,381	2,886	5,912
Taxation	9	(110)	(32)	(52)	(21)
SURPLUS FOR THE YEAR AFTER TAXATION		2,167	5,349	2,834	5,891
NOTIONAL INTEREST WRITTEN BACK		1,047	955	1,047	955
SURPLUS FOR YEAR		3,214	6,304	3,881	6,846
RELEASE FROM REVALUATION RESERVE	25	668	502	0	0
TRANSFER FROM (TO) NATIONAL CENTRE RESERVE	22	232	(1,000)	232	(1,000)
RETAINED SURPLUS FOR THE YEAR	17	4,114	5,806	4,113	5,846

The notes to the accounts on pages 88 to 124 form part of these accounts.

THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP

Consolidated Accounts for the Year ended 31 March 2005

GROUP AND COUNCIL BALANCE SHEET

	Note	GROUP		COUNCIL	
		2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
FIXED ASSETS					
Tangible Assets	10	92,134	84,288	1,765	1,180
CURRENT ASSETS					
Stocks	13	17	17	17	17
Debtors	14	12,535	10,802	9,964	8,505
Prepaid Grants		841	2,976	841	2,976
Current Asset Investments	11	525	485	0	0
Cash at bank and in hand		6,734	4,737	4,950	2,861
		20,652	19,017	15,772	14,359
TOTAL ASSETS		112,786	103,305	17,537	15,539
CURRENT LIABILITIES					
Grants outstanding	1.6	(2,224)	(3,639)	(2,224)	(3,639)
Creditors: Amounts falling due within one year	15	(14,098)	(14,414)	(9,791)	(10,529)
		(16,322)	(18,053)	(12,015)	(14,168)
NON-CURRENT LIABILITIES					
Amounts falling due after one year					
Restructuring Provision	21	0	(2,285)	0	(2,285)
Pension Liability	19	(13,673)	(8,883)	(13,673)	(8,883)
		(13,673)	(11,168)	(13,673)	(11,168)
TOTAL LIABILITIES		(29,995)	(29,221)	(25,688)	(25,336)
TOTAL ASSETS LESS LIABILITIES		82,791	74,084	(8,151)	(9,797)
FINANCED BY:					
Deferred government grant reserve	16	13,898	13,102	1,915	1,327
Deferred lottery grant reserve		45,020	45,163	0	0
		58,918	58,265	1,915	1,327
CAPITAL AND GENERAL FUNDS					
Revaluation Reserves	25	32,198	25,205	0	0
National Centres Reserve	22	768	1,000	768	1,000
English Institute of Sport Investment Reserve	20	0	0	0	0
Revenue Reserves	17	(9,129)	(10,422)	(10,870)	(12,160)
Greater Manchester Fund	18	36	36	36	36
		23,873	15,819	(10,066)	(11,124)
		82,791	74,084	(8,151)	(9,797)

The notes to the accounts on pages 88 to 124 form part of these accounts.

Roger Draper
Chief Executive and Accounting
Officer of the English Sports Council
January 2006

Lord Carter of Coles
Chair of the English Sports Council

January 2006

THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP
Consolidated Accounts for the Year ended 31 March 2005

GROUP & COUNCIL STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Note	GROUP		COUNCIL	
		2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
Surplus/(Deficit) for the year		3,214	6,304	3,881	6,846
Pension Fund Actuarial gains/(losses)		(2,823)	1,219	(2,823)	1,219
Unrealised surplus on revaluation of properties	25.1	7,631	(55)	0	0
Unrealised (deficit) on revaluation of equipment	25.2	0	(10)	0	0
Unrealised surplus/(deficit) on revaluation of investments	25.3	32	98	0	0
Total recognised gains and (losses) for the year		8,054	7,556	1,058	8,065

GROUP & COUNCIL NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

		GROUP		COUNCIL	
		2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
Reported surplus/(deficit) on ordinary activities before taxation		2,277	5,381	2,886	5,912
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount		668	65	0	0
Historical cost surplus/(deficit) on ordinary activities before taxation		2,945	5,446	2,886	5,912
Historical cost surplus/(deficit) on ordinary activities after taxation, minority interests and dividends		2,835	5,414	2,834	5,891

The notes to the accounts on pages 88 to 124 form part of these accounts.

THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP
Consolidated Accounts for the Year ended 31 March 2005

RECONCILIATION OF MOVEMENTS IN GROUP & COUNCIL CAPITAL AND GOVERNMENT FUNDS

	Note	GROUP		COUNCIL	
		2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
Retained Surplus for the year		4,114	5,806	4,113	5,846
Release from revaluation reserve	25.1	(668)	(502)	0	0
Movements in EIS Investment Reserve		0	145	0	145
Transfer to (from) National Centre Reserve	22	(232)	1,000	(232)	1,000
Pension Fund Actuarial Adjustment		(2,823)	1,219	(2,823)	1,219
Net Surplus on revaluation of properties	25.1	7,631	(55)	0	0
Surplus on revaluation of equipment	25.2	0	(10)	0	0
Surplus on revaluation of investments	25.3	32	98	0	0
Net addition to Capital and Government Funds		8,054	7,701	1,058	8,210
Capital and Government Funds at 31 March 2004		15,819	8,118	(11,124)	(19,334)
Capital and Government Funds at 31 March 2005		23,873	15,819	(10,066)	(11,124)

Capital and Government Funds comprises the Revenue, English Institute of Sport Investment and Revaluation Reserves (see notes 17, 20 and 25) and the Greater Manchester Fund (see note 18).

The notes to the accounts on pages 88 to 124 form part of these accounts.

THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP

Consolidated Accounts for the Year ended 31 March 2005

GROUP & COUNCIL CASH FLOW STATEMENT

	GROUP		COUNCIL	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
OPERATING ACTIVITIES				
RECEIPTS				
Grants Received	85,262	64,489	73,066	42,612
Receipts from Activities	9,987	8,831	8,239	8,005
Other Operating Income	1,509	1,698	1,513	1,730
	96,758	75,018	82,818	52,347
PAYMENTS				
Staff	11,596	8,952	6,834	5,577
Grants	64,690	31,499	64,691	31,490
Other Operating Costs	16,904	18,436	9,356	13,070
	93,190	58,887	80,881	50,137
Net cash (outflow)/inflow from operating activities	3,568	16,131	1,937	2,210
RETURN ON INVESTMENTS AND SERVICING OF FINANCE				
Dividends and Interest received	265	130	172	68
	265	130	172	68
TAXATION				
Corporation tax paid	(29)	(27)	(20)	(17)
CAPITAL EXPENDITURE & FINANCIAL INVESTMENT				
Purchase of tangible fixed assets	(3,017)	(17,498)	(1,193)	(1,431)
Purchase of transferable work in progress	(197)	(529)	(197)	(529)
Repayment of loans	0	1	0	1
	(3,214)	(18,026)	(1,390)	(1,959)
Net cash outflow before use of liquid resources and financing	590	(1,792)	699	302
MANAGEMENT OF LIQUID RESOURCES				
Profit/(loss) on sale of quoted securities	9	(38)	0	0
Acquisition of investments	(163)	(621)	0	0
Disposal of investments	154	658	0	0
	0	(1)	0	0
FINANCING				
Grant in Aid applied towards purchase of fixed assets	1,407	1,751	1,390	1,751
Net cash (decrease)/increase	1,997	(42)	2,089	2,053

THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP

Consolidated Accounts for the Year ended 31 March 2005

RECONCILIATION OF NET CASH (OUTFLOW)/INFLOW TO MOVEMENT IN NET DEBT

	GROUP		COUNCIL	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
Cash (outflow)/inflow in the year	1,997	(42)	2,089	2,053
Investments	0	0	0	0
Movement in net debt	1,997	(42)	2,089	2,053
Opening net funds 1 April 2004	4,737	4,779	2,861	808
Closing net funds at 31 March 2005	6,734	4,737	4,950	2,861

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

	GROUP		COUNCIL	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
Operating (deficit)/surplus	1,957	5,349	2,886	5,891
Depreciation of tangible assets	2,946	2,150	256	178
Transfer from deferred government grant in aid account	(256)	(657)	(256)	(177)
Notional interest on capital employed	1,047	955	1,047	955
Disposal of fixed assets	(4)	0	0	0
Pension Charge	(2,823)	1,219	(2,823)	1,219
Provision for loans outstanding	0	(21)	0	(21)
(Increase)/decrease in stocks	0	(15)	0	(15)
(Increase)/decrease in debtors	(1,381)	1,683	(1,428)	714
(Increase)/decrease in deferred grants	2,135	213	2,135	213
Increase/(decrease) in grants outstanding	(1,415)	(143)	(1,415)	(143)
Increase/(decrease) in creditors	(1,084)	(9,043)	(738)	(7,899)
Increase/(decrease) in Restructuring Provision	(2,285)	0	(2,285)	0
Increase/(decrease) in Pension Liability	4,790	1,295	4,790	1,295
Increase/(decrease) in deferred income	173	13,146	0	0
Increase/(decrease) in National Centre Reserve	(232)	0	(232)	0
Net cash (outflow)/inflow from operating activities	3,568	16,131	1,937	2,210

THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP

Consolidated Accounts for the Year ended 31 March 2005

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

1.1 GOING CONCERN

The balance sheet at 31 March 2005 shows net liabilities of £8,151,000. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from Sport England's other sources of income, may only be met by future grants or grants-in-aid from Sport England's sponsoring department, the Department for Culture Media and Sport. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant-in-aid for 2005-06, taking into account the amounts required to meet Sport England's liabilities falling due in that year, has already been included in the department's Estimates for that year, which have been approved by Parliament, and there is no reason to believe that the departments future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.2 BASIS OF CONSOLIDATION

The Group accounts consolidate the accounts of the English Sports Council, the Sports Council Trust Company (a charity), Phoenix Sports Limited, Caversham Lakes Trust Limited and The English Institute of Sport Limited from the date of incorporation.

The accounts of the Sports Council Trust Company, Phoenix Sports Limited, Caversham Lakes Trust Limited and The English Institute of Sport Limited have been included in the consolidation on the basis that the English Sports Council holds controlling voting rights in these companies and that it exercised significant management and financial control over the affairs of them.

All the accounts consolidated are made up to 31 March 2005.

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method the results of subsidiary undertakings acquired in the period are included in the Group income and expenditure account from the date of acquisition. Intra-Group sales and profits are eliminated fully on consolidation.

In the English Sports Council accounts, the investments in subsidiary undertakings are not apparent as the cost to the English Sports Council was nil.

The financial activities of the lottery funds administered by the English Sports Council, under the title of the Sport England Lottery Fund, have not been included in these accounts and a separate financial report has been prepared for them.

1.3 BASIS OF PREPARATION

The Accounts are prepared in a form directed by the Secretary of State for Culture, Media and Sport with the consent of Treasury.

The accounts have been prepared under the modified historical cost accounting convention, whereby fixed assets, current asset investments and stocks (where material) are reflected at current values. 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 the Treasury guidance on accounts of Non-Departmental Public Bodies insofar as those requirements are appropriate to each of the English Sports Council and the Group.

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1.4 GRANTS RECEIVED

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

Grant-in-Aid relating to capital expenditure is credited to a deferred government grant account and is released to revenue over the expected useful life of the asset it has been used to purchase. Grants received from the Sport England Lottery Fund and from other external bodies to assist with the purchase of fixed assets are also treated in this way.

1.5 INCOME AND EXPENDITURE

The English Sports Council maintains a formal creditors ledger. When an invoice is received the full value of the invoice is recorded as a liability (creditors) within the balance sheet. Where a proportion of the invoice relates to services to be provided after the balance sheet date, an appropriate proportion is recorded as a prepayment and carried forward in current assets to be expensed in the following year. Invoices are subsequently paid in line with suppliers contractual terms. Unpaid invoices at the year end are recorded as liabilities within the balance sheet.

All income (including Grant in Aid) is accounted for on a receivable basis, net of VAT.

1.6 GRANTS

The Sports Council Trust Company, in accordance with its charitable status, makes grants to groups involved with sport and recreation.

To further its objectives, the English Sports Council also gives grants to organisations. Grants are offered on the basis of entering into a financial commitment for up to twelve months in advance, based on the grantee's accounting or project period, which in many cases does not coincide with the English Sports Council's accounting period.

Where a grant offer is made, a commitment for the value of the offer will be recognised in the balance sheet as a liability (grants outstanding). Where the period of a grant offer extends beyond the end of the English Sports Council's accounting period, any element of the grant which falls after the balance sheet date is recorded as a deferred grant and carried forward to be expensed in the following year. Grants outstanding are shown net of deferred grants as a liability in the accounts.

1.7 NATIONAL LOTTERY COSTS

The English Sports Council is required to apportion between its Grant-in-Aid and National Lottery Distribution activities (which it operates under the title of the Sport England Lottery Fund), the costs of services provided from its Grant-in-Aid budget that are directly and demonstrably used on the Sport England Lottery Fund functions and vice versa. The costs so apportioned to the National Lottery Distribution activities will be paid from the Sport England 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; the basis of allocation falls into two broad categories, namely those related to staff numbers and those for which an estimate of proportion of time devoted to lottery activities is more suitable. In all cases these allocations have been calculated on a full cost recovery basis in accordance with HM Treasury's "Fees and Charges Guide".

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allocations have been calculated on a full cost recovery basis in accordance with HM Treasury's "Fees and Charges Guide".

From 2001/02, integrated accounting records have been introduced embracing both Grant-in-Aid and Lottery activities with individual costs allocated to each funding stream directly from the general ledger.

All staff and operating costs (including related accruals and prepayments) have been processed solely within the Exchequer "company"; this is reflected in the balances for Trade Creditors, Accruals and Sport England Lottery Fund debtor.

1.8 RESEARCH AND DEVELOPMENT

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

1.9 PENSION COSTS

From the 2003/04 year, contributions to the Council's pension schemes are accounted for in accordance with the requirements of FRS17 in relation to Retirement Benefits.

1.10 OPERATING LEASES

Rentals paid under operating leases are expended in the period to which the charge relates.

1.11 NOTIONAL COSTS

In accordance with Treasury directions, the Income and Expenditure Accounts include notional costs as well as those actually incurred so that the full cost of the English Sports Council's activities are disclosed in the accounts.

The English Sports Council has included an assessment of the cost of capital employed where the cost is calculated by applying an interest factor to the net assets of the group, being 8% per annum for those activities which may be deemed to compete with the private sector and 3.5% per annum (2003/04 3.5%) for other activities.

1.12 TANGIBLE FIXED ASSETS

Freehold land and buildings were subject to a full valuation at 31 March 2002. These properties were valued by the Valuation Office Agency in accordance with the Statement of Valuation Practice published by the Royal Institution of Chartered Surveyors.

In the case of the National Sports Centres at Bisham Abbey, Lilleshall and Plas y Brenin the appropriate basis of valuation is the Depreciated Replacement Cost (DRC). The DRC basis requires an open market valuation of the land for its existing use and an estimate of the gross current replacement cost of the buildings and other site works from which deductions are then made to allow for age, condition and obsolescence. The basis of valuation for land and other freehold properties is open market value for existing use.

With effect from 1 April 1993, tangible fixed asset expenditure at Crystal Palace National Sports Centre and English Sports Council offices is retained in the books of the English Sports Council. In previous years such expenditure was gifted to the Sports Council Trust Company.

The original cost of the leasehold land and of constructing the buildings at Crystal Palace was not met by the Sports Council from Grant-in-Aid. The assets were gifted to the Sports Council from the Greater London Council when the Sports Council took over the lease and in accordance with accepted accounting conventions at the time no value was included in the Balance Sheet and the English Sports Council considers it appropriate to continue this policy.

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Subsequent additions have been capitalised in the accounts of the Sports Council Trust Company.

The Department for Culture, Media and Sport issued a direction on 9 July 1997 requiring fixed assets to be valued at their current cost, where this is materially different from their historical cost. Fixed Assets, other than Work in Progress, have been revalued using the Public Buildings Index as at 31 March 2005.

Assets held by the English Sports Council have not been revalued as it is considered not to be materially different to historical cost.

1.13 DEPRECIATION

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

Land	NIL
Buildings	1-90 years
Boilers and plant	20 years
Office equipment, fixtures and fittings	Remainder of Lease
Household and sports equipment	5 years
Motor Vehicles	5 years
Computer equipment	3 years
Site Equipment and facilities	5 years
Sports Equipment	5 years

Freehold buildings are depreciated over their specific expired useful lives as identified by the Valuation Office Agency. Improvements to leasehold buildings are written off over the unexpired term of the specific leases.

No depreciation is applied in the year the assets are purchased, excluding freehold buildings for which the valuer has given a specific life from the date of the valuation. Full year depreciation is applied in the year in which the assets are disposed of.

1.14 INVESTMENTS

Fixed assets investments are shown at their market value at the balance sheet date. Income is included, together with related tax credits, in the period in which it is receivable.

1.15 LOANS

Until 31 March 1995, the Sports Council made loans up to £10,000 to voluntary organisations to assist with the construction of capital facilities. The loans were interest free and repayable over five years commencing a year after the issue of the loan. As these loans related back to 1995, it was decided to write off the remaining balance in the accounts at 31 March 2004.

1.16 STOCKS

Stocks are valued at the lower of cost, or net current replacement cost if materially different, and net realisable value.

1.17 STAFF RESTRUCTURING COSTS

In prior years full provision has been made for the current and future costs incurred as a result of past staff restructuring exercises by a charge to the income and expenditure account. The total provision for future pension costs had been transferred to a Restructuring Provision which

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was updated annually. From the year ended 31 March 2005 the future pension costs in relation to this historic restructure have been included in Sport England's Pension Liability as part of the adoption of FRS17 on Retirement Benefits.

1.18 DILAPIDATIONS

Full provision for the probable cost of dilapidations at the end of a property lease is made in the accounts in the year in which it is decided not to renew the lease. Provision has been made in the year ended 31 March 2005 for the probable cost of dilapidations in respect of two leases which have not been renewed. The Income and Expenditure charges have been allocated between Exchequer and Lottery on the basis of the share of the relevant revenue costs allocations with the Lottery portion included in the Sport England Lottery Fund Debtor balance.

1.19 ACTIVE ENGLAND PROGRAMME

The Active England programme is a jointly funded scheme between the Big Lottery Fund (£77.5m), (formerly known as the New Opportunities Fund), and Sport England (£31.0m). The total grant funding for the programme is £108.5m. The overheads for this programme are totally funded by Sport England. Income received from The Big Lottery Fund for the Active England Programme is recorded in the accounts of The English Sports Council. The full programme is disclosed in a Memorandum Account of the English Sports Council Group Accounts which can be found at the end of these accounts.

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2.0 GOVERNMENT GRANT-IN-AID

	GROUP		COUNCIL	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
Core Activities				
Received from the Department for Culture, Media and Sport	37,775	34,600	37,775	34,600
Earmarked Activities				
Received from the Department for Culture, Media and Sport				
Sportsmatch	3,675	3,675	3,675	3,675
Talented Athlete Support Scheme	835	0	835	0
Reform	0	2,500	0	2,500
Community Club Development	20,000	1,597	20,000	1,597
Coaching Task Force	7,670	1,820	7,670	1,820
School Club Links	4,500	330	4,500	330
NASD	0	50	0	50
Total Earmarked	36,680	9,972	36,680	9,972
Total				
Received from the Department for Culture, Media and Sport	74,455	44,572	74,455	44,572
Applied towards:				
Purchase of tangible assets	(646)	(545)	(646)	(545)
Transferable work in progress (see note 11.3)	(197)	(529)	(197)	(529)
Gifting of tangible assets to the Sports Council Trust Company	(546)	(886)	(546)	(886)
Total applied towards capital expenditure	(1,389)	(1,960)	(1,389)	(1,960)
TOTAL GRANT-IN-AID APPLIED TOWARDS REVENUE EXPENDITURE	73,066	42,612	73,066	42,612

3.0 INCOME FROM ACTIVITIES

	GROUP		COUNCIL	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
National Sports Centres:				
Operating receipts	7,712	7,167	7,712	6,788
Grants received (see Note 3.1 below)	197	1,247	197	1,247
Training courses and conferences	32	67	32	67
Other income from group activities	1,409	185	0	0
INCOME FROM ACTIVITIES	9,350	8,666	7,941	8,102

- 3.1 A grant of £Nil (2003/04 - £1,050,000) was received from the United Kingdom Sports Council towards the costs of the National Sports Centres.
A grant of £197,000 (2003/04 - £197,000) was received from Nottinghamshire County Council towards the running costs of Holme Pierrepont National Water Sports Centre (NWSC).

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4.0 OTHER OPERATING INCOME

	GROUP		COUNCIL	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
DCMS (see Note 4.1)	132	0	132	0
DCMS: Step Into Sports Programme (see Note 4.2)	0	1,260	0	1,260
Community Club Development Programme (see Note 4.3)	0	44	0	44
Sale of Publications	11	64	11	64
Other items	2,215	1,190	1,706	326
	2,358	2,558	1,849	1,694

- 4.1 The Department for Culture, Media and Sport has agreed to reimburse the Council for costs incurred in relation to the Volunteer in Sport Programme.
- 4.2 The Department for Culture, Media and Sport has agreed to reimburse the Council for costs incurred in relation to the Step into Sport Programme operated with the Governing Bodies of Sport.
- 4.3 In prior years, DCMS had agreed to pay Sport England a management fee for running the Community Club Development Programme.

5.0 STAFF COSTS

5.1	GROUP		COUNCIL	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
Wages and salaries	9,647	7,511	5,634	4,675
Social security costs	783	570	459	335
Other pension costs	1,116	765	691	462
Aggregate Staff Costs	11,546	8,846	6,784	5,472
The aggregate staff costs cover the following areas of activity:				
National Sports Development Staff	1,742	1,349	1,742	1,349
Regional Sports Development Staff	3,279	2,120	3,279	2,120
National Sports Centres	470	480	203	274
Central Services	6,055	4,897	1,560	1,729
Aggregate Staff Costs	11,546	8,846	6,784	5,472

5.2 Average monthly number of employees is made up as follows:

	GROUP		COUNCIL	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
ENGLISH SPORTS COUNCIL				
National Sports Development Staff	35	39	35	39
Regional Sports Development Staff	61	66	61	66
National Sports Centres	6	9	6	9
Central Services	132	99	21	23
Average Number of Employees	234	213	123	137

The figures include part time staff (working more than 10 hours per week but less than 36) as 0.5 units.

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5.3 The total remuneration (including performance pay) & pension entitlements of the senior executive members of the Council's staff for the year ended 31 March 2005 were as follows:

	2005			
	Remuneration £'000	Accrued Pension at Age 65 at 31/03/05 £'000	Real Inc. in Pension at Age 65 at 31/03/05 £'000	Pension C.E.T.V. at 31/03/05 £'000
Roger Draper: Chief Executive	160-165	0 - 5	0-2.5	81-82
Barry Chivers: Director of Governance Risk & Assurance (resigned 31 May 2005)	60-65	15 - 20	0-2.5	299-300
Lloyd Conaway: Director of Partnerships & Investment (resigned 4 October 2004)			permission to disclose not sought	
Ian Fytche: Director of Strategy	100-105	15-20	2.5-5	231-232
David Payne: Director - Investment (resigned 31 January 2005)			permission to disclose not sought	
Michelle Phillips: Director of Business Development (resigned 7 June 2004)			permission to disclose not sought	
Ewan Shinton: Director of National Projects (resigned 3 October 2004)			permission to disclose not sought	
Clive Heaphy: Director of Finance	115-120	0-5	0-2.5	19-20
Kate Wallace: Director of Communications (appointed 1 November 2004)	40-45	0-5	0-2.5	3-4
Stephen Baddely: Director of Sport (appointed 22 November 2004)	30-35	0-5	0-2.5	7-8
Joanna Robinson: Director of Regions (appointed 1 October 2004)	90-95	0-5	0-2.5	13-14

Lloyd Conaway, David Payne, Michelle Phillips and Ewan Shinton received termination settlements during the 2004/05 year for which permission to disclose has not been sought.

Within 2004/2005, the Roger Draper received total actual emoluments of £162,564 which comprised a salary of £123,908, bonus of £24,070 and employers pension contributions of £14,586.

Roger Draper is employed on a permanent contract and is a member of the English Sports Council's superannuation scheme under which the employer contributes 14.3% of pensionable pay. Pension rights are accrued at a rate of 1/80th of annual salary for each year of pensionable service.

The Chief Executive and senior executive members spend approximately 50% of their time on Sport England Lottery Fund activities but are included in this note at their full salaries.

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5.4 The total remuneration (including performance pay) & pension entitlements of the senior executive members of the Council's staff for the year ended 31 March 2004 were as follows:

	2004			
	Remuneration £'000	Accrued Pension at Age 65 at 31/03/04 £'000	Real Inc. in Pension at Age 65 at 31/03/04 £'000	Pension C.E.T.V. at 31/03/04 £'000
Roger Draper: Chief Executive	120 - 125	0 - 5	0 - 2.5	63-64
Barry Chivers: Director of Governance Risk & Assurance	45 - 50	15 - 20	0 - 2.5	258-259
Lloyd Conaway: Director of Partnerships & Investment	permission to disclose not sought			
Ian Fytche: Director of Strategy	70 - 75	10 - 15	2.5 - 5	171-172
David Carpenter: Director: More Medals & Lottery Coordination (left 11 April 2003)	permission to disclose not sought			
Malcolm Munro: Director of Communications (left 30 August 2003)	permission to disclose not sought			
David Payne: Director - Investment	75 - 80	5 - 10	0 - 2.5	458-459
Michelle Phillips: Director of Business Development (started 1 September 2003)	permission to disclose not sought			
Ewan Shinton: Director of National Projects (started 3 November 2003)	30 - 35	0 - 5	0 - 2.5	3-4
Clive Heaphy: Director of Finance (started 25 September 2003)	45 - 50	0 - 5	0 - 2.5	6-7

5.5 Within 2004/05, the Chairman of the English Sports Council (Patrick Carter), received remuneration of £26,948 (2003/04 - £26,420) comprised entirely of salary payments.

The Vice Chair of the English Sports Council received the following total remuneration:

	2004/05 £	2003/04 £
Tessa Sanderson OBE (Appointment ended 31 January 2005)	14,137	15,925

The Chair and Vice Chair spent approximately 50% of their time on Sport England Lottery Fund activities but are included in this note at their full remuneration.

5.6 Members of the English Sports Council received the following total remuneration in respect of their attendance at Council Meetings:

	2004/05 £	2003/04 £
Brigid Simmonds (Appointment ended 31 January 2005)	14,440	16,570
Garth Crooks OBE (Appointment ended 31 January 2005)	0	190
Sir Andrew Foster (joined July 2003)	329	0
David Geldart	1,492	1,564
David Ross	0	0
Karen Bradey (joined March 2005)	0	0
Michael Farrar (joined March 2005)	0	0
Tim Cattle-Jones	1,099	0
Mary McAnally	2,483	1,384
Andy Worthington	4,433	1,287

The Members spend approximately 50% of their time on Sport England Lottery Fund activities but are included in this note at their full remuneration.

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Tim Cattle-Jones, Mary McAnally and Andy Worthington have joined the English Sports Council's Main Board as representatives of the nine Regional Sports Board Chairs. Their remuneration shown includes expense reimbursements in relation to their duties as both Main Board members as well as their Regional Sports Board duties.

- 5.7 One of the members of the English Sports Council was also a Director of Phoenix Sports Limited and Caversham Lakes Trust Limited. This member received no remuneration from the Companies of which they are a Director.

6.0 GRANTS

	GROUP		COUNCIL	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
COMMUNITY PROGRAMMES				
Active Schools Infrastructure	285	494	285	494
Step Into Sports	3,334	0	3,334	0
Active Communities	505	766	505	766
Showcase	306	0	306	0
Positive Futures	522	391	522	391
Community Sports Coach Scheme	4,884	2,245	4,884	2,245
Community Club Development Programme	15,203	470	15,203	470
Sportsmatch	3,675	3,675	3,675	3,675
Community Investment Fund	1,072	43	1,072	43
School Club Links	315	415	315	415
Sports Equity and Social Inclusion	0	1,847	0	1,847
Education and Training	0	1,735	0	1,735
Other Activities	0	1	0	1
TOTAL COMMUNITY PROGRAMMES	30,101	12,082	30,101	12,082
NATIONAL PROGRAMMES				
Land Use Planning	0	64	0	64
Step Into Sports	629	0	629	0
Community Sports Coach Scheme	652	0	652	0
Equity	1,417	0	1,417	0
National Coaching Foundation	1,055	0	1,055	0
School Club Links	3,553	0	3,553	0
Sporting Champions	336	330	336	330
Sports Aid	3,000	200	3,000	200
Governing Body Development Grants	6,255	6,232	6,255	6,232
Central Council for Physical Recreation	1,410	1,328	1,410	1,328
Supporters Direct	325	0	325	0
Legacy Schools	1,991	0	1,991	0
Local Sport and Recreation Plans	0	96	0	96
Facilities Development Advisory Service	0	17	0	17
National Sports Centres	14,687	11,323	14,687	11,323
Other Activities	0	0	0	0
TOTAL NATIONAL PROGRAMMES	35,310	19,590	35,310	19,590
MORE MEDALS PROGRAMME				
Sports Science and Medicine	0	100	0	100
Other Activities	0	0	0	0
TOTAL MORE MEDALS PROGRAMME	0	100	0	100
IMPROVING COMMUNICATIONS PROGRAMME				
Public Relations	0	40	0	40
Public Affairs	0	0	0	0
Information	0	0	0	0
TOTAL IMPROVING COMMUNICATIONS PROGRAMME	0	40	0	40
TOTAL AWARDS	65,411	31,812	65,411	31,812

Note: After a review of operations of Sport England during the 2003-04 year, our award programmes have been re-categorised in the current year to reflect our new award programme focus of Community and National programmes.

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7.0 OPERATING RESULT

	GROUP		COUNCIL	
	2004/05	2003/04	2004/05	2003/04
	£000	£000	£000	£000
7.1 Other Operating Expenditure includes the following specified items:				
Chair and highest paid member's remuneration	16	16	16	16
Auditors' remuneration	63	62	36	35
Travel, subsistence and hospitality:				
Chairman, Members and Advisory Groups, Employess	465	333	465	333
Cost of consultants and secondees	635	374	635	374
Operating lease rentals	2,293	2,195	817	444
Depreciation	2,981	2,145	256	177
Irrecoverable Value Added Tax	1,171	625	1,171	625
Management Audit	111	121	111	121
Research Costs	462	174	462	174

7.2 LOSSES AND SPECIAL PAYMENTS

	GROUP		COUNCIL	
	2004/05	2003/04	2004/05	2003/04
	£000	£000	£000	£000
As required by Government Accounting rules:				
Losses	1	50	1	50
Special Payments	73	0	73	0
	74	50	74	50

There were no individual losses or special payments during the year ended 31 March 2005 which exceeded £100,000 (2003/04 - nil)

7.3 ANNUAL COMMITMENTS UNDER OPERATING LEASES

	GROUP		COUNCIL	
	2004/05	2003/04	2004/05	2003/04
	£000	£000	£000	£000
LAND AND BUILDINGS				
Leases - expiring within 1 year	1,221	163	0	163
Leases - expiring between 2 and 5 years	316	964	252	96
Leases - expiring after at least 5 years	1,292	1,322	1,292	1,287
	2,829	2,449	1,544	1,546

7.3 The land and buildings operating leases relating to the Council are held in the name of the Sports Council Trust Company, but are paid for by the English Sports Council. The annual commitments under these leases are therefore treated as those of the English Sports Council.

The National Water Sports Centre at Holme Pierrepont is leased from Nottinghamshire County Council by the Sports Council Trust Company for a peppercorn rent. The centre is operated on a joint venture basis and this is reflected in the rent set.

The Crystal Palace National Sports Centre is leased from the London Borough of Bromley for an annual rent of £1. The Centre is significantly subsidised by the the English Sports Council and this is reflected in the rent set.

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8.0 INVESTMENT INCOME

8.1	GROUP		COUNCIL	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
Income accrued from the following investments:				
Overnight and short term investment of bank balances	256	104	172	68
Quoted stocks and securities	9	27	0	0
	265	131	172	68
Gain/(Loss) on sale of quoted securities	9	(38)	0	0
Total investment income	274	93	172	68

Interest rates varied from day to day and averaged approximately 3.10% per annum throughout the year (2003/04 - 3.10%).

9.0 TAXATION

	GROUP		COUNCIL	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
Corporation Tax payable on interest received: Current Year	109	24	51	19
Underprovision of Tax for prior year	1	8	1	2
	110	32	52	21

The Council pays Corporation Tax at 30% (2003/04- 30%) on its investment income after deducting charges.

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10.0 TANGIBLE FIXED ASSETS

10.1	Land	Buildings	Equipment & Vehicles	Computer Equip.	Computer Software	Assets Under Construc'n	Total
GROUP:	£000	£000	£000	£000	£000	£000	£000
Cost at 1 April 2004	7,408	82,136	5,790	3,484	0	7,310	106,128
Additions	0	975	668	178	565	829	3,215
Disposals	0	0	(22)	(14)	0	0	(36)
Revaluation Adjustments	3,673	6,309	0	0	0	0	9,982
Transfers	0	0	0	0	529	(529)	0
Cost at 31 March 2005	11,081	89,420	6,436	3,648	1,094	7,610	119,289
Accumulated depreciation at 1 April 2004	0	17,019	2,948	1,873	0	0	21,840
Charge for year:	0	1,194	887	900	0	0	2,981
Disposals	0	0	(13)	(5)	0	0	(18)
Revaluation Adjustments	0	2,352	0	0	0	0	2,352
Accumulated depreciation at 31 March 2005	0	20,565	3,822	2,768	0	0	27,155
Net Book Value at 31 March 2005	11,081	68,855	2,614	880	1,094	7,610	92,134
Net Book Value at 31 March 2004	7,408	65,117	2,842	1,611	0	7,310	84,288

COUNCIL:	Land	Buildings	Equipment & Vehicles	Computer Equip.	Computer Software	Assets Under Construc'n	Total
	£000	£000	£000	£000	£000	£000	£000
Cost at 1 April 2004	0	373	893	1,446	0	529	3,241
Additions	0	505	57	66	565	197	1,390
Gifted to Sports Council Trust Company	0	(505)	(41)	0	0	0	(546)
Disposals	0	0	(7)	(4)	0	0	(11)
Transfers	0	0	0	0	529	(529)	0
Cost at 31 March 2005	0	373	902	1,508	1,094	197	4,074
Accumulated depreciation at 1 April 2004	0	373	765	923	0	0	2,061
Charge for year:							
historic cost	0	0	29	227	0	0	256
Disposals	0	0	(7)	(1)	0	0	(8)
Accumulated depreciation at 31 March 2005	0	373	787	1,149	0	0	2,309
Net Book Value at 31 March 2005	0	0	115	359	1,094	197	1,765
Net Book Value at 31 March 2004	0	0	128	523	0	529	1,180

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10.0 TANGIBLE FIXED ASSETS (continued)

10.2 GROUP

The Net Book Value of buildings at 31 March 2005 includes an amount of £46,187,409 (2003/04 - £43,335,166) in respect of freehold properties and £22,667,591 (2003/04 - £21,781,834) in respect of leasehold properties.

Freehold Land and Buildings owned by the Sports Council Trust Company was valued by the Valuation Office Agency at 31 March 2002. These have been revalued using the Public Buildings Index at 31 March 2005.

There is also a collection of art work and historic artefacts at Bisham Abbey. This collection was valued for insurance purposes by Sotheby's at £1,053,780 as at 22 July 2002. This value has not been included in the accounts due to its historical nature.

10.3 COUNCIL

Transferable work in progress. Until 31 March 1993 all fixed asset expenditure by the Sports Council was gifted to the Sports Council Trust Company at the year end whether or not a project was complete. Since 1993/94 incomplete projects, other than those at Crystal Palace National Sports Centre and English Sports Council offices (see Note to the Accounts 1.12) are held in the English Sports Council's books as work in progress prior to transfer and £197,000 (2003/04 - £529,000) is included in tangible fixed assets.

The Direction of the Secretary of State requires these accounts to note that grants made by the former Department of Education and Science (and formerly by the Department of the Environment) to the Sports Council since 10 April 1989 and by the Sports Council to the Sports Council Trust after that date and to the Sports Council Trust Company after its incorporation on 27 June 1990, were made on the basis that any tangible fixed assets acquired by such grants should be available for clawback (return of sale proceeds to the Exchequer) in the event of disposal or of change of use. Since 4 February 1972 and before 10 April 1989, no such explicit clawback arrangements were in place. However, on 5 October 1994, the Charity Commission granted an Order under the Charities Act 1993 by which the Sports Council Trust Company repays to the English Sports Council the whole proceeds of sale of fixed assets, or such part as represents public funds, sold on or after 1 April 1989, which were originally purchased in whole or part with funds provided by the exchequer. Similar clawback arrangements apply to assets purchased out of grants made by the Department for Culture, Media and Sport (formerly the Department of National Heritage). For 2004/05 £546,000 (2003/04 - £886,000) of fixed assets were transferred to the Trust Company under arrangements which specifically cover clawback.

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11.0 INVESTMENTS

11.1 INVESTMENTS	GROUP			COUNCIL		
	Subsidiary	Listed Stocks and Securities	Total	Subsidiary	Listed Stocks and Securities	Total
	£000	£000	£000s	£000	£000	£000s
Balance at 1 April 2004	0	449	449	0	0	0
Cost of Additions	0	8	8	0	0	0
Balance at 31 March 2005	0	457	457	0	0	0
Amount of Provision at 1 April 2004	0	(36)	(36)	0	0	0
Charge for the year	0	(32)	(32)	0	0	0
Amount of Provision at 31 March 2005	0	(68)	(68)	0	0	0
Net Book Value at 31 March 2005	0	525	525	0	0	0
Net Book Value at 31 March 2004	0	485	485	0	0	0

The English Sports Council holds no Fixed Asset Investments.

11.2 The Group had investments up to 31 March 2005 in the following subsidiary undertakings:

Company and Country of Incorporation	Financial Activity	Description & Proportion held by:
The Sports Council Trust Company (England and Wales)	Charitable Trust dedicated to promotion of sport	English Sports Council (inc. nominee) 100% guarantor
Phoenix Sports Limited (England and Wales)	Sports Training Facility Develop. & Operation	English Sports Council (sole member) 100% guarantor
Caversham Lakes Trust Limited (England and Wales)	Rowing Training Facility Development	English Sports Council (sole member) 100% guarantor
The English Institute of Sport Limited (England and Wales)	Support Services to Elite Athletes	English Sports Council (sole member) 100% guarantor

11.3 The Sports Council subscribed to the Memorandum of Association of the Sports Council Trust Company on its incorporation on 27 June 1990. The Memorandum of Association of the Sports Council Trust Company, which is a charity, precludes the distribution to the Sports Council of any assets remaining upon dissolution of the company. However, no such dissolution is in prospect. The liability of the Sports Council as guarantor of the Sports Council Trust Company is limited to £3. With effect from 1 January 1997, the Sports Council's rights and obligations passed to the English Sports Council.

11.4 The English Sports Council assumed control of Phoenix Sports Limited on 30 August 2001, becoming the sole member. The Memorandum of Association of Phoenix Sports Limited precludes the distribution to the English Sports Council of any assets remaining upon dissolution of the company. However, no such dissolution is in prospect. The liability of the English Sports Council as guarantor of Phoenix Sports Limited is limited to £1.

11.5 The English Sports Council Subscribed to the Memorandum of Association of Caversham Lakes Trust Limited on its incorporation on 19 September 2001. The Memorandum of Association of Caversham Lakes Trust Limited precludes the distribution to the English Sports Council of any assets remaining upon dissolution of the company. However, no such dissolution is in prospect. The liability of the English Sports Council as guarantor of Caversham Lakes Trust Limited is limited to £1.

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11.6 The English Sports Council Subscribed to the Memorandum of Association of The English Institute of Sport Limited on its incorporation on 18 April 2002. The Memorandum of Association of The English Institute of Sport Limited provides for the distribution to the English Sports Council of any assets remaining upon dissolution of the company. However, no such dissolution is in prospect. The liability of the English Sports Council as guarantor of The English Institute of Sport Limited is limited to £1.

11.7 The English Sports Council exercises control over its subsidiary companies by -

11.7.1 controlling membership of the company

11.7.2 appointing the Chair of the company and approving the appointment of the Directors and the Company Secretary.

11.7.3 putting in place a Financial Memorandum between the English Sports Council and each subsidiary company. The Financial Memorandum sets out the framework governing financial and related matters between the two organisations.

11.7.4 senior executive directors of the English Sports Council attending, as appropriate, Board and other meetings.

11.8 The listed investments of the Group are all listed in the UK and had a market value at 31 March 2005 of £525,550 (31 March 2004 - £484,938).

12.0 LOANS

	GROUP		COUNCIL	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
Loans outstanding at 1 April 2004	0	21	0	21
Advances to voluntary organisations during the year	0	0	0	0
	0	21	0	21
Repayments during the year	0	(1)	0	(1)
Loans Written Off	0	(20)	0	(20)
Loans outstanding at 31 March 2005	0	0	0	0
Provision for default	0	0	0	0
Net loans outstanding at 31 March 2005	0	0	0	0

Up to 31 March 1995, the Sports Council made loans of up to £10,000 to voluntary organisations to assist with the construction of capital facilities. The loans are interest free and repayable over five years commencing a year after the issue of the loan. From 1 April 1995 no further loans have been made.

13.0 STOCKS

	GROUP		COUNCIL	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
Goods for Resale	17	17	17	17
	17	17	17	17

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14.0 DEBTORS

	GROUP		COUNCIL	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
Trade debtors	3,496	760	2,668	298
Other debtors	313	931	190	848
Staff Loans	39	64	39	64
Sports Council Trust Company	0	0	17	345
Prepayments and accrued income	3,171	4,482	1,850	2,385
Balances with other Central Government Bodies:				
Sport England Lottery Fund	5,459	4,565	5,143	4,565
Space for Sport and Arts	57	0	57	0
All amounts fall due within one year	12,535	10,802	9,964	8,505

	GROUP		COUNCIL	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
Included in Debtors are the following Intra-Government balances:				
Trade Debtors:				
Department of Health	800	0	800	0
Sport England Lottery Fund	5,459	4,565	5,143	4,565

15.0 CREDITORS

	GROUP		COUNCIL	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
Trade Creditors	2,421	2,572	1,305	1,534
Corporation Tax	73	24	52	19
Other taxation and social security	425	474	310	360
Accruals & Deferred Income	8,735	6,162	6,956	4,449
Other creditors	1,496	1,019	180	4
Caversham Lakes Trust Limited	0	0	40	0
Restructuring Provision	0	160	0	160
Staff Modernisation Provision	400	1,955	400	1,955
Dilapidations Provision	400	1,900	400	1,900
Provision for Contract Payout	148	148	148	148
All amounts fall due within one year	14,098	14,414	9,791	10,529

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16.0 DEFERRED GOVERNMENT GRANT RESERVE

	GROUP		COUNCIL	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
Balance at 1 April	13,102	12,477	1,327	1,345
Cost of tangible assets funded by Grant-in-Aid	1,390	1,751	1,390	1,751
Cost of tangible assets funded by EIS Invest Res	0	209	0	209
Less assets gifted to the Sports Council Trust Co. funded by Grant-in-Aid	0	418	(546)	(677)
funded by EIS Investment Reserve	0	(209)	0	(209)
	14,492	14,646	2,171	2,419
Less proportion of funds transferred to income and expenditure account	(594)	(629)	(256)	(177)
Less proportion of funds written off as abortive costs on National Centre Projects	0	(915)	0	(915)
Balance at 31 March	13,898	13,102	1,915	1,327

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17.0 REVENUE RESERVES

	GROUP			COUNCIL		
	Balance at 1 April 2004 £000	Movement in year* £000	Balance at 31 March 2005 £000	Balance at 1 April 2004 £000	Movement in year* £000	Balance at 31 March 2005 £000
Revenue Reserve						
Income and Expenditure Account	(10,439)	1,293	(9,146)	(12,160)	1,290	(10,870)
Revenue Funds:						
Reg Ranger Memorial Fund	3	0	3	0	0	0
National Anglers Council	6	0	6	0	0	0
Donald Scummell Fund	5	0	5	0	0	0
Bisham Abbey Appeal Fund	3	0	3	0	0	0
	(10,422)	1,293	(9,129)	(12,160)	1,290	(10,870)
* Movement in year includes an actuarial loss on the pension scheme of (£2,823,000)						

Analysed as follows:	2003/04 £000	2004/05 £000		2003/04 £000	2004/05 £000
Revenue Reserve	(4,481)	4,544		(6,219)	2,803
Pension Reserve	(5,941)	(13,673)		(5,941)	(13,673)
TOTAL RESERVE	(10,422)	(9,129)		(12,160)	(10,870)

18.0 GREATER MANCHESTER FUND

	GROUP		COUNCIL	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
Balance at 1 April 2004	36	36	36	36
Payments from fund	0	0	0	0
Balance at 31 March 2005	36	36	36	36

This fund represents the balance of sums donated by local authorities in the Greater Manchester area to provide additional sporting facilities and to enhance participation in that area. The fund was incorporated within the Sports Council's accounts during 1988/89.

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19.1 SUPERANNUATION SCHEME: ENGLISH SPORTS COUNCIL

The majority of staff of the Council are members of the London Pension Fund Authority Superannuation Scheme (LPFA). The English Sports Council is one of a large number of employers whose staff participate in the scheme, but the data given in this note relates just to the Council.

The pension scheme is of the defined benefit type and it is funded by employees and employers at actuarially determined rates. Employer contributions for members of the Scheme amounted to £690,946 in 2004/05 (2003/04 - £462,061). The Council is also a member of a second, closed pension scheme. This scheme was closed after an earlier restructure of The Sports Council in 1997. The Council still contributes towards the unfunded liabilities of this scheme. This element of the closed scheme has been brought to account in the Council's accounts and is included in the figures shown in the following tables. The Council has included the whole of the amounts brought to account in relation to this closed scheme in its accounts; no amount has been apportioned to Sport England Lottery.

In addition to these amounts disclosed here, there is an additional deficit valued by the actuary of £5,973,000. Sport England is unable to identify its share of the underlying assets and liabilities in relation to this closed legacy, multi-employer scheme. Contributions for the year to the closed scheme amounted to £166,416 (2003/04 - £144,393). It is not possible to allocate these payments between unfunded and funded elements of the scheme.

The fund is subject to triennial valuations by the consulting actuaries to the LPFA and the latest valuation was carried out as at 31 March 2004, and published in January 2005. The actuarial method used calculates the net deficit or surplus as the difference between the present value of employees' and employers' future contributions together with the value of existing fund assets, and the present value of the benefit entitlements of existing members, pensioners and their dependents.

Estimations based on the main actuarial assumptions of the valuation are:

- the overall investment return on the fund's existing and future assets to be 6.3% and 6.6% in nominal terms respectively and 3.5% and 3.8% in real terms respectively; and
- the per annum rate of increase in general levels of pay to be 4.4% in nominal terms and 1.5% in real terms;
- the market value of scheme assets at 31 March 2001 was £1,378 million, and the actuarial value was sufficient to cover 100% of the benefits which had accrued to members of the scheme.

Following the advice of the consulting actuaries to the LPFA the English Sports Council's employer contribution (as a percentage of pensionable payroll) was 14.3% from 1 April 2004 (2003/04 - 12.8%). The rate of contribution for employees was 6.0% (2003/04 - 6.0%).

These estimated figures, which have been provided by the LPFA's consulting actuaries, relate to Sport England as a whole. Financial Reporting Standard 17 "Retirement Benefits" requires the disclosure of the following additional information in respect of the council superannuation scheme.

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The independent actuary's valuation at 31 March 2005 for the purposes of FRS17 estimates a net pension liability of £31,607,000 (2003/04: £22,207,000). This includes £1,717,000 in relation to the closed scheme and £29,890,000 in relation to the current scheme. Further details on the valuation are set out below.

The FRS17 valuation is for Sport England as a whole, the actuaries have not made separate valuations for the Sport England exchequer liabilities or for Sport England lottery liabilities. The Board estimate that 40% of the current scheme liability (£29,890,000) should be apportioned to Exchequer and 60% apportioned to Lottery. Therefore, the liability carried in these accounts as at 31 March 2005 is £13,673,000 (2003/04: £8,883,000) which includes the current scheme share of liability (£11,956,000 and the closed scheme liability (£1,717,000):

Balance Sheet Disclosure as at 31 March 2005

Assumptions as at		31 March 2005	31 March 2004
		% per annum	% per annum
Price increases		2.9%	2.9%
Salary increases		4.4%	4.4%
Pension increases		2.9%	2.9%
Discount rate		5.4%	6.5%
Assets	Long Term Return	Fund Value at 31 March 2005	Fund Value at 31 March 2004
	% per annum	£'000	£'000
Equities	7.7%	22,201	18,458
Bonds	4.8%	3,040	2,814
Property	5.7%	2,005	844
Cash	4.8%	944	355
Total	7.1%	28,190	22,470
Net Pension Asset at		31 March 2005	31 March 2004
		£'000	£'000
Estimated Employer Assets (A)		28,190	22,470
Total Value of Liabilities (B)		59,797	44,680
Net Asset/(Liability) (A)-(B)		(31,607)	(22,210)

The Exchequer share of the net pension liability needs to be charged though the income and expenditure.

The accounts for the year ended 31 March 2005 include a charge of £4,790,000 (2003/04 - £1,295,000) in respect of increase in the Exchequer share of the net pension liability that has occurred in the year ended 31 March 2005.

Further details on the valuation are set out below covering amounts charged to operating profit. The information set out below covers the whole scheme of which the Board has determined that 40% relates to Exchequer.

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Analysis of amount charged to operating profit

Amount Charged to Operating Profit	Year to	Year to
	31 March 2005	31 March 2004
	£'000	£'000
Service Cost	1,466	1,180
Past Service Costs	0	0
Curtailement and Settlements	657	5,516
Decrease in irrecoverable surplus	0	0
Total Operating Charge (A)	2,123	6,696
Projected Amount Credited to Other Finance Income	Year to	Year to
	31 March 2005	31 March 2004
	£'000	£'000
Expected Return on Employer Assets	1,683	1,308
Interest on Pension Scheme Liabilities	(2,496)	(2,389)
Net Return(B)	(813)	(1,081)
Net Revenue Account Cost	2,936	7,777

Analysis of Amount Recognised in Statement of Total Recognised Gains & Losses (STRGL)

	31 March 2005	31 March 2004
	£'000	£'000
Actual Return less expected return on pension scheme assets	765	2,824
Experience gains & losses arising on the scheme liabilities	2,237	222
Changes in financial assumptions underlying the present value of the scheme liabilities	(11,606)	-
Actuarial (loss)/gain in pension plan	(8,604)	3,046
Change in irrecoverable surplus from membership fall and other factors	-	-
Actuarial (loss)/gain recognised in STRGL	(8,604)	3,046

Of the actuarial (loss)/gain shown above of (£8,604,000) and £3,046,000 the Exchequer share is (£4,540,000) (£1,717,000 had previously been provided for) and £1,218,000.

Movement in Surplus/ Deficit During the Year

	31 March 2005	31 March 2004
	£'000	£'000
Deficit at the beginning of the year	(22,207)	(18,969)
Current Service Cost	(1,466)	(1,180)
Employer Contributions	1,744	1,287
Contributions in respect of Unfunded Benefits	396	206
Other Income	-	-
Other Outgoings	-	-
Past Service costs	-	-
Impact of Settlements and Curtailments	(657)	(5,516)
Net Return on Assets	(813)	(1,081)
Actuarial Gains /(Losses)	(8,604)	3,046
Deficit at the end of year	(31,607)	(22,207)

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History of Experience Gains & Losses

	31 March 2005	31 March 2004
	£'000	£'000
Difference between the expected and actual return on assets	765	2,824
Value of Assets	28,191	22,472
Percentage of Assets	2.7%	12.6%
Experience Gains on Liabilities	2,237	222
Present Value of Liabilities	59,801	44,680
Percentage of the Present Value of Liabilities	3.7%	0.5%
Actuarial Losses recognised in STRGL	(8,604)	3,046
Present Value of Liabilities	59,801	44,680
Percentage of the Present Value of Liabilities	(14.4%)	6.8%

These estimated figures, which have been provided by the LPFA's consulting actuaries, relate to Sport England as a whole.

Unlike the actuarial method of Pension Fund Valuation, Financial Reporting Standard 17 disclosures do not take account of employees' and employers' future contributions.

19.2 SUPERANNUATION SCHEME: ENGLISH INSTITUTE OF SPORT

The English Institute of Sport Limited participates in the London Pension Fund Authority Superannuation Scheme (LPFA). It is one of a large number of employers whose staff participate in the scheme, but the data given in this note relates just to the Company. The majority of the Company's staff are members of the scheme.

The pension scheme is of the defined benefit type and it is funded by employees and employers at actuarially determined rates. Employer contributions for members of the Scheme amounted to £424,672 (2004 - £302,797).

Following the advice of the consulting actuaries to the LPFA, the English Institute of Sport Limited's initial employer contributions (as a percentage of pensionable salary) was set at 12.5% from the date of admittance to the Scheme.

Financial Reporting Standard 17 "Retirements Benefits" requires the disclosure of the following additional information, which has not been reflected in the Council's Financial Statements:

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Balance Sheet Disclosure as at 31 March 2005

Assumptions as at			31 March 2005	31 March 2004
			% per annum	% per annum
Price increases			2.9	2.9
Salary increases			4.4	4.4
Pension increases			2.9	2.9
Discount rate			5.4	6.5
Assets (Whole Fund)	Long term rate of return expected at 31 March 2005	Long term rate of return expected at 31 March 2004	Fund value at 31 March 2005	Fund Value at 31 March 2004
	% per annum	% per annum	£'000	£'000
Equities	7.7	7.7	1,215,800	1,137,200
Bonds	4.8	5.1	166,500	173,400
Property	5.7	6.5	109,800	52,000
Cash	4.8	4.0	51,700	21,900
Total	7.1	7.3	1,543,800	1,384,500
Net Pension Asset at			31 March 2005	31 March 2004
			£'000	£'000
Estimated employer assets (A)			2,468	688
Total value of liabilities (B)			2,833	583
Net asset/liability (A)-(B)			(365)	105

Analysis of amount charged to operating profit

Amount Charged to Operating Surplus	2005	2004
	£'000	£'000
Service cost	404	208
Total operating charge (A)	404	208
Projected Amount Credited to Other Finance Income		
Expected return on employer assets	72	28
Interest on pension scheme liabilities	(49)	(23)
Net return(B)	23	5
Net revenue account Cost (A)-(B)	381	203

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Analysis of Amount Recognised in Statement of Total Recognised Gains & Losses (STRGL)

	31 March 2005	31 March 2004
	£'000	£'000
Actual return less expected return on pension scheme assets	60	58
Experience gains & losses arising on the scheme liabilities	(480)	-
Changes in financial assumptions underlying the present value of the schemes liabilities	(84)	-
Actuarial gain/(loss) in pension plan	(504)	58
Change in irrecoverable surplus from membership fall and other factors	-	-
Actuarial gains/(losses) recognised in STRGL	(504)	58

Movement in Surplus/ Deficit During the Year

	31 March 2005	31 March 2004
	£'000	£'000
Surplus/(deficit) at the beginning of the year	105	(52)
Current service cost	(404)	(208)
Employer contributions	415	302
Net return on assets	23	5
Actuarial losses	(504)	58
Surplus/(deficit) at the end of year	(365)	105

History of Experience Gains & Losses

	31 March 2005	31 March 2004
	£'000	£'000
Difference between the expected and actual return on assets	60	58
Value of assets	2,468	688
Percentage of assets	2.4%	8.5%
Experience gains on liabilities	(480)	-
Present value of liabilities	2,833	583
Percentage of the present value of liabilities	(16.9%)	-
Actuarial gains/(losses) recognised in STRGL	(504)	58
Present value of liabilities	2,833	583
Percentage of the present value of liabilities	(17.8%)	9.9%

These estimated figures have been provided by the LPFA's consulting actuaries

Unlike the actuarial method of Pension Fund Valuation, Financial Reporting Standard 17 disclosures do not take account of employees' and employers future contributions.

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20.0 ENGLISH INSTITUTE OF SPORT INVESTMENT RESERVE

	GROUP		COUNCIL	
	2004/05 £'000	2003/04 £'000	2004/05 £'000	2003/04 £'000
Balance at 1 April	0	(145)	0	(145)
Abortive fees write off	0	354	0	354
Transfer to Deferred Government GIA Account	0	(209)	0	(209)
Balance at 31 March	0	0	0	0

During 2000/01, the English Sports Council established this reserve with the agreement of the Department for Culture, Media and Sport (DCMS). The object of the reserve is to set aside funds for use as partnership funding for the proposed Lottery funded English Institute of Sport capital developments at the National Sports Centres.

The reserve was created initially from the sale to the incoming management contractor of the operational inventory assets at the National Sports Centres (excluding Plas-y-Brenin and sports science and medicine equipment).

DCMS have agreed that the sale proceeds of these assets may be reinvested in the National Sports Centres and the balance on the fund will not count against the Council's maximum cash carry forward at the year end.

Expenditure has been incurred in the development of the EIS capital projects, which has been "gifted" to the Sports Council Trust Company as the schemes were completed. A corresponding amount has been transferred to the Deferred Government Grant-in-Aid Account to be consistent with the treatment of capital expenditure funded directly from the current year's Grant-in-Aid.

During 2003/04, the amounts set aside as partnership funding for the Bisham Abbey Main Redevelopment Schemes was "gifted" to the Sports Council Trust Company as owner of the National Sports Centre and the expense charged to the Deferred Government Grant-in-Aid Account (see Note 17).

The deficit on the Reserve was written off to income and expenditure as abortive costs as the remaining National Sports Centre Redevelopments did not proceed.

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21.0 PROVISIONS

21.1 Dilapidations Provision

Full provision for the probable cost of dilapidations at the end of a property lease is made in the accounts in the year in which it is decided not to renew the lease.

	GROUP		COUNCIL	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
Balance at 1 April	1,900	7,900	1,900	7,900
Charges for the year	(994)	0	(994)	0
Transfer from Reserve	(506)	(6,000)	(506)	(6,000)
Balance at 31 March	400	1,900	400	1,900

21.2 Modernisation Provision

Sport England announced, as part of its Modernisation Programme, in early March 2003 plans for a significant reduction in staff numbers with a major downsizing at the London Support Centre. Full provision has been made for the estimated current costs incurred as a result of the staff Modernisation proposals by a full charge to the income and expenditure account in 2002/03.

	GROUP		COUNCIL	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
Balance at 1 April	1,955	6,437	1,955	6,437
Charges for the year	(839)	(4,482)	(839)	(4,482)
Transfer from Reserve	(716)	0	(716)	0
Balance at 31 March	400	1,955	400	1,955

21.3 Restructuring Provision

In prior years full provision has been made for the current and future costs incurred as a result of past staff restructuring exercises by a charge to the income and expenditure account. From the year ended 31 March 2005 the future pension costs in relation to this historic restructure have been included in Sport England's Pension Liability as part of the adoption of FRS17 on Retirement Benefits.

	GROUP		COUNCIL	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
Balance at 1 April	2,285	2,285	2,285	2,285
Transfer to Reserve	160	0	160	0
Transfer from Reserve	(728)	0	(728)	0
Transfer to Pension Liability	(1,717)	0	(1,717)	0
Balance at 31 March	0	2,285	0	2,285

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22.0 NATIONAL CENTRE RESERVE

	GROUP		COUNCIL	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
Balance at 1 April	1,000	0	1,000	0
Transfer to Reserve	0	1,000	0	1,000
Transfer from Reserve	(232)	0	(232)	0
Balance at 31 March	768	1,000	768	1,000

In the 2003/04 year a reserve of £1,000,000 was established for expected major repairs in relation to Crystal Palace National Sports Centre. It was agreed as part of Sport England's arrangement with Greater London Authority and London Borough of Bromley, that Sport England would attend to any major repairs found necessary prior to Greater London Authority taking over operation of the site.

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23.0 CAPITAL AND GRANT COMMITMENTS

On the undertaking that funds are to be provided by the Department for Culture, Media and Sport, the Council, at 31 March 2005, had entered into commitments to pay grants to:

- governing bodies of sport in respect of their approved programmes in the following years:

2005/06	£2,000,000
2006/07	£2,000,000
2007/08	£2,000,000
2008/09	£2,000,000

Total - £7,926,250 (2003/04 - £19,005,416).

- other bodies, including local authorities, in order to finance revenue expenditure of £9,038,752 (2003/04 - £8,168,726)

The Group had contractual commitments for capital works amounting to £1,664,477 as at 31 March 2005 (2003/04 - £Nil). This amount has not been provided for in these financial statements.

24.0 CONTINGENT LIABILITIES

Contribution towards Tangible Fixed Assets

In 1979, the Football Association (FA) contributed £500,000 towards the construction of a hostel at Lilleshall National Sports Centre. A management agreement with the FA was entered into by the Group which enabled the FA to run the Vauxhall School at the Centre (which closed in July 1999). The Management Agreement continues to remain in place and at the present time, the accommodation is used by the FA's Medical and Education Units. If the Group were to terminate the agreement at any time before 2039 then a proportion of the £500,000 would fall due to be repaid to the FA calculated by the reference to affluxion of time. The Directors consider it unlikely that the agreement will be terminated by the Group.

The FA have announced that it will withdraw from Lilleshall and move to the planned National Football Centre, Burton on Trent when it is completed.

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25.0 REVALUATION RESERVE

		GROUP	
		2004/05	2003/04
		£000	£000
25.1	Land and Buildings		
	Balance at 1 April 2004	25,167	25,724
	Surplus owing to revaluation of properties	9,981	(55)
	Accumulated Depreciation Adjustment	(2,352)	0
	Amortisation of revaluation reserve to income and expenditure account	(668)	(502)
	Balance at 31 March 2005	32,128	25,167
25.2	Equipment		
	Balance at 1 April 2004	0	10
	Surplus/(Deficit) arising on revaluation of equipment	0	(10)
	Balance at 31 March 2005	0	0
25.3	Investments		
	Balance at 1 April 2004	38	(60)
	Surplus/(Deficit) arising on revaluation of investments	32	98
	Balance at 31 March 2005	70	38
	Total Balance at 31 March 2005	32,198	25,205

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26.0 RELATED PARTY TRANSACTIONS

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

None of the Council Members, key managerial staff or other related parties has undertaken any material transactions with the English Sports Council during the year.

As a matter of policy and procedure, Council Members, National Investment Panel members and staff maintain publicly available registers of interests and declare any direct interests in grant applications made to Sport England 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 processes within the Council.

The following related party transactions occurred during the year in respect of Council Members, Regional Sports Board Members, and key managerial staff.

Name	Organisation or Scheme	Relationship	Grant or other transaction	Amount outstanding at 31 March 2005
			£000	£000
Lord Carter of Coles	UK Sport	Board Member	7,965	0
Lord Carter of Coles	Globalsurf Ltd	Director	41	0
David Geldart	British Cycling Federation	Family Connection	2,975	2,900
Brigid Simmonds	Leicester City PLC	Non Executive Director	248	43
Brigid Simmonds	Lawn Tennis Association	Member	2,500	2,000
Brigid Simmonds	Central Council of Physical Recreation	Co-opted Director	1,410	0
David Knight	Portsmouth City Council	Chief Officer	5,545	5,490
Stephen Baddeley	Badminton Association of England	Chief Executive	3,458	2,695
Stephen Baddeley	Skills Active	Board Member	525	0
Roger Draper	Lawn Tennis Association	Former Employee	2,500	2,000
Jim Clarke	Royal Yachting Association	Member	4,720	2,965
Tim Garfield	Nottingham City Council	Family Connection	10	0
David Gent	British Canoe Union	Life Member	1,700*	1,700
David Gent	Sports Aid	Governor	3,000	0

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Name	Organisation or Scheme	Relationship	Grant or other transaction £000	Amount outstanding at 31 March 2005 £000
Ged Roddy	University of Bath	Director of Sport	731	731
Ged Roddy	English Institute of Sport	Director	8,500	0
Ged Roddy	Lawn Tennis Association	Council Member	2,500	2,000
Andy Worthington	Metropolitan Borough of Wirral	Director of Leisure Services	330	215
Judith Rasmussen	Wear Valley District Council	Former Employee	1,002	1,002
Judith Rasmussen	British Triathlon Association	Member	866	851
Loretta Sollars	British Triathlon Association	Member	866	851
Loretta Sollars	Amateur Athletic Association	Employee	158	0
Stewart Kellett	Lancashire Sport	Employee	117	117
Tony Mallin	Amateur Rowing Association	Treasurer/Member	3,375	2,900

27.0 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The English Sports Council Group relies mainly on Parliamentary voted funding, income from activities and Lottery Awards to finance its operations. Other than items such as trade debtors and creditors etc that arise from its operations and cash resources, it holds no other financial instruments nor enters into derivative transactions, interest rate swaps or other forward foreign currency contracts.

The Council and its subsidiary companies do not borrow and, therefore, have no exposure to interest rate risks nor liquidity risk.

**The English Sports Council
Active England Programme
Memorandum accounts for the year ended 31 March 2005**

INCOME AND EXPENDITURE ACCOUNT

	Note	2004/05 £000	2003/04 £000
<u>INCOME</u>			
Share of proceeds from Active England partners	1	74,474	5,458
		74,474	5,458
<u>EXPENDITURE</u>			
Grant commitments made in the year		74,898	5,458
Grant de-commitments made in the year		(1,466)	0
Staff costs	2	479	0
Other operating costs	3	563	0
		74,474	5,458
<u>INCREASE IN FUNDS</u>			
Retained Surplus		0	0
- current period		0	0
- carried forward as at 31 March		0	0

THE NOTES ON PAGES 122 TO 124 FORM PART OF THESE ACCOUNTS

**The English Sports Council
Active England Programme
Memorandum accounts for the year ended 31 March 2005**

BALANCE SHEET

	Note	2004/05 £000	2003/04 £000
<u>CURRENT ASSETS</u>			
Balances due from Sport England		21,412	1,559
Balances due from Big Lottery Fund		50,619	3,899
	4	72,031	5,458
<u>CREDITORS</u>			
Hard grant commitments falling due within one year	5	55,491	5,458
Other creditors		0	0
		16,540	0
<u>NET CURRENT ASSETS</u>			
Hard grant commitments over one year	5	16,540	0
		0	0
<u>TOTAL ASSETS LESS LIABILITIES</u>			
REPRESENTED BY:			
<u>LOTTERY FUNDS</u>			
Revenue reserves		0	0
		0	0

THE NOTES ON PAGES 122 TO 124 FORM PART OF THESE ACCOUNTS

**The English Sports Council
Active England Programme
Memorandum accounts for the year ended 31 March 2005**

1 INCOME

The Active England programme is a jointly funded scheme between the Big Lottery Fund (£77.5m), (formerly known as the New Opportunities Fund), and Sport England (£31.0m). The total grant funding for the programme is £108.5m. The overheads for this programme are totally funded by Sport England.

2 STAFF COSTS

2.1 The aggregate staffing costs of the programme during the period under review were as follows:

	2004/05 £000	2003/04 £000
Wages and salaries	394	0
Social security costs	33	0
Other pension costs	52	0
Total Employee Costs	479	0

3 OTHER OPERATING COSTS

	2004/05 £000	2003/04 £000
Travel and Subsistence	25	0
Project Monitoring	261	0
Monitoring and Evaluation	263	0
Legal Fees	2	0
Other	12	0
Total Other Operating Costs	563	0

**The English Sports Council
Active England Programme
Memorandum accounts for the year ended 31 March 2005**

4 BALANCE DUE FROM ACTIVE ENGLAND PARTNERS

	BLF £000	SE £000	Total £000
Balance Brought Forward 1/4/04	3,899	1,559	5,458
Grants Expenditure for 2004/05	52,452	20,980	73,432
Overheads Expenditure 2004/05	0	1,042	1,042
Payment of Overheads	0	(1,042)	(1,042)
Payment of Grants	(5,732)	(1,127)	(6,859)
Balance Carried Forward 31/3/05	50,619	21,412	72,031

5 HARD COMMITMENTS

	2004/05 £000	2003/04 £000
Hard commitments brought forward	5,458	0
Hard commitments paid	(6,859)	0
Hard commitments entered into	74,898	5,458
Hard commitments de-committed	(1,466)	0
Hard commitments carried forward as at 31 March	72,031	5,458

	2004/05 £000	2003/04 £000
Amounts falling due during 2005/06	55,491	5,458
Amounts falling due in later financial years	16,540	0
Hard commitments carried forward as at 31 March	72,031	5,458

6 SOFT COMMITMENTS

	2004/05 £000	2003/04 £000
Soft commitments brought forward	13,709	0
Soft commitments entered into	74,921	19,167
Soft commitments transferred to hard commitments	(73,409)	(5,458)
Soft commitments carried forward as at 31 March	15,221	13,709

**The English Sports Council
Active England Programme
Memorandum accounts for the year ended 31 March 2005**

7 **PROGRAMME SUMMARY**

The amounts set out below summarise the costs and payments received from the partners covering the life of the programme since 2004.

	2004/05 £000	2003/04 £000
Cumulative Grant commitments net of de-commitments	78,890	5,458
Cumulative Operating costs	1,042	0
Total at 31 March	79,932	5,458

	2004/05 £000	2003/04 £000
Cumulative Programme expenditure (see above)	79,932	5,458
Cumulative Payments from partners	(7,901)	0
Net amount due from partners	72,031	5,458