



English Sport Council  
Grant in Aid and Lottery

Annual Report and Accounts  
2006-2007

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# English Sports Council Grant in Aid and Lottery

## Annual Report and Accounts 2006-2007

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# Sport England: Creating an Active Nation through Sport

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# Sport England: Creating an Active Nation through Sport

## ANNUAL REPORT

### Foreword to Annual Report by Derek Mapp Chairman

#### Change, focus and clarity of purpose

Sport England's primary goal is to sustain and increase adult (16+) participation in sport. We are the only national agency with a clear Government mandate to be the champion of community sport. My first task since becoming Chairman in October 2006 has therefore been to bring a sharpness, focus and determination to this mandate.

We have set ourselves the ambition of getting two million people doing more sport by 2012. Given that over half of the nation currently does no sport at all, and 25,000 young people aged 16 drop out of sport every year, this is a significant challenge. One way to tackle it is our work with young people through the National School Sports Strategy, where we work with the Youth Sport Trust to create links between schools and sports clubs to help build a sporting habit outside the school environment. We also promote sports leadership and volunteering opportunities for young people through our Step Into Sport programme.

We must also remember that the drop off in sports participation becomes even more pronounced as people get older. Reversing this trend is a key part of what we need to do, and is why we will not shy away from our role as champions of sporting activity for people of all ages and abilities.

Sport England has made some important changes during the 12 month period covered by this report. We have appointed a new Chief Executive, Jennie Price, who has a record of delivering successful behavioural change programmes in the environmental sector. The Board has been strengthened, drawing on the expertise of the private as well as the public sector, and bringing in business experience to complement the community sport knowledge of our existing Board members. We are creating a new Commercial Department, led by a Commercial Director who will have a target of delivering £50million of sponsorship for community sport by 2012.

We have also clarified and strengthened our relationship with some of our most important partners, particularly Youth Sport Trust and UK Sport, with whom we share the challenge of delivering an effective and joined up sporting landscape.

In this report, we have set out some examples of how sport can transform peoples' lives. Over the coming year, I am determined to maximise the impact of community sport, and to realise its potential to improve the nation's health, well-being, and quality of life.

Derek Mapp  
Chair of The English Sports Council

October 2007

# Sport England: Creating an Active Nation through Sport

## Introduction to Annual Report by Jennie Price Chief Executive

### Putting people at the heart of everything we do

When I joined Sport England 6 months ago, one of the most striking statistics I was given was that 50% of the population of England currently do no sport at all, and almost 80% of us do less than the recommended amount of three sessions of 30 minutes per week.

Changing that figure, making sport a regular and enjoyable activity for more and more people, is the challenge that Sport England is now beginning to grasp.

In order to do so, we need to change the way we operate. Firstly, we need to recognise that our customers are people who do – or could do – sport. We need to listen to what they want – the sports they enjoy, the barriers they face, and the choices they have to make. We have to recognise that these factors are likely to change as people get older, and offer them opportunities to participate in different settings and in different sports. Today's rugby player could well be tomorrow's badminton player and next year's swimmer.

We will work closely with our partners to achieve this. This will include the national governing bodies of sport – many of whom are making great strides in offering flexible formats for their sport, such as Twenty-20 Cricket and Street Athletics. We will continue to work with local authorities, on whom the provision of so much community sport depends. And we need to create a wider range of partnerships, including with the private sector, to maximise our chances of achieving our goal of getting 2 million people doing more sport by 2012.

Critically, we need to make sure that the sporting opportunities we and our partners offer will build a sustainable sporting habit, and in doing so we need to recognise that coaches, officials, volunteers and administrators play an absolutely key role. Without them, the 'engine' that is community sport would simply seize up.

I feel very privileged to have joined Sport England at such an exciting time. We face a massive challenge, but we understand its dimensions, we have the impact of London winning the 2012 Games to help us, and we have the passion and expertise of our own staff and our partners. By this time next year, I hope we can report real progress towards our goal.

Jennie Price  
Chief Executive and Accounting  
Officer of The English Sports Council

October 2007

# Sport England: Creating an Active Nation through Sport

## ANNUAL REVIEW: Sport by Numbers

Sport England's year at a glance  
1 April 2006 – 31 March 2007

### Our targets

#### Public Service Agreement 1 (PSA 1)

To enhance the take-up of sporting opportunities by 5-16 year olds so that the percentage of school children who spend a minimum of two hours each week on high-quality PE and school sport within and beyond the curriculum rising from 25% in 2002 to 75% by 2006 and 85% by 2008. This target is shared by Sport England and the Youth Sport Trust.

#### Public Service Agreement 3 (PSA 3)

By 2008, increase the take-up of cultural and sporting opportunities by adults and young people aged 16 and above from priority groups by:

- Increasing the number who participate in active sports at least twelve times a year, by 3%
- Increasing the number who engage in at least 30 minutes of moderate intensity level sport at least three times a week, by 3%

### Our nine regional ambitions

We aim to get two million people across the regions doing more sport by 2012. We have broken this down into a series of regional targets, which will provide an important focus for us, and for our partners, over the next four years.

North East: 94,949  
North West: 251,303  
Yorkshire and Humber: 185,889  
East Midlands: 158,850  
West Midlands: 195,960  
East: 203,688  
London: 276,656  
South East: 300,429  
South West: 188,809

### Current levels of participation

#### Young people

- 80 per cent of 5-16 year olds now do two hours or more PE and sport a week – 5% ahead of the PSA 1 2006 target milestone\*



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- The number of children taking part in club sport increased from 19% 2003/04 to 27% (2005/06)\*
- The number of young people taking part in sport volunteering increased from 9% 2003/2004 to 13% in 2005/2006.\*

(\* Source: School Sport Survey published by Department of Children Schools and Families)

### Adult participation – priority groups

#### Participation amongst priority groups

The target level of sport – thirty minutes of sport at least three times a week is done by

- 19.2% of black and minority ethnic people
- 9.5% of those with a limiting disability
- 15.2% of those from lower socio-economic groups
- 18.5% of females
- 20.9% of all adults

(Source: Taking Part Survey, June 2007)

#### Adult participation overall

- 21% of adults (16 plus) are achieving the three by thirty target
- 28% do sport between once and three times a week
- 50.3% do no sport at all

These figures come from Sport England's Active People Survey, which gives us the information we need to help us target resources where they are most needed. It also sets the scale of the challenge we are to respond to in our new business plan, which will cover the next three years.

It is difficult with current statistics to measure overall levels of participation. This is why we conducted the first Active People survey in 2006 and are now committed to repeating it every year.

### Our work

#### Planning for sport:

- We responded to 96% of playing field planning applications within 21 days – beating our target by 6%
- We generated an extra £21.3m for sport through planning gain. Planning gain is money paid by developers to local authorities to offset the costs of the external effects of development

## Sport England: Creating an Active Nation through Sport

- The number of playing fields created in the England grew for the second year running. A total of 62 brand new playing fields were created; and only two were completely lost. \*

*(\*Figures announced in November 2006, relating to the year 2004/2005)*

### Investing in sport

We invested:

- £64m into 38 National Governing Bodies (NGBs) of sport to help them deliver their Whole Sport Plans and One Stop Plans. Overall NGBs have exceeded targets for the number of quality accredited (Clubmark or Sport England approved NGB equivalent) clubs by 15% and the number of qualified coaches by 23%
- £38.3m to create 2647 improved sports clubs and 654 coaches between March 2007 and March 2012 through our investment in coach and club development.
- £10.2m to deploy over 3000 Community Sport Coaches
- £4.3m into School Club Links – connecting schools, sports clubs and children
- £4m into Step into Sport, encouraging teenagers to become sports volunteers
- £14.25m in 600 clubs via the Community Club Development Programme – including a rebuilt canoe club house; new judo halls and refurbished hockey pitches.
- £14.5m through the National Sports Foundation, which brought in matched funding worth an additional £14.5m from sponsors; including Sainsbury's, Tesco, EDF Energy, Npower, BSKyB, Norwich Union and Kelloggs
- £16.7m in 232 regional sports projects through the Community Investment Fund
- £9.1m into the 49 County Sports Partnerships – all of which are helping sport be delivered in their counties.

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## Section 3 – Sport England role, relationship to other bodies and key objectives

### What we do

Sport England exists to sustain and increase participation in community sport. This includes informal activities like Pilates, newer activities such as skateboarding, and traditional team sports like football and netball.

We are the Government's community sport key delivery partner and a distributor of National Lottery funding. In 2006/2007 we received £132 million of Lottery funding and £127 million of Exchequer funding to create a total income of £259 million.

We use this income to invest in community-based sport opportunities for children, young people and adults of all ages, especially those within priority groups, for example women and girls or people with disabilities.

We promote, invest in and advise on high quality sporting pathways. These pathways make sure that young people don't simply stop playing sport at 16 when they leave school – but whether for fitness, for the love of competition or because they have genuine talent and want to compete on the elite stage – have opportunities to continue taking part in sport.

This work releases potential through:

- Community sports activities
- Sports clubs (including competitive sport)
- Coaches and officiating
- Player pathways
- Volunteering
- Sports facilities

### The benefits of sport

Taking part in sport and physical activity has clear benefits for people of all ages. The most obvious advantage is sport's ability to keep people healthy. Sport can also build people's confidence, leadership and teamwork skills, and give people a real sense of achievement. Sport can also reinforce lifelong learning, help build stronger communities, and help improve an area's economic vitality.

### Our challenge

The core challenge is that over half of the adult (16 plus) population does not participate in sport on a regular basis.

### Our ambition

Our ambition is to get two million people doing more sport by 2012.

# Sport England: Creating an Active Nation through Sport

We aim to:

- o Encourage people who currently do no exercise to participate in sporting activity
- o Enable and encourage those who do some exercise to do sport regularly (at least 30 minutes three times a week)
- o Sustain, develop and increase the amount of sport undertaken by those already doing 30 minutes of sport three times a week

## The sporting relay race

Sport England works hand in hand with the Youth Sport Trust and UK Sport to ensure that together we cater for the sporting needs of school children, adults and elite athletes.

Organisation	Aims
The Youth Sport Trust	To increase the quality and quantity of school sport.
Sport England	To sustain and increase participation in community sport.
UK Sport	To help develop world class athletes.

The three organisations work in relay. The Youth Sport Trust starts the race. It then passes the baton to Sport England. Sport England hands on the baton to UK Sport for a very small number of highly talented individuals.

## We work nationally

### With young people

We have a targeted role in delivering the National Schools Sport Strategy and we work to bring the worlds of school and community sport together. Our ambition is to double the number of 16-19 year olds doing three hours of sport each week, raising it from 17% to 34%.

We do this through two programmes: Club Links, which creates stronger links between schools and local sports clubs, and Step into Sport, which encourages teenagers to take part in sports volunteering and become accredited coaches.

### With all adults

In the wider community our role is to make sport easy, affordable, convenient and attractive so that more people are able and willing to take part.

This covers a wide range of sporting activities for people of all ages and abilities. For example, the North Norfolk Mobile Gym which takes gym equipment and classes to scattered rural communities that don't have a large enough population to justify permanent facilities. Or the Women's Running Network,

## Sport England: Creating an Active Nation through Sport

which sets up local social running groups to give women advice, confidence and motivation to run for fun and fitness, not necessarily competition.

### **With talented young people**

We help train and develop the talented young people who will become tomorrow's world class sportsmen and women. Our investment in club and coach development helps to ensure that they will receive the right support at the right stage in their career.

### **With elite sports people**

We continue to support NGB investment into elite development for non-Olympic sports.

We fund the Commonwealth Games Council for England, and provide targeted funding to a number of NGBs to support the preparation of Commonwealth Games athletes.

[text box to sit next to 'We work nationally']

### **Maximising Olympic opportunities**

As part of its national work programme, Sport England is working with a range of partners (including the Government, London Organising Committee of the Olympics Games (LOCOG), Youth Sport Trust, UK Sport and the Greater London Authority) to maximise the opportunities afforded by London staging the 2012 Olympic and Paralympics Games. This work will help ensure a lasting sporting legacy across England.

In the summer of 2006 we worked with Locog to take the London 2012 bus round the country, promoting the Games and their benefits in all our regions. Towards the end of this year we began to develop some specific initiatives related to the Games, and this will feature more prominently in our work over the next five years.

### **We work regionally**

In order to understand and cater for local needs Sport England is divided into nine Regions governed by their own Regional Sports Boards.

Each Board and Region works within the overall strategic framework set by Sport England's Main Board but has autonomy to decide how to intervene to drive up and support participation. Our Regional teams work closely with the County Sports Partnerships and Community Sports Networks in their Region.

There are significant regional variations in the kinds of sports and activities that appeal to people and the environment best suited to them. Outdoor swimming, surfing and horse riding are most popular in the South West; rugby league flourishes in the North and badminton and netball are particularly strong in the West Midlands.

## Sport England: Creating an Active Nation through Sport

Our funding decisions are taken locally, informed by local knowledge and expertise, so that we can deliver the sports people want to play in the places they want to play them.

### **Working with the private sector**

We currently work with a variety of private sector organisations through the National Sports Foundation. We have identified work with the private sector as an area that Sport England needs to develop, and have now appointed a Commercial Director to expand this type of collaboration.

# Sport England: Creating an Active Nation through Sport

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## Section 4 – national work - what we delivered,

### Sport England – the National Programme

Sport England works with a range of national partners, in order to create a robust sporting infrastructure of clubs, projects and programmes that inspire people to take part in sport.

Our national partners include National Governing Bodies (NGBs) of sport and organisations such as Women’s Sports Foundation, Sporting Equals and SportsAid.

In addition, we work with a series of nationally co-ordinated programmes such as Community Sport Coaches and Community Club Development.

Our total spend with national partners in 2006/2007 was £104.6million

### Working with National Governing Bodies

Sport England invests in the NGBs that are responsible for running individual sports. They include organisations such as Badminton England, the Rugby Football League, the Amateur Boxing Association and the British Canoe Union.

To qualify for funding, each NGB produced a Whole Sport Plan or One Stop Plan for their sport. Strategies within the plans vary from promoting their sport and providing new or enhanced facilities, to offering more coaches, more clubs and higher quality opportunities.

### Whole Sport Plan achievements

In 2006-2007, Sport England invested £64,045,589 in 30 NGB Whole Sports Plans. This helped develop community sport, resulting in:

- More people playing more often,
- More coaches, capable of working with participants of all abilities
- Well managed clubs contributing to the growth of their sport
- Mini-versions of the sport to help introduce juniors to it

### Success stories

Sporting targets	Actual results	Exceptional growth
Active quality-accredited (either Clubmark or Sport England approved NGB equivalent) clubs within the sport	<b>9,730</b> – exceeding the target by <b>1,817</b>	<ul style="list-style-type: none"><li>○ Boxing – ABAE Clubmark Clubs</li><li>○ Equestrian</li><li>○ Football – FA Charter Standard Clubs</li><li>○ Rugby League</li></ul>
Active volunteers	<b>173,253</b>	

## Sport England: Creating an Active Nation through Sport

Club members and individual members within the sport	1,772,031	<ul style="list-style-type: none"> <li>○ Badminton</li> <li>○ Gymnastics</li> <li>○ Netball</li> <li>○ Swimming</li> </ul>
Qualified and currently active coaches delivering instruction in the sport	196,824 – exceeding the original target by 9,816	<ul style="list-style-type: none"> <li>○ Canoeing</li> <li>○ Golf</li> <li>○ Lacrosse</li> <li>○ Rugby Football Union</li> </ul>

### [Case study text box]

**Supporting amateur swimming** Sport England invested £3 million into Everyday Swim, a project led by the Amateur Swimming Association to encourage more people to swim more often.

Eight local projects are improving the way swimming is delivered and working outside the pool to encourage more people to think swimming is 'for them'. In Easington, County Durham and Islington, London, summer programmes offered activities from snorkelling to mini-polo and these are now being mainstreamed into the term time programme. In Kirklees, West Yorkshire, a learner pool has been opened to parents and siblings during competitive squad training to change spectators into swimmers.

Meanwhile, in Woking in Surrey, the council's swimwear policy has changed to allow those who would prefer to be more covered for cultural or personal reasons to do so easily. Woking's Everyday Swim Co-ordinator, James Barter, worked with pool staff to find suitable garments and the new policy is now being promoted in the local community. Learning from all the projects is being used nationally to influence policy and guidance to enable other areas to emulate successes.

### The National Sports Foundation: encouraging community sport

The National Sports Foundation (NSF) is led by the Government and administered by Sport England. It encourages partnerships between private investors and community sports projects, and works by matching new and additional private investment with Foundation funding.

#### The Foundation's priority funding themes for 2006-2008 are:

- *Fit for Sport* – projects that invest in clubs, coaches and volunteers in local communities.
- *2012 Kids* – building on the success of the Olympics, supporting projects that encourage children and young people to take up sport.
- *Women into Sport* – projects to increase female participation in sport, including providing coaching and support for female teams.



## Sport England: Creating an Active Nation through Sport

During 2006-2007, the Foundation committed £14.5 million in funding, which attracted an additional £14.5 million in private sponsorship and partnership funding. It built partnerships with Sainsbury's, Tesco, EDF Energy, npower, BSkyB, Norwich Union and Kelloggs, and supported a number of innovative projects.

### Royal Yachting Association Sailability

RYA Sailability is a charity that encourages people with disabilities to enjoy the sport of sailing. The programme operates nationally in partnership with 217 Sailability centres and local disability groups. The NSF provided a grant of £140,175, which was match-funded by the Fawcett Trust.

### Chance to Shine cricket programme

Launched in May 2005, Chance to Shine seeks to regenerate competitive cricket in state schools. In 2007, the programme will deliver competitive cricket opportunities to 1,200 schools and over 100,000 children through 200 clubs. The programme is the primary initiative of the Cricket Foundation, working in partnership with the England & Wales Cricket Board. The Cricket Foundation received £2.5 million from the NSF in 2006-2007.

### Supporting the National School Sport Strategy

The National School Sport Strategy aims to ensure that by 2008 at least 85% of school age children (aged 5-16) spend a minimum of two hours each week on high quality physical education and school sport. Long-term, the ambition is to offer children the chance to do four to five hours of sport a week.

Sport England contributes to the success of the National School Sport Strategy by:

- o Building links between clubs and schools
- o Managing the Step into Sport programme
- o Supporting National Governing Bodies

Between 2003 and 2008 Sport England is investing almost £27 million in the National School Sport Strategy.

Club Links: developing links between schools and sports clubs

The Club Links programme creates and develops links between schools and sports clubs to increase the number of children participating in sports clubs. The target is to increase the percentage of 5-16 year olds who participate in Clubmark clubs or governing body accredited sports clubs from 14% in 2002 to 25% by 2008.

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In 2006-2007, Sport England invested £4.3 million in Club Links. The 22 NGBs involved in Club Links reported that there are 1,143,991 participants aged 5-16 years of age in accredited clubs. This is an increase of 61,572 on the previous year – or just over 3% of our target to get two million people doing more sport by 2012.

### Text box

Gemma is just one of the young people Club Links has helped. After trying indoor rowing at school her PE teacher took her down to her local rowing club to row on the water. It was a daunting prospect. "I was terrified I wouldn't fit," she says, "But I've made some of the best friends I've ever had. They believe in me and never give up on me. I even won a race in a double." As well as the social benefits, Gemma says her health and overall fitness have increased drastically. "Since I started rowing I have grown three inches taller and have lost one stone and 10 pounds. I'm continuing to lose weight and have got some confidence back."

### Step into Sport: youth volunteering in sport

Through Step into Sport, young people have the opportunity to play a variety of volunteering roles in sport, including managing events and facilities, media duties and running clubs, as well as assistant coach and referee roles.

For seventeen-year-old Jack from Nottingham, the rewards from coaching gymnastics were initially about getting in enough coaching hours to complete the Step into Sport programme. "It soon became more about seeing the children enjoy themselves." It has even determined his choice of career. "I was looking towards sports management; but now I have seen the coaching side, I am aiming towards becoming a sports coach to children, particularly gymnastics."

The overall objective of Step into Sport is to increase the percentage of young people aged 14-19 from school sport partnerships actively involved in sports leadership and volunteering from 9% in 2004 to 18% in 2008, with a target of 10% per partnership by 2008.

We provided funding of £4 million in 2006 -2007, and offered support to 49 County Sports Partnerships to develop sport and broker high quality opportunities in the community for young volunteers.

### Community Club Development Programme

The Community Club Development Programme (CCDP) helps to address the needs for capital investment in community-based sports clubs.

It enables NGBs to identify a programme of capital projects for investment. They work in partnership with Sport England to see the projects delivered.

## Sport England: Creating an Active Nation through Sport

In 2006-2007, Sport England allocated £14.25 million to the CCDP. Most of this - £11.5 million was awarded directly to projects. The remainder was distributed via NGBs.

The money was used to make 600 awards. These included eight refurbished hockey pitches, new judo halls, rebuilding a canoe club on the banks of the River Thames and a 23 bay golf driving range.

Between 2003 and 2006 CCDP invested a total of £37 million into 425 clubs including gymnastics, swimming, canoeing and netball. This funding led to:

- o A 37% increase in participation
- o A 32% increases in active club membership
- o A 62% increase in volunteers
- o A 66% increase in the number of coaches

*(\*Source: Hall Aitken Monitoring and Evaluation Report 2007)*

There were also significant increases in the numbers of under 16s, over 45s, socially disadvantaged people and people with disabilities who took part in club sport.

### **CCDP supports new judo club in Ilford**

Community Club Development Programme funding made it possible for the Redbridge Judo Club in Ilford to open a new £1 million home in January 2007.

The club boasts a 18m x 10m contest area on a sprung floor, male and female changing rooms, a kitchen, a coaching/lecture room, full disabled facilities plus an outside multi sports games area.

Densign White, Chairman of the British Judo Association said, "The new venue is a credit to the volunteers at Redbridge Judo Club. The facility will be invaluable for our grass roots participants, right through to athletes competing internationally."

### **Community Sport Coaches Scheme**

The Community Sport Coaches Scheme (CSCS) was launched in 2005, with the aim of establishing 3,000 paid and qualified community sport coaches who would be able to work locally – running after-school sessions and developing club sport.

In 2006-2007, Sport England committed £10.2 million of Exchequer funding to the scheme. Of this, £10 million funded the employment of coaches on the ground.

As of June 2007, the programme had exceeded its targets, with a total of 3,335 posts being created, with the support of additional funding from Sport England's

## Sport England: Creating an Active Nation through Sport

Community Investment Fund (CIF) and Department of Children, Schools and Families (DCSF) funding.

(text box)

### Five key areas where the CSCS has delivered improvements

The CSCS has delivered against its five main objectives by:

1. creating a new career structure for community coaches, with many more paid employment opportunities at a local level across a wide range of sports;
2. increasing the number of qualified coaches at a local level – with 3,335 coaches delivering over 1 million hours of coaching;
3. establishing quality standards for the recruitment, employment, deployment, management and development of community coaches;
4. providing managed, quality, continuous professional development support for employed coaches;
5. supplying high quality coaching with a focus on young people.

# Sport England: Creating an Active Nation through Sport

Section 5: Regional work – using case studies to illustrate, but with a sense of the overall thrust and purpose of the regions

## Sport England's work in the regions

We have a strong, targeted regional investment strategy that ensures we invest National Lottery and Exchequer funding in projects that meet local needs and encourage people to do more sport.

It is vital that we take regional differences into account so we can respond to local needs and conditions. For example, the population in the rural South-West of England is so scattered that it is a challenge simply to get people in the same place to take part in sport. As a result, we have dedicated funding specifically to tackle this issue. By installing bike racks outside a village hall or laying on a mini-bus to pick participants up from isolated villages to take them to a facility, we are directly tackling one of the key barriers to participation in that area.

## Connecting grassroots people and policy makers

We have created a network of county sports partnerships and community sports networks (the delivery system) that connects the people taking part in sport locally with those who plan, deliver and invest in sport nationally, regionally and locally.

Two important links in this sport supply chain are now up and running:

- County Sports Partnerships operate at a county or sub-regional level, interpreting national policy and applying it locally.
- Community Sports Networks are more local, bringing together local partners who are involved in sport and active recreation.

The network is also an important tool in linking sport to other sectors; including education and skills, health, regeneration, the voluntary sector, local and regional government and the private sector.

## Investment by region

We invested over £17 million of Exchequer and Lottery funding in regional projects, programmes and schemes through the Community Investment Funding in 2006-7.

Region	Totals (£)	Number of projects
East	2,260,574	41
East Midlands	1,764,934	27

## Sport England: Creating an Active Nation through Sport

London	2,251,438	21
North East	3,837,861	32
North West	2,129,265	29
South East	391,777	17
South West	2,240,917	30
West Midlands	871,464	19
Yorkshire	985,743	16
<b>Total</b>	<b>16,733,973</b>	<b>232</b>

### Case studies

#### New sporting hope for London estates

In January 2005, when the Lilian Baylis Technology School in Lambeth moved to a new site, the future of the old school was uncertain. The site is in the middle of one of the largest and most deprived housing estates in Lambeth, where there were problems with gangs, graffiti and crime.

Today, thanks to the efforts of North Lambeth and North Southwark Sports Action Zone (SAZ), local residents and MPs, these rundown classrooms and sports facilities have been cleaned up, painted by local residents and are now being used to tackle some of the area's issues.

The site now includes four new sports halls. In the first summer, Larry Achike, the England international triple jumper, ran athletics sessions and identified potential 2012 sportsmen and women. The programme finished with a football tournament involving 22 teams from different estates in Lambeth. It has since evolved into a football league with teams playing throughout the season.

Christopher Walsh, aged 30, attended the FA Level 1 coaching course at Lilian Baylis School. Now qualified, he coaches football for young people at the Larkhall Park Football Project, part of the Stockwell Urban Regeneration Area.

"I've always wanted to be involved in football coaching, and the facilities provided by SAZ mean that we can coach easily and in a safe environment," he comments.

<b>Facts and figures</b>
Sport England invested £543,174
Partners invested £1,693,649
Overall project cost was £2,236,823
Total number of participants was 5,000

#### Volunteers look lively in Lincolnshire

## Sport England: Creating an Active Nation through Sport

Volunteers are the life blood of sport. Whether they are coaching, refereeing, bringing out the half-time oranges or looking after the books, volunteers play a vital role.

"In Lincolnshire, 90% of sport is organised by volunteers. We wanted to make sure that everyone realises that sport can be a great way of meeting people and helping to translate the traditional values of rural community spirit to modern life," says Robin Wright of the Lincolnshire Voluntary Sports Forum.

*Stretching the Sporting Vision* is a project led by Lincolnshire Sports Forum and the Voluntary Sports Forum that aims to help clubs train existing volunteers and recruit more.

One of the project's major successes has been attracting new volunteers who don't have sporty backgrounds. It has found not just volunteer sports coaches, treasurers and club secretaries but also web designers, fundraising assistants, publicity officers and event marshals.

By the end of the year, 140 new volunteers had found places with clubs and a further 31 were ready to join new clubs. Volunteers recruited by the programme have already been out in force to support sports events across Lincolnshire, including the Lincoln 10k, Sport Relief and the Lincolnshire Youth Games.

<b>Facts and figures</b>
Sport England invested £25,000 in <i>Stretching the Sporting Vision</i>
The Home Office invested £75,000
The total project cost was £100,000

### Shrewsbury loosens and lightens up

"Shrewsbury Sports Village has helped to restore the confidence of the whole town," says Richard Mann, business support manager for Shrewsbury Leisure.

Shrewsbury Sports Village is a result of the Council's investment in the town's social fabric. It features badminton and squash courts, football pitches, cycle tracks, floodlit multi-use games areas, a coaching education suite and a climbing wall. A six rink indoor bowling centre – a key facility for the older generation – will open later this year.

Activities such as the 'Loosen Up Lighten Up' project (LULU) at the centre have really made a difference. LULU encourages people in poor health or on a low income to get active and play sport. It links to existing groups, and in July 2007 the Village hosted a sports festival for people with physical and learning disabilities from nine local day centres.

LULU has generated over 4,000 visits to the Village, and has encouraged 23 volunteers to give over 400 hours of their time.

## Sport England: Creating an Active Nation through Sport

The Village is also promoting Shrewsbury as a sporting destination. Both the English Futsal Squad and Cerebral Palsy National Football Team train in Shrewsbury, and in July 2007 it played host to an international junior football tournament with teams from all over the world.

Facts and figures
Sport England invested £1,072,000
Partnership funding, including Big Lottery Fund and Football Foundation, generated £811,000
Total project cost £1,882,000

### Unlocking sports potential in rural Devon

For people living in rural Devon's isolated communities, having access to mini-bus transport to exercise classes or a bike rack outside a community centre can open up new opportunities for sport and physical activity.

"Many villages in our area just don't have the population to justify the diversity of activities people want to do," says Esther Richmond, project co-ordinator for the 5 x 30 project. "So we need to link parishes together."

5 x 30 is a three-year project that enables five community activators to work with individuals and groups to resolve problems that prevent people taking part in sport and physical activity.

So far the project has: led to the creation of six new multi-sports hubs; trained 64 individuals to deliver physical activities; worked with partners to organise 68 new physical activity opportunities ranging from football and trampolining to belly dancing and seated exercise; and created networking events.

The project has even led to the rediscovery of existing facilities. A disused sports hall in Tiverton is now used by nine different groups for badminton, cricket, five-a-side football and netball.

The scheme also takes sport to the people. "A small grant helped us to set up five-a-side football, indoor hockey and tag rugby," says Police Constable Special Officer Waller. "It's great to turn up with the equipment in a bag."

Facts and figures
Sport England invested £361,240
Partners invested £64,337
Total project cost was £425,577

### Getting mothers running in East Bolton



## Sport England: Creating an Active Nation through Sport

It's a classic scene repeated at sports clubs across the country. Parents bring their children to training then disappear to the café for a chat.

Mark Power, membership secretary of Bolton United Harriers running club, wanted to know why the mothers of his young runners weren't interested in running themselves. He discovered that many felt they weren't good enough to run with the 'proper runners', either because of their appearance or because they felt they weren't good enough.

It is these sorts of barriers that Leverhulme Community Club, where the Harriers train, seeks to overcome. The club blends sport and non-sport buildings, and mixes formal and informal, competitive and non-competitive sports.

This creates opportunities to convert non-sporty clients who come to the site into people taking part by reaching out to those who may not define themselves as sporty types or feel comfortable in a sporting setting.

On this occasion, the Harriers used the Race for Life 5k fun run to bring more women into running. "We created two women-only running sessions a week," says Mark. "Over 50 women took part and many have gone on to join the running club proper."

Facts and figures
Sport England invested £1,043,022 in Leverhulme
Partners, including East Bolton Council and Bolton Primary Care Trust, invested £817,077

### North East universities help addicts give drugs the boot

As a heroin addict, David Lacey hit rock-bottom when an overdose triggered a stroke. He lost his job, fiancée, friends and family. "I was dead for eight years, with no goals, drive or ambition. I spent a few years in prison for petty crimes," says David.

After leaving prison, thanks to staff at the Phoenix House Tyneside Rehabilitation Service, David was introduced to the Drug Intervention Programme (DIP). At the time, DIP was working with Sports Universities North East England (SUNEE) to help current and former drug users boost their fitness and self-esteem.

"A few days into my detox at Phoenix House, I went to have a look at DIP," says David. "I wanted to detox without medication and knew that working up a sweat would help. I went down as the SUNEE football coaching scheme was kicking off. At the end, there was a tournament and I played on the winning team. Within six weeks I'd gone from detox to winning a football tournament. It felt great."

## Sport England: Creating an Active Nation through Sport

And in 2006, David joined Olympic and World Champions in the House of Commons to back this unique scheme to revitalise North East communities through sport.

Facts and figures
Sport England invested £70,000
Total project cost was £218,095
The scheme has involved 4,000 people, including 400 former drug users

### Ipswich mum of four becomes elite athlete

With four kids and a full-time job, you might think that 49-year-old Sarah Miller had enough to do. Yet Sarah has proved that age is no barrier to international competition. This year she made the GB Duathlon (cycling and running) team, in spite of only taking up the sport at 41.

Sarah is one of over 100 members of Ipswich Triathlon Club. The club has been especially successful in attracting and retaining active members thanks to its open door policy. Its oldest member is 80, the youngest member is eight, and the club welcomes all levels from complete beginners to elite athletes.

This approach recently helped the club gain Clubmark status in 2007. Clubmark is a national scheme designed to help clubs become open, accessible and active in their local community. Accreditation enables clubs to recruit more members, get help with training coaches and volunteers, and raise their profile.

As for Sarah, she's in it for the long distance. She comments: "I can't wait to retire – I'll be able to concentrate on my training more."

### Active fresh start for Hastings teenagers

Sixteen year-old Michael Lee comes from an unstable background: he's been in and out of foster homes and in trouble with the police.

However, since volunteering with Active Hastings, despite changing foster homes four times, Michael has remained out of trouble. "Michael has been with us for nine months," says Active Hastings co-ordinator Cath Smeed. "I have seen a massive improvement in his confidence and approach to fellow young people."

Michael has helped out at football sessions for unemployed people and is involved in the living4sport project based at William Parker School. "This is where young men with behaviour problems who lack social skills are taught to use sport to improve their life and school environment," explains Cath.

## Sport England: Creating an Active Nation through Sport

Active Hastings delivers 43 sport and physical activity sessions every week, including Girls Getting Active for 10-16 year old girls and Ladies Getting Active for women who have done no physical activity since school.

As a result, 18 year-old single mother Cara Clark has achieved the Sports Leader Award, is about to take the Higher Sports Leader Award, and is doing casual work for Active Hastings itself. "The exercise, qualifications and experience haven't just made her healthier," says Cath. "They've given her and her child a different future."

### [Facts and figures text box]

Facts and figures
Sport England invested £947,202
Partners invested £923,180
Over 2,000 members have registered with the programme

### Sport tackles health problems in Yorkshire

Colin Findley has some serious challenges in his job. He is the Community Active Recreation Development Officer (CARDO) in Rossington, one of Doncaster's most deprived wards. "It is in the bottom half of Doncaster's 88 districts on all indices of deprivation – income level, employment, education and crime," says Colin. "People who live here have a 37% higher chance of being fat."

Colin is helping to combat the area's health problems by promoting sport and providing training.

"The biggest achievement over the last 12 months has been in volunteering," says Colin. "This is what keeps projects going and makes them more sustainable."

Some parents of children playing sports have become involved as volunteers. For example, when former banker Les was made redundant from his job, he started helping out at his son's disability multi-sports groups. "Les became a qualified coach," adds Colin, "and now he has a full-time job working with people with disabilities."

A sports development group now meets regularly to co-ordinate a varied programme of activities.

Around 100 people aged 3-92 took part in CARDO activities in 2006, and over 30 local people have received accredited training, most progressing to casual or seasonal paid employment, and all doing voluntary work around the community.

Facts and figures
Sport England invested £26,782 in 2001

## Sport England: Creating an Active Nation through Sport

Partnership funding invested £54,370
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Sport England agreed further investment of £95,000 in 2006
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# Sport England: Creating an Active Nation through Sport

## Financial and Performance Review

### Financial and Operational Commentary

#### Sport England's Funding Agreement

This report gives examples of how Sport England's work is transforming lives, communities and sport in this country. They are illustrative of how we fulfil the key responsibilities in our current Funding Agreement, which says we will:

- Deliver our strategy and the Government's target to increase participation
- Develop and implement a network of county sports partnership and community sports networks (delivery system)
- Deliver strands of the Government's targets for sport and PE for school children and young people
- Support the development of participation and talent through the National Governing Bodies of sport
- Work with Government departments to champion the importance of sport for public policy outcomes
- Work to ensure the 2012 Olympic and Paralympic Games increase grassroots sport participation
- Deliver Sport England's contribution to the Government's Sports Facility Strategy

#### Sport England's Financial Performance

Sport England prepares two sets of Statutory Accounts, one for the Exchequer Grant in Aid funding and one for Lottery activities. However, these accounts are prepared according to different accounting criteria, so it is not straightforward to gain an overview of Sport England's activities for the year.

Lottery accounts are prepared on the basis of expenditure commitments which recognise firm offers of awards to applicants made during the year, regardless of the period to which the awards relate.

The Exchequer accounts, on the other hand, are prepared on the basis of the normal business concept of accruals accounting. Grants are recorded as expenditure on the basis of the period to which the grants refer.

In order to gain a financial overview for Sport England for 2006/07, we established both sets of accounts on a like-for-like basis. We removed the commitments from the Lottery accounts and replaced them with grants awarded on an accruals basis.

See Note 21 of the Lottery accounts for more details.

In addition, a change in accounting policy resulted in Grant in Aid received being treated as financing rather than as income for the period. Therefore, in order to

## Sport England: Creating an Active Nation through Sport

have a meaningful comparison, we restated Grant in Aid in the income and expenditure account.

This allowed us to consolidate the Lottery and Grant in Aid income and expenditure and balance sheet as follows:

### Sport England Performance - Accrual Basis

#### Income and Expenditure Account

	2006/07			2005/06		
	£000 GIA	£000 Lottery	£000 Total	£000 GIA	£000 Lottery	£000 Total
Lottery	0	131,986	131,986	0	183,168	183,168
Grant in aid	102,500	0	102,500	78,616	0	78,616
Other	24,375	464	24,839	28,450	9,845	38,295
<b>Total income</b>	<b>126,875</b>	<b>132,450</b>	<b>259,325</b>	<b>107,066</b>	<b>193,013</b>	<b>300,079</b>
Grants	99,748	120,103	219,851	84,889	196,676	281,565
Non-staff	19,457	11,427	30,884	18,384	12,530	30,914
Staff	6,486	7,410	13,896	7,345	8,516	15,891
<b>Total expenditure</b>	<b>125,691</b>	<b>138,940</b>	<b>264,631</b>	<b>110,618</b>	<b>217,722</b>	<b>328,340</b>
<b>Surplus/(Deficit)</b>	<b>1,184</b>	<b>(6,490)</b>	<b>(5,306)</b>	<b>(3,552)</b>	<b>(24,709)</b>	<b>(28,261)</b>

#### Balance Sheet – Extract

	2006/07			2005/06		
	£000 GIA	£000 Lottery	£000 Total	£000 GIA	£000 Lottery	£000 Total
<b>Fixed Assets</b>	<b>1,592</b>	<b>0</b>	<b>1,592</b>	<b>1,719</b>	<b>0</b>	<b>1,719</b>
Lottery balance	0	195,391	195,391	0	191,805	191,805
Debtors	5,231	743	5,974	6,845	9,489	16,334
Cash	5,794	2,602	8,396	6,217	3,014	9,231
<b>Total Current Assets</b>	<b>11,025</b>	<b>198,736</b>	<b>209,761</b>	<b>13,062</b>	<b>204,308</b>	<b>217,370</b>
<b>Non Current Assets</b>	<b>250</b>	<b>0</b>	<b>250</b>	<b>0</b>	<b>0</b>	<b>0</b>
Grant Commitments	5,115	0	5,115	4,856	0	4,856
Other Creditors	4,802	3,148	7,950	8,166	1,298	9,464
Pension liability	13,694	17,750	31,444	9,613	12,151	21,764
Provisions	2,068	0	2,068	0	0	0
<b>Total Liabilities</b>	<b>25,679</b>	<b>20,898</b>	<b>46,577</b>	<b>22,635</b>	<b>13,449</b>	<b>36,084</b>
<b>Total assets less liabilities</b>	<b>(12,812)</b>	<b>177,838</b>	<b>165,026</b>	<b>(7,854)</b>	<b>190,859</b>	<b>183,005</b>

# Sport England: Creating an Active Nation through Sport

## Key issues for 2006/2007

Sport England's income was £259 million in 2006-2007. This is £41 million less than the previous year.

Exchequer Grant in Aid increased by £24 million due to additional funding to deliver ring-fenced programmes, such as the grants to the Football Foundation and the National Sports Foundation.

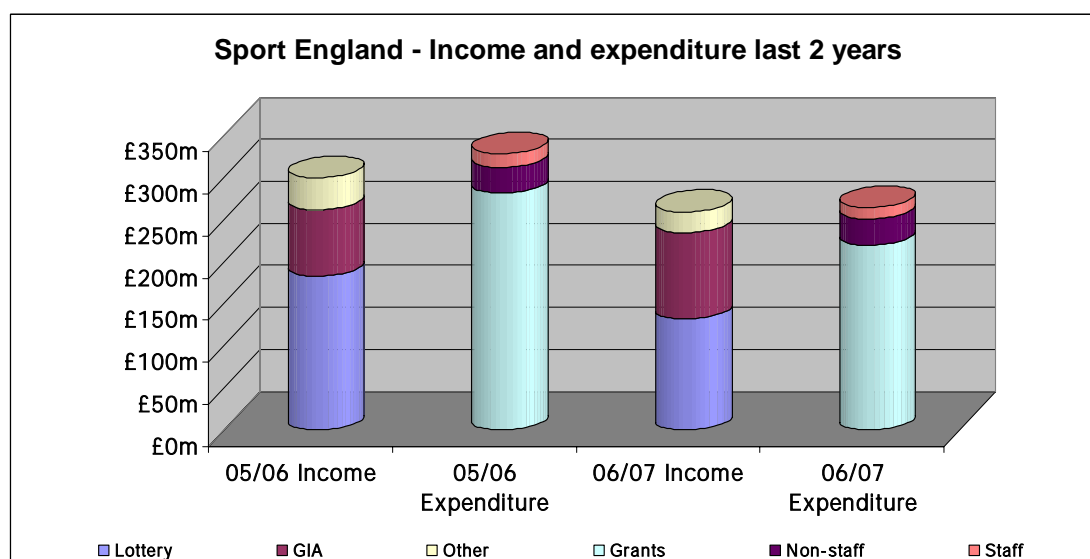
Lottery income for the period was £132 million, a decline of £61million (31%) on the previous year. This was due to a reduction in Sport England's share of the Good Causes Fund, following the transfer of activities to UK Sport, and a decline in the amount of funding available to non-Olympic good causes as a result of significant increases in ticket sales of Olympic Lottery games.

This decline in funding poses a challenge for future investment into community sport, and highlights the need for continued vigour in ensuring that we obtain value for money in all of our investment decisions.

The process of restructuring the business following the transfer of activities to UK Sport was shown by a £2.0 million reduction in staff costs.

The focus over the coming year will be to improve our skills and to focus on delivering our more clearly defined remit.

Non-staff costs have remained broadly in line with last year's costs. Effectively, this represents a reduction in real costs as inflation has been building throughout the year to end at 4% in March.



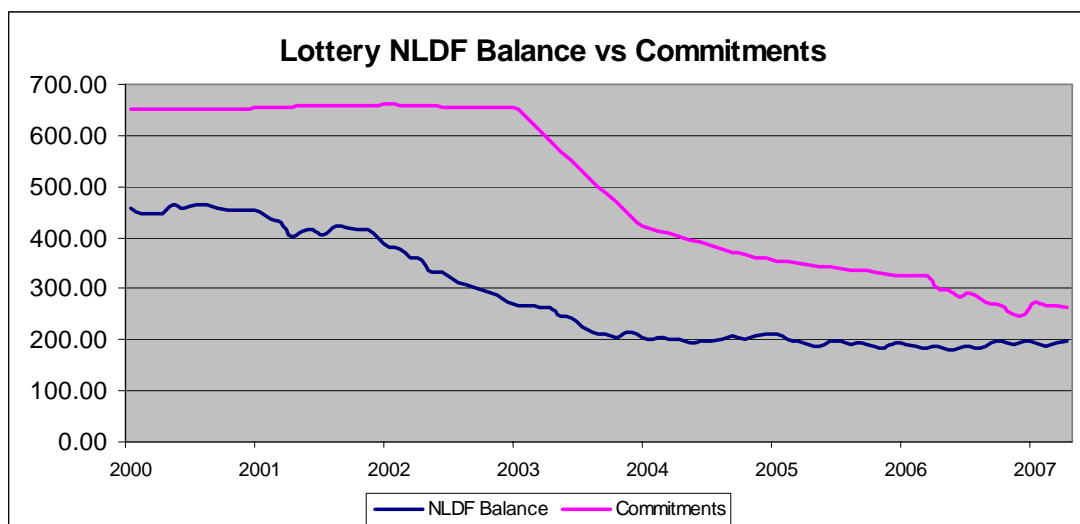
Our net asset position has fallen from £183 million to £165 million.

## Sport England: Creating an Active Nation through Sport

Significant movements result from an increase in our pension liability of £9.7 million along with a material reduction in Lottery debtors due to settling outstanding debts on Green Spaces and Spaces for Sports and the Arts.

### National Lottery Distribution Fund Balance

The balance of funds held in the National Lottery Distribution Fund (NLDF) at the end of the year was £195 million. This balance is held to fund existing commitments, which currently stand at £262 million.



### Operating Expenditure as a proportion of income

Our Lottery operating expenditure as a proportion of income was 13.6% against a target of 11%. This was due to a significant reduction in Lottery income as a result of the Olympic Lottery game. We did however exceed our target for Exchequer operating expenditure as a proportion of Grant in Aid funding, achieving 18.1% against the 20% target.

### Organisational Health

Sport England's 2005-2008 Delivery Plan contains a number of organisational health measures. The following table shows our performance against 2006/2007 Funding Agreement targets.



## Sport England: Creating an Active Nation through Sport

Organisational health target	2006/07 funding agreement target	2006/07 actual results	Target achieved
Sport England colleague satisfaction rating <sup>1</sup>	65%	68%	✓
Sport England operating costs as a percentage of revenues	Lottery: 11%	Lottery: 13.8%	✗
	Exchequer: 22%	Exchequer: 18.2%	✓
Decision time from receipt of grant application to decision	90% within 10 weeks	92.6% within 10 weeks <sup>2</sup>	✓
Investment of resources into sport	£2 for every £1 invested	£3.44 for every £1 invested	✓

Sport England's Funding Agreement also contains a Customer Satisfaction index target of 75.1. The target was set on the basis of 2004/2005 Sport England Customer Satisfaction survey results.

In 2005/2006 Sport England improved the method it used for tracking customer satisfaction, by introducing more relevant measures. This change prevents the meaningful comparison of survey results from 2005/2006 onwards with earlier performance and targets.

However, by comparing the 2006/2007 customer survey results with the previous year's results, we see that Sport England maintained its customer satisfaction index score of 65.6.

### Corporate Responsibility and Sustainable Development

Sport England continues to play an active role in the DCMS Sustainable Development Forum, and contributed to the recently updated DCMS Sustainable Development Action Plan.

During the year, Sport England has also developed its own Sustainable Development Policy, which has been approved by Regional Directors and the Executive Team.

<sup>1</sup> The target and score are based on the percentage of colleagues responding to the 2006/07 Sport England Colleague Satisfaction Survey who say they are satisfied with their current job.

<sup>2</sup> The figure reported refers simply to performance achieved during 2006/07. The 88.6% figure reported in Sport England's Q4 2006/07 Delivery Plan report is a cumulative figure that refers to performance from 1 April 2005 to 31 March 2007.

# Sport England: Creating an Active Nation through Sport

## Reform

In April 2006 responsibility for elements of elite sport funding was transferred from Sport England to UK Sport.

In March 2007, we published a booklet - 'Sport England: What we do and how we do it' - that clarifies our role and links to the Youth Sport Trust and UK Sport and shows our sharpened focus on increasing participation in community sport through the delivery system for sport.

## Performance management and requests for information

Sport England actively manages its performance, and fulfils its responsibilities to DCMS to provide performance management information.

As a public body, Sport England receives numerous requests for information, including Parliamentary Questions and Freedom of Information Act requests. We respond to requests in a timely way and provide consistent, high quality information.

From 1 April 2006 to 31 March 2007 Sport England dealt with each of its 53 requests for information under the Freedom of Information Act within the response time permitted.

# Sport England: Creating an Active Nation through Sport

## 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. 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.
3. The English Sports Council Group consolidated 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, and Caversham Lakes Trust Limited. A copy of that direction may be obtained from the Chief Executive of the English Sports Council at 3<sup>rd</sup> Floor Victoria House, Bloomsbury Square, London WC1B 4SE.
4. The English Sports Council National Lottery Distribution 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 3<sup>rd</sup> Floor Victoria House, Bloomsbury Square, London WC1B 4SE.
5. 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 £45,000 for the year and no other services were provided. The National Lottery Act etc. 1993 also requires the English Sports Council National Lottery Distribution accounts to be audited by the Comptroller and Auditor General. The audit fee for the year is £45,000, which includes the audit of the Space for Sport and Arts accounts which have been included in the Lottery accounts. No other audit services were provided.

## FUNDING AGREEMENT WITH THE DEPARTMENT FOR CULTURE, MEDIA AND SPORT

6. 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

7. 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 2007 the average period for payment of invoices was 27.9 days (2006: 30.8 days).

## THE EURO

8. 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

9. The Chairman and Council Members of the English Sports Council are appointed by the Secretary of State for Culture, Media and Sport.

## Sport England: Creating an Active Nation through Sport

10. 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.

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

CHAIR	Lord Carter of Coles (to 30 September 2006) Derek Mapp (appointed October 2006)
VICE-CHAIR	Ged Roddy (appointed February 2007)
MEMBERS	Sir Andrew Foster Karren Brady Michael Farrar Dr Jack Rowell Ashia Hanson Jill Ainscough (appointed April 2007) James Stewart (appointed April 2007) Phil Lemanski (appointed April 2007) Mich Stevenson (appointed April 2007) Martin Thomas (appointed April 2007) Mary McAnally (from July 2005 to April 2006) Philip Lewis (from July 2005 to April 2006) Andy Worthington (from July 2005 to April 2006, reappointed from February 2007 to January 2008) Peter Price (from May 2006 to January 2007) Ged Roddy (from May 2006 to January 2007) Len Jackson (from May 2006 to January 2007)

12. The Council also has a number of regular and ad hoc Committees and Advisory Groups, which in 2006/07 included:

### Committees

- Audit, Risk and Governance
- National Investment Panel (replaced by the Project Committee)
- Remuneration

13. The Chief Executive is designated as the Council's Accounting Officer. As such she is personally responsible for safeguarding the public funds for which she has charge, for propriety and regularity in the handling of those funds and for the day-to-day operations and management of the Council.

14. The Chief Executive manages the day-to-day affairs of the Council through a number of executive directors to whom she has delegated specific functional roles and powers. These executive directors are shown in the remuneration report on page xx.

### BOARD AND COMMITTEE MEMBERS INTERESTS

15. 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 3<sup>rd</sup> Floor, Victoria House, Bloomsbury Square, London WC1B 4SE.

# Sport England: Creating an Active Nation through Sport

## CORPORATE GOVERNANCE

16. 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 that 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.
17. In line with the guidance issued by HM Treasury, separate statements on Internal Control have been prepared for both the English Sports Council Group and the English Sports Council National Lottery Distribution Fund and appear on page xx and page xx respectively.
18. 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.
19. 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.
20. Sport England has an Audit, Risk and Governance Committee that meets a number of times per year and which is chaired by Sir Andrew Foster.

Jennie Price  
Chief Executive and Accounting  
Officer of the English Sports Council

October 2007

Derek Mapp  
Chair of the English Sports Council

October 2007

# Sport England: Creating an Active Nation through Sport

## REMUNERATION REPORT

### Remuneration Policy

The remuneration of senior executive members of the Council is set by the Board, in accordance with the Council's agreed pay structure.

In reaching its recommendations, the Board has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to the Council as set out in the three-year funding agreement with the Department for Culture Media and Sport; and
- the requirement for the Council to meet its agreed efficiency delivery programme.

The Board takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

### Service Contracts

All appointments including Senior Executive members of the Council are made in accordance with the Council's stated Selection and Recruitment policy, the intended aim of which is "the selection of the most suitable person for the job." Sport England's Recruitment & Selection Policy incorporates practices for the furtherance of equal opportunities and will be conducted on an objective basis, dealing solely with the candidate's ability for appointment.

Unless otherwise stated below, the Senior Executive members of the Council covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 65. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

### Salary and Pension Entitlements (Audited Information)

The following sections provide details of the remuneration and pension interests of the Senior Executive members of the Council.

# Sport England: Creating an Active Nation through Sport

## Remuneration

	2006-07		2005-06	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Lord Carter of Coles <i>Chairman to 30 September 2006</i>	15 - 20	-	26 - 30	-
Derek Mapp <i>Chairman from October 2006 to October 2010</i>	15 - 20	-	-	-
Ged Roddy <i>Vice Chairman from February 2007 to January 2009 and RSB Chair to January 2009</i>	10 - 15	-	-	-
Sir Andrew Foster <i>Board member to July 2009</i>	-	-	-	-
Karren Brady <i>Board member to March 2008</i>	-	-	-	-
Michael Farrar <i>Board member to March 2008</i>	-	-	-	-
Ashia Hansen <i>Board member to March 2009</i>	-	-	-	-
Dr Jack Rowell OBE <i>Board member to March 2009</i>	-	-	-	-
David Geldhart <i>Board member to March 2006</i>	-	-	0 - 5	-
Tim Cante-Jones <i>RSB Chair to December 2008</i>	10 - 15	-	0 - 5	-
Mary McAnally <i>RSB Chair to April 2008 (Board Member to April 2006)</i>	10 - 15	-	0 - 5	-
Andy Worthington <i>RSB Chair to June 2009 (Board member to January 2009)</i>	10 - 15	-	0 - 5	-
Len Jackson <i>RSB Chair to January or July 2009 (Board Member May 2006 to January 2007)</i>	10 - 15	-	-	-
Peter Price <i>RSB Chair to April 2009 (Board Member May 2006 to January 2007)</i>	10 - 15	-	-	-
Philip Lewis <i>RSB Chair to March 2007 (Board Member July 2005 to April 2006)</i>	10 - 15	-	-	-

## Sport England: Creating an Active Nation through Sport

	2006-07		2005-06	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Stephen Castle <i>RSB Chair to September 2008</i>	10 - 15	-	-	-
Rauf Mirza <i>RSB Chair to June 2009</i>	5 - 10	-	-	-
Roger Draper Chief Executive <i>Resigned March 2006</i>	-	-	160 - 165	-
Stephen Baddeley <i>Acting Chief Executive to 31 March 2007</i>	150 - 155	-	90 - 95	-
Barry Chivers <i>Director of Governance, risk and assurance Resigned May 2005</i>	-	-	20 - 25	-
Ian Fytche <i>Director of Strategy Resigned January 2006</i>	-	-	75 - 80	-
Clive Heaphy <i>Director of Corporate Services to 3 July 2006</i>	30 - 35	-	105 - 110	-
Alistair Cook <i>Director of Corporate Services from October 2006</i>	55 - 60	-	-	-
Kate Wallace <i>Director of Communications Resigned September 2005</i>	-	-	65 - 70	-
Joanna Robinson * <i>Director of Regions</i>	75 - 80	-	90 - 95	-
Tim Garfield <i>Acting Director</i>	95 - 100	-	65 - 70	-
Mihir Warty <i>Director of Policy and Performance from August 2006</i>	65 - 70	-	-	-
David Gent <i>Acting Director of National Sport from 1 July 2006 to 31 March 2007</i>	35 - 40	-	-	-
Leading People Solutions Ltd (Interim Director of Human Resources) <i>September 2005 - March 2006</i>	-	-	145 - 150	N/A

\* During maternity leave the role of Director of Regions was covered by Sean Holt, Judith Rasmussen, David Gent and Tim Garfield



# Sport England: Creating an Active Nation through Sport

## Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation.

This report is based on payments made by the Council and thus recorded in these accounts.

## Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. There are no benefits on kind.

## Pension Benefits (London Pension Funds Authority)

	Accrued pension at age 65 as at 31/3/07	Real increase in pension at age 65	CETV at 31/3/07	CETV at 31/3/06	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Stephen Baddeley <i>Acting Chief Executive to 31 March 2007</i>	0 - 5	0 - 2.5	79 - 80	38 - 39	41
Joanna Robinson <i>Director of Regions</i>	0 - 5	0 - 2.5	27 - 28	27 - 28	0
Tim Garfield <i>Acting Director</i>	20 - 25	0 - 2.5	399 - 400	282 - 283	117
David Gent <i>Acting Director of National Sport to 31 March 2007</i>	5 - 10	0 - 2.5	251 - 252	Not Available	-

## Pension Benefits (Scottish Equitable Group Stakeholders Scheme)

	Employer Contributions for the Year
	£'000
Alistair Cook <i>Director of Corporate Services from October 2006</i>	9 - 10
Mihir Warty <i>Director of Policy and Performance from August 2006</i>	7 - 8

# Sport England: Creating an Active Nation through Sport

## Pensions

Pension benefits are provided through the London Pension Fund Authority Superannuation Scheme (LPFA) and Scottish Equitable Group Stakeholder Scheme (GSPS). The LPFA scheme was closed to new members from 1 October 2005.

**LPFA:** Employee contributions are set at the rate of 6.0% of pensionable earnings. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. There is no automatic lump sum payable on retirement (but members may give up (commute) some of their pension to provide a lump sum). The English Sports Council is one of a large number of employers whose staff participate in the scheme.

**GSPS:** Sport England operates a Group Stakeholder Pension Scheme (GSPS) with Scottish Equitable. Colleagues choose the level of contribution into the personal Stakeholder Pension fund. The alternative levels of contributions are:

- Colleague contribution 3%, Sport England contributes 3%
- Colleague contributes 4%, Sport England contributes 5%
- Colleague contributes 5%, Sport England contributes 8%
- Colleague contributes 6.5%, Sport England contributes 11%

## Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the LPFA pension scheme and for which a transfer payment commensurate with the additional pension liabilities assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

## Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Jennie Price  
Chief Executive and Accounting  
Officer of the English Sports Council

Derek Mapp  
Chair of the English Sports Council

October 2007

October 2007

**THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP**  
Consolidated Accounts for the year ended 31 March 2007

**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. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she 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).
4. The Accounting Officer of the English Sports Council is responsible for preparing financial statements that give a true and fair view, and for making available to the auditors all relevant information for their purposes. So far as the Accounting Officer is aware there is no relevant audit information of which the English Sports Council's auditors are unaware. Further, the Accounting Officer has taken all the steps she ought to have taken to make herself aware of any relevant audit information and to establish that the English Sports Council's auditors are aware of that information.

Jennie Price  
Chief Executive and Accounting  
Officer of the English Sports Council

October 2007

Derek Mapp  
Chair of the English Sports Council

October 2007

**THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP**  
Consolidated Accounts for the year ended 31 March 2007

**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.

The 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. 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.

The system of internal control has been in place in the English Sports Council for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The system of internal control seeks to mitigate rather than eliminate all risk. It can therefore only provide reasonable and not an absolute assurance of effectiveness. It is also not possible to mitigate every risk. It is based on a process designed to identify, prioritise and evaluate the likelihood of risk being realised and the resulting impact should this occur, and maintain this using a risk register.

**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, use of IT and Health and Safety matters. In 2006/07 we have worked towards improving the organisations ability to identify and manage risk via a programme of risk workshops.

**THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP**  
Consolidated Accounts for the year ended 31 March 2007

#### **4. The risk and control framework**

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.

During 2006-07 we continued to adopt 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 and its ability to prosper as a business. Each identified risk was allocated to an appropriate team member to own and manage. Our operational staff 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. In turn, the Executive Group presented key risks to the organisation to the Audit, Risk and Governance Committee (and in turn the Sport England Main Board) on a regular basis.

Although we have made 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 helped us to embed risk management in our organisation although we continue to work on progressing this area:

- A programme of risk workshops undertaken within the context of a culture of openness, so that risks can be openly identified, recorded and mitigated;
- 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 development of project management processes and regular 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;
- 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;
- We have recently completed, through a self assurance process, an assessment of National Partners in receipt of Lottery money to provide assurance about the ability of these bodies to manage public funds; and

## THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP

### Consolidated Accounts for the year ended 31 March 2007

- 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.

#### 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, Risk and Governance Committee.

The business has faced a very substantial amount of change throughout the year, including a major restructure in the early part of 2006, a significant change in business direction and a number of changes of personnel at Chair, Executive and senior levels. Reasonable assurance has been gained that, during this period, basic controls have been operating effectively. However, a number of areas which clearly require improvement have been identified and a more vigorous approach to control needs to and will be driven through the business. This includes the need to achieve a faster and more comprehensive response to the control improvements that are recommended by internal audit and the need to implement a more robust procurement policy and education programme. I am highly committed to making this happen.

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

- Executive Group members – I meet regularly with the other members of my Executive Group to consider and discuss the Council's operational plans and objectives and to discuss day-to-day management issues;
- The Main Board – This comprises a Chair, Vice Chair, two Regional Sports Board Chairs, the Executive Group, the Chair of the Audit, Risk and Governance Committee and 10 other members. All Board members are appointed by the Secretary of State (DCMS). We have met 8 times this year to discuss the Council's strategy and performance, progress on major projects and to assess investment decisions;
- Projects Committee – This is chaired by the Chair of the Main Board and consists of 3 other board members and the Executive Group. They are responsible for making funding decisions on up to a maximum of £2M per individual award.
- The Audit, Risk and Governance Committee – which is chaired by an independent Board member and consists of one other Board member and two non-executive members who have been selected for their expertise in this field. The Audit, Risk and Governance Committee met five times this year with both Internal and External Auditors present, 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 Council. 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;
- Financial Control Framework – this is in place to ensure the integrity of the financial information received and the adequacy of the financial process there within.

**THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP**  
Consolidated Accounts for the year ended 31 March 2007

- Audit and Risk – this department, supported by Bentley Jennison and AHL Limited, 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 2006/07 the Department undertook planned audits across a number of the regional offices, reviewed certain key processes across the organisation, managed the National Partner Self Assurance process and provided risk management advice 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. Significant Internal Control Issues:**

The most significant control and regularity issues arising during 2006-07 included:

- i. Grant management controls - some common weaknesses have been identified in the grant processing undertaken in Regional offices.

Mitigation - a clearer and simplified process document, including a definition of who is responsible for what, has been developed. This will be rolled out shortly with a programme of training and development. More extensive internal audit coverage is now also in place.

Jennie Price  
Chief Executive and Accounting  
Officer of the English Sports Council

October 2007

Derek Mapp  
Chair of the English Sports Council

October 2007

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

I have audited the financial statements of the English Sports Council Group for the year ended 31 March 2007 in accordance with the Royal Charter of the English Sports Council. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the English Sports Council, Chief Executive and Auditor**

The English Sports Council and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with Article 14 of the Royal Charter of the English Sports Council and directions made thereunder by the Secretary of State for Culture Media and Sport, with the consent of HM Treasury and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Council's and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Article 14 of the Royal Charter of the English Sports Council and directions made thereunder. I report to you if, in my opinion, certain information given in the Annual Report (which includes: Chairman's Foreword; Introduction by Chief Executive Officer; Annual Review; Financial and Performance Review; History and Background; and, Remuneration Report) is consistent with the financial statements. I also report 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.

In addition, I report to you if the Council has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Council's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

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 report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the 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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error 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 and the part of the Remuneration Report to be audited.

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

### **Opinions**

#### **Audit Opinion**

In my opinion:

- the financial statements give a true and fair view, in accordance with Article 14 of the Royal Charter of the English Sports Council and directions made thereunder by the Secretary of State for Culture Media and Sport, with the consent of HM Treasury, of the state of Council's affairs as at 31 March 2007 and of its deficit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Article 14 of the Royal Charter of the English Sports Council and directions made thereunder; and
- information given in the Annual Report (which includes: Chairman's Foreword; Introduction by Chief Executive Officer; Annual Review; Financial and Performance Review; History and Background; and, Remuneration Report) is consistent with the financial statements.

#### **Audit Opinion on Regularity**

In my opinion, 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.

**JOHN BOURN**  
Comptroller and Auditor General  
October 2007

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

**THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP**  
Consolidated Accounts for the year ended 31 March 2007

**GROUP & COUNCIL INCOME AND EXPENDITURE ACCOUNT**

CONTINUING OPERATIONS	Note	GROUP		COUNCIL	
		2006/07 £000	2005/06 Restated £000	2006/07 £000	2005/06 Restated £000
<b>INCOME</b>					
Other Operating Income	2	3,485	4,181	1,698	2,077
Big Lottery Fund Income: Active England Programme	1.16	22,249	26,164	22,249	26,164
Lottery Grants Received and Released		2,318	6,219	0	0
		<b>28,052</b>	36,564	<b>23,947</b>	28,241
<b>EXPENDITURE</b>					
Staff Costs	3	6,486	7,345	6,486	7,345
Grants	4	77,499	58,725	77,499	58,725
Active England Programme Awards	1.16	22,249	26,164	22,249	26,164
Net National Centre Costs	5	7,938	5,824	7,938	5,824
Other Operating Costs	6	14,901	19,217	11,412	13,014
Write Back of Provisions	16	0	(422)	0	(422)
Notional Interest on Capital Employed		1,210	1,176	1,210	1,176
Loss on Revaluation		0	2,924	0	0
		<b>130,283</b>	120,953	<b>126,794</b>	111,826
<b>OPERATING (DEFICIT)</b>		<b>(102,231)</b>	(84,389)	<b>(102,847)</b>	(83,585)
<b>INVESTMENT INCOME</b>					
Dividends and Interest	7	447	231	428	209
Profit/(Loss) on Sale of Quoted Securities	7	0	37	0	0
<b>(DEFICIT) BEFORE TAXATION</b>		<b>(101,784)</b>	(84,121)	<b>(102,419)</b>	(83,376)
Taxation	8	(109)	(95)	(107)	(89)
<b>(DEFICIT) FOR THE YEAR AFTER TAXATION</b>		<b>(101,893)</b>	(84,216)	<b>(102,526)</b>	(83,465)
<b>NOTIONAL INTEREST WRITTEN BACK</b>		<b>1,210</b>	1,176	<b>1,210</b>	1,176
<b>(DEFICIT) FOR YEAR</b>		<b>(100,683)</b>	(83,040)	<b>(101,316)</b>	(82,289)
RELEASE FROM REVALUATION RESERVE	20	0	710	0	0
TRANSFER FROM (TO) NATIONAL CENTRE RESERVE	17	0	121	0	121
<b>(DEFICIT) FOR THE YEAR</b>	14	<b>(100,683)</b>	(82,209)	<b>(101,316)</b>	(82,168)

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

THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP  
Consolidated Accounts for the year ended 31 March 2007

GROUP & COUNCIL STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Note	GROUP		COUNCIL	
		2006/07 £000	2005/06 Restated £000	2006/07 £000	2005/06 Restated £000
(Deficit) for the year		<b>(100,683)</b>	(83,040)	<b>(101,316)</b>	(82,289)
Pension Fund Actuarial gains/(losses)		<b>(4,586)</b>	3,614	<b>(4,586)</b>	3,614
Unrealised surplus on revaluation of properties	20.1	<b>5,858</b>	10,292	<b>0</b>	0
Unrealised (deficit) on revaluation of equipment	20.2	<b>0</b>	0	<b>0</b>	0
Unrealised surplus/(deficit) on revaluation of investments	20.3	<b>18</b>	93	<b>0</b>	0
Total recognised (losses) for the year		<b>(99,393)</b>	(69,041)	<b>(105,902)</b>	(78,675)

**THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP**  
Consolidated Accounts for the year ended 31 March 2007

**GROUP AND COUNCIL BALANCE SHEET**

	Note	GROUP		COUNCIL	
		2006/07 £000	2005/06 Restated £000	2006/07 £000	2005/06 Restated £000
<b>FIXED ASSETS</b>					
Tangible Assets	9	104,671	98,485	1,592	1,719
<b>CURRENT ASSETS</b>					
Stocks	11	0	41	0	41
Debtors	12	5,786	6,573	4,617	5,004
Prepaid Grants		614	1,800	614	1,800
Current Asset Investments	10	674	656	0	0
Cash at bank and in hand		6,769	6,527	5,794	6,217
		13,843	15,597	11,025	13,062
<b>NON-CURRENT ASSETS</b>					
Loan		250	0	250	0
<b>TOTAL ASSETS</b>		<b>118,764</b>	<b>114,082</b>	<b>12,867</b>	<b>14,781</b>
<b>CURRENT LIABILITIES</b>					
Net Grants outstanding	1.6	(5,115)	(4,856)	(5,115)	(4,856)
Creditors: Amounts falling due within one year	13	(6,381)	(9,227)	(4,802)	(8,166)
		(11,496)	(14,083)	(9,917)	(13,022)
<b>NON-CURRENT LIABILITIES</b>					
Provisions	16	(2,068)	0	(2,068)	0
Pension Liability	15	(13,694)	(9,613)	(13,694)	(9,613)
		(15,762)	(9,613)	(15,762)	(9,613)
<b>TOTAL LIABILITIES</b>		<b>(27,258)</b>	<b>(23,696)</b>	<b>(25,679)</b>	<b>(22,635)</b>
<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>91,506</b>	<b>90,386</b>	<b>(12,812)</b>	<b>(7,854)</b>
<b>FINANCED BY:</b>					
Deferred Lottery grant reserve		42,067	42,319	0	0
<b>CAPITAL AND GENERAL FUNDS</b>					
Revaluation Reserves	20	47,014	41,873	0	0
National Centres Reserve	19	48	1,047	48	1,047
Revenue Reserves	14	2,377	5,147	(12,860)	(8,901)
		49,439	48,067	(12,812)	(7,854)
		91,506	90,386	(12,812)	(7,854)

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

Jennie Price  
 Chief Executive and Accounting  
 Officer of the English Sports Council  
 October 2007

Derek Mapp  
 Chair of the English Sports Council

October 2007

**THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP**  
Consolidated Accounts for the year ended 31 March 2007

**GROUP & COUNCIL CASH FLOW STATEMENT**

		GROUP		COUNCIL	
		2006/07 £000	2005/06 Restated £000	2006/07 £000	2005/06 Restated £000
OPERATING ACTIVITIES					
RECEIPTS					
Receipts from Activities					
Other Operating Income		3,485	4,181	1,698	2,077
Lottery Grants received and released		2,318	6,219	0	0
		5,803	10,400	1,698	2,077
PAYMENTS					
Staff		6,505	7,345	6,505	7,345
Grants		77,499	58,725	77,499	58,725
National Centre Trading		7,938	5,824	7,938	5,824
Other Operating Costs		14,988	14,256	11,729	7,018
		106,930	86,150	103,671	78,912
Net cash (outflow)/inflow from operating activities	22	(101,127)	(75,750)	(101,973)	(76,835)
RETURN ON INVESTMENTS AND SERVICING OF FINANCE					
Dividends and Interest received		447	233	428	209
		447	233	428	209
TAXATION					
Corporation tax paid		(109)	(92)	(107)	(89)
CAPITAL EXPENDITURE & FINANCIAL INVESTMENT					
Purchase of tangible fixed assets		(1,469)	(2,449)	(1,271)	(762)
Purchase of transferable work in progress		0	(219)	0	(219)
Revaluation adjustment		0	0	0	0
		(1,469)	(2,668)	(1,271)	(981)
Net cash outflow before use of liquid resources and financing		(102,258)	(78,277)	(102,923)	(77,696)
MANAGEMENT OF LIQUID RESOURCES					
Profit/(loss) on sale of quoted securities		0	0	0	0
Acquisition of investments		0	(110)	0	0
Disposal of investments		0	73	0	0
		0	(37)	0	0
FINANCING					
Grant in Aid applied towards revenue expenditure		101,229	77,982	101,229	77,982
Grant in Aid applied towards purchase of fixed assets		1,271	981	1,271	981
		102,500	78,963	102,500	78,963
Net cash (decrease)/increase	21	242	649	(423)	1,267

**THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP**  
Consolidated Accounts for the year ended 31 March 2007

**NOTES TO THE ACCOUNTS**

**1. ACCOUNTING POLICIES**

**1.1 GOING CONCERN**

The Council's balance sheet at 31 March 2007 shows net liabilities of £12,812,000 (2006 £7,854,000). 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 2006-07, 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 department's 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, and Caversham Lakes Trust Limited from the date of incorporation.

The accounts of the Sports Council Trust Company, Phoenix Sports Limited, and Caversham Lakes Trust 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 2007.

The responsibilities of the English Institute of Sport Limited (EISCo) were transferred to UK Sport on 1 April 2006. As a result, the Sport England Group consolidated accounts no longer include the accounts of The English Institute of Sport Limited. The prior period results of the Group have been restated to remove the net expenditure of EISCo, which amounted to £0.36m in 2005/06. The net expenditure of the Group is therefore £82.2m. In addition, the transfer of the assets and Liabilities of EISCo to UK Sport has resulted in the net assets and reserves in the Sport England Group accounts as at 1 April 2006 decreasing by £2.12m.

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.

**THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP**  
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**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.

**1.4 CHANGE OF ACCOUNTING POLICY**

With effect from the 2006-07 reporting period the FReM requires Non-departmental public bodies to account for grants and grants in aid received for revenue purposes as financing because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of NDPBs. This is a change in accounting policy from earlier periods when such items were recorded as income. The effect of this change on the certified 2005-06 accounts and the impact of the change on the results of the current year is shown below. Note there is no impact on the net liability position of The English Sports Council Group as a result of this change in policy:

<b>COUNCIL</b>	<b>At 31 March 2006 (as previously stated) £000</b>	<b>Impact of adopting the new policy £000</b>	<b>At 31 March 2006 (re- stated) £000</b>
Net Expenditure for 2005-06	(3,552)	(78,616)	(82,168)
General Reserve	(10,772)	1,871	(8,901)
Government Grant Reserve	(1,871)	(1,871)	0
	<b>At 31 March 2007 (without applying the new policy)</b>	<b>Impact of adopting the new policy</b>	<b>At 31 March 2007 (applying the new policy)</b>
Retained Deficit for 2006-07	(87)	(101,229)	(101,316)
General Reserve	(12,860)	0	(12,860)
Government Grant Reserve	0	0	0

## THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP

### Consolidated Accounts for the year ended 31 March 2007

#### **Grants and Grant-in-Aid**

Grant-in-Aid and Grant received is used to finance activities and expenditure which support the statutory and other objectives of the entity are treated as financing, credited to the General Reserve, because they are regarded as contributions from a controlling party.

Grant relating to capital expenditure is used to acquire specific capital items is credited to a government grant reserve. It is released to expenditure over the expected useful life of the asset it has been used to acquire and an equal amount transferred from the government grant reserve is released to Income.

#### **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 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 SHARE OF OVERHEADS**

The English Sports Council is required to apportion the costs of overheads between its Grant-in-Aid and National Lottery Distribution activities. The apportionment of these costs is determined in accordance with a time recording system which splits the time spent by staff between Grant-in-Aid and National Lottery Distribution activities. In all cases the charges have been calculated on a full cost recovery basis in accordance with HM Treasury's "Fees and Charges Guide." The costs so apportioned to the National Lottery Distribution activities will be reimbursed from the Sport England Lottery Fund to the Grant-in-Aid account

The English Sports Council has integrated accounting records 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.



**THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP**  
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**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**

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 as set by Her Majesty's Treasury (2005-06 3.5%) for other activities.

**1.12 TANGIBLE FIXED ASSETS**

Freehold land and buildings were subject to a full valuation at 31 March 2006. 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.

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 Land & Buildings and Work in Progress, have been revalued using the Public Buildings Index as at 31 March 2007.

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.

**THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP**  
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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
Computer Software	3 years

Freehold buildings are depreciated over their specific unexpired 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.

The capitalisation threshold is £1,000.

**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 STOCKS**

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

**1.16 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.

**1.17 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.

**THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP**  
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**2.0 OTHER OPERATING INCOME**

	GROUP		COUNCIL	
	2006/07	2005/06 Restated	2006/07	2005/06
	£000	£000	£000	£000
Sale of Publications	0	4	0	4
Training courses and conferences	7	63	7	63
Management Fee Income	115	775	115	775
External Funding Income	498	499	498	499
Other items	2,865	2,840	1,078	736
	<b>3,485</b>	<b>4,181</b>	<b>1,698</b>	<b>2,077</b>

**3.0 STAFF COSTS**

	GROUP		COUNCIL	
	2006/07	2005/06 Restated	2006/07	2005/06
	£000	£000	£000	£000
Wages and salaries	4,482	5,399	4,482	5,399
Social security costs	428	446	428	446
Other pension costs	1,621	1,456	1,621	1,456
Pension Charge	(505)	(446)	(505)	(446)
Temporary and agency staff	460	490	460	490
Aggregate Staff Costs	<b>6,486</b>	<b>7,345</b>	<b>6,486</b>	<b>7,345</b>
The aggregate staff costs cover the following areas of activity:				
Permanent	6,026	6,855	6,026	6,855
Temporary	460	490	460	490
Aggregate Staff Costs	<b>6,486</b>	<b>7,345</b>	<b>6,486</b>	<b>7,345</b>

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

	GROUP		COUNCIL	
	2006/07	2005/06 Restated	2006/07	2005/06
	£000	£000	£000	£000
ENGLISH SPORTS COUNCIL				
Permanent	105	110	105	110
Temporary	8	11	8	11
Average Number of Employees	<b>113</b>	<b>121</b>	<b>113</b>	<b>121</b>

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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**4.0 GRANTS**

	GROUP		COUNCIL	
	2006/07 £000	2005/06 £000	2006/07 £000	2005/06 £000
<b>COMMUNITY PROGRAMMES</b>				
Active Schools Infrastructure	12	64	12	64
Step Into Sports	927	1,157	927	1,157
Active Communities	(20)	80	(20)	80
Showcase	0	25	0	25
Community Sports Coach Scheme	10,263	7,845	10,263	7,845
Community Club Development Programme	19,516	19,290	19,516	19,290
Sportsmatch	3,675	3,675	3,675	3,675
Community Investment Fund	1,434	1,142	1,434	1,142
School Sports	60	80	60	80
School Club Links	191	208	191	208
<b>TOTAL COMMUNITY PROGRAMMES</b>	<b>36,058</b>	<b>33,566</b>	<b>36,058</b>	<b>33,566</b>
<b>NATIONAL PROGRAMMES</b>				
Step Into Sports	2,903	3,253	2,903	3,253
Coaching Taskforce	892	1,811	892	1,811
School Sports	0	200	0	200
Equity	1,792	1,390	1,792	1,390
National Coaching Foundation	4,281	4,080	4,281	4,080
School Club Links	4,043	4,784	4,043	4,784
National Revenue Award	999	644	999	644
Football Foundation	20,675	0	20,675	0
Sports Aid	100	4,200	100	4,200
Central Council for Physical Recreation	2,020	1,560	2,020	1,560
Whole Sport Plans	383	2,076	383	2,076
Supporters Direct	443	325	443	325
Funded Partners	1,130	1,414	1,130	1,414
National Sports Foundation	1,780	0	1,780	0
Legacy Schools	0	(578)	0	(578)
<b>TOTAL NATIONAL PROGRAMMES</b>	<b>41,441</b>	<b>25,159</b>	<b>41,441</b>	<b>25,159</b>
<b>TOTAL AWARDS</b>	<b>77,499</b>	<b>58,725</b>	<b>77,499</b>	<b>58,725</b>

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**5.0 NATIONAL CENTRE TRADING**

	GROUP		COUNCIL	
	2006/07 £000	2005/06 £000	2006/07 £000	2005/06 £000
National Sports Centres:				
Operating receipts	6,147	7,545	6,147	7,545
Grants received (see Note 6.1 below)	157	197	157	197
<b>Total Income from National Centre Trading</b>	<b>6,304</b>	<b>7,742</b>	<b>6,304</b>	<b>7,742</b>
Less Expenses:				
Centre Management Fees	11,608	13,079	11,608	13,079
Insurances	50	282	50	282
Net Rates (refunds)	10	(60)	10	(60)
General Maintenance	490	182	490	182
Other Centre Expenses	16	83	16	83
Dilapidations	2,068	0	2,068	0
<b>Total Costs associated with National Centres</b>	<b>14,242</b>	<b>13,566</b>	<b>14,242</b>	<b>13,566</b>
<b>NET NATIONAL CENTRE COSTS</b>	<b>7,938</b>	<b>5,824</b>	<b>7,938</b>	<b>5,824</b>

5.1 A grant of £157,000 (2005/06 - £197,000) was received from Nottinghamshire County Council towards the running costs of Holme Pierrepont National Water Sports Centre (NWSC).

**6.0 OPERATING RESULT**

6.1	GROUP		COUNCIL	
	2006/07 £000	2005/06 Restated £000	2006/07 £000	2005/06 £000
Other Operating Expenditure includes the following specified items:				
Chair and highest paid member's remuneration	14	12	14	12
Auditors' remuneration	69	67	45	45
Travel, subsistence and hospitality:				
Chairman, Members and Advisory Groups, Employees	411	425	411	425
Cost of consultants and secondees	1,496	662	1,493	662
Operating lease rentals	2,490	1,683	937	939
Depreciation	1,141	2,212	806	634
Irrecoverable Value Added Tax	1,019	1,386	1,019	1,386
Management Audit	99	50	99	50
Monitoring & Evaluation	434	754	434	754
Marketing Costs	1,121	365	1,121	365
Development Costs	1,545	3,388	1,545	3,388
General Maintenance	202	174	202	174
Research Costs	1,211	635	1,211	635

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**6.2 LOSSES AND SPECIAL PAYMENTS**

	GROUP		COUNCIL	
	2006/07 £000	2005/06 £000	2006/07 £000	2005/06 £000
As required by Government Accounting rules:				
Losses	0	5	0	5
Special Payments	213	0	213	0
	<b>213</b>	<b>5</b>	<b>213</b>	<b>5</b>

There were no individual losses or special payments during the year ended 31 March 2007 which exceeded £250,000 (2005/06 - nil)

**6.3 ANNUAL COMMITMENTS UNDER OPERATING LEASES**

	GROUP		COUNCIL	
	2006/07 £000	2005/06 £000	2006/07 £000	2005/06 £000
LAND AND BUILDINGS				
Leases - expiring within 1 year	0	15	0	15
Leases - expiring between 2 and 5 years	420	299	420	299
Leases - expiring after at least 5 years	1,249	1,292	1,249	1,292
	<b>1,669</b>	<b>1,606</b>	<b>1,669</b>	<b>1,606</b>

6.3 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.

**7.0 INVESTMENT INCOME**

7.1

	GROUP		COUNCIL	
	2006/07 £000	2005/06 Restated £000	2006/07 £000	2005/06 £000
Income accrued from the following investments:				
Overnight and short term investment of bank balances	447	224	428	209
Quoted stocks and securities	0	7	0	0
	<b>447</b>	<b>231</b>	<b>428</b>	<b>209</b>
Gain/(Loss) on sale of quoted securities	0	37	0	0
Total investment income	<b>447</b>	<b>268</b>	<b>428</b>	<b>209</b>

Interest rates varied from day to day and averaged approximately 4.35% per annum throughout the year (2005/06 - 4.06%)

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**8.0 TAXATION**

	GROUP		COUNCIL	
	2006/07 £000	2005/06 Restated £000	2006/07 £000	2005/06 £000
Corporation Tax payable on interest received: Current Year	109	95	107	89
Under-provision of Tax for prior year	0	0	0	0
	<b>109</b>	<b>95</b>	<b>107</b>	<b>89</b>

The Council pays Corporation Tax at 30% (2005/06- 30%) on its investment income after deducting charges.

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**9.0 TANGIBLE FIXED ASSETS**

9.1

	Land	Buildings	Equip & Vehicles	Comput Equip.	Comput Softw'r	Assets Under Const'n	Total
	£000	£000	£000	£000	£000	£000	£000
<b>GROUP:</b>							
Cost at 1 April 2006	12,708	95,436	4,498	1,624	1,406	416	116,088
Additions	45	461	284	380	299	0	1,469
Disposals	0	0	0	0	0	0	0
Revaluation Adjustments	860	4,998	0	0	0	0	5,858
Transfers	0	0	0	0	416	(416)	0
Cost at 31 March 2007	13,613	100,895	4,782	2,004	2,121	0	123,415
Accumulated depreciation at 1 April 2006	0	12,939	2,849	1,385	365	65	17,603
Charge for year:	0	0	363	181	597	0	1,141
Disposals	0	0	0	0	0	0	0
Revaluation Adjustments	0	0	0	0	0	0	0
Transfers	0	0	0	0	65	(65)	0
Accumulated depreciation at 31 March 2007	0	12,939	3,212	1,566	1,027	0	18,744
Net Book Value at 31 March 2007	13,613	87,956	1,570	438	1,094	0	104,671
Net Book Value at 31 March 2006	12,708	82,497	1,649	239	1,041	351	98,485

	Land	Buildings	Equip & Vehicles	Comput Equip.	Comput Softw'r	Assets Under Const'n	Total
	£000	£000	£000	£000	£000	£000	£000
<b>COUNCIL:</b>							
Cost at 1 April 2006	0	122	640	1,549	1,406	416	4,133
Additions	0	280	276	380	335	0	1,271
Gifted to Sports Council Trust Company	0	(280)	(276)	0	0	0	(556)
Disposals	0	0	0	0	(36)	0	(36)
Transfers	0	0	0	0	416	(416)	0
Cost at 31 March 2007	0	122	640	1,929	2,121	0	4,812
Accumulated depreciation at 1 April 2006	0	122	553	1,309	365	65	2,414
Charge for year:							
historic cost	0	0	28	181	597	0	806
Disposals	0	0	0	0	0	0	0
Transfers	0	0	0	0	65	(65)	0
Accumulated depreciation at 31 March 2007	0	122	581	1,490	1,027	0	3,220
Net Book Value at 31 March 2007	0	0	59	439	1,094	0	1,592
Net Book Value at 31 March 2006	0	0	87	240	1,041	351	1,719



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**9.0 TANGIBLE FIXED ASSETS (continued)**

**9.2 GROUP**

The Net Book Value of buildings at 31 March 2007 includes an amount of £53,163,000 (2005/06 - £49,604,000) in respect of freehold properties and £34,793,000 (2005/06 - £32,893,000) 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 2006.

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.

**9.3 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 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 £nil (2005/06 - £351,000) 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 2006/07 £556,443 (2005/06 - £393,221) of fixed assets were transferred to the Trust Company under arrangements which specifically cover clawback.

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**10.0 INVESTMENTS**

10.1 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 2006	0	495	495	0	0	0
Cost of Additions	0	0	0	0	0	0
Balance at 31 March 2007	0	495	495	0	0	0
Amount of Provision at 1 April 2006	0	(161)	(161)	0	0	0
Charge for the year	0	(18)	(18)	0	0	0
Amount of Provision at 31 March 2007	0	(179)	(179)	0	0	0
Net Book Value at 31 March 2007	0	674	674	0	0	0
Net Book Value at 31 March 2006	0	656	656	0	0	0

The English Sports Council holds no Fixed Asset Investments.

10.2 The Group had investments up to 31 March 2007 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
National Sports Foundation Limited (England and Wales)	Dormant Company	English Sports Council (sole member) 100% guarantor

10.3 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. The net assets of the Sports Council Trust Company at 31 March 2007 were £57,338,052 (2005/06 - £54,104,236. The surplus for the year was £498,123 (2005/06 - deficit £562,494).

10.4 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

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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. The net assets of Phoenix Sports Limited at 31 March 2007 were £35,393,891 (2005/06 - £33,808,253). The surplus for the year was £Nil (2005/06 - £Nil).

- 10.5 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. The net assets of Caversham Lakes Trust Limited at 31 March 2007 were £9,882,602 (2005/06 - £9,267,856). The surplus for the year was £Nil (2005/06 - £Nil).
- 10.6 The English Sports Council subscribed to the Memorandum of Association of the National Sports Foundation Limited on its incorporation on 13 April 2006.
- 10.7 The English Sports Council exercises control over its subsidiary companies by:
- 10.7.1 controlling membership of the company;
  - 10.7.2 appointing the Chair of the company and approving the appointment of the Directors and the Company Secretary;
  - 10.7.3 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; and
  - 10.7.4 senior executive directors of the English Sports Council attending, as appropriate, Board and other meetings.
- 10.8 The listed investments of the Group are all listed in the UK and had a market value at 31 March 2007 of £674,192 (31 March 2006 - £655,865).

**11.0 STOCKS**

	GROUP		COUNCIL	
	2006/07 £000	2005/06 £000	2006/07 £000	2005/06 £000
Goods for Resale	0	41	0	41
	0	41	0	41

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**12.0 DEBTORS**

	GROUP		COUNCIL	
	2006/07 £000	2005/06 Restated £000	2006/07 £000	2005/06 £000
Trade debtors	241	823	74	392
Other debtors	597	720	593	711
Staff Loans	44	33	44	33
Sports Council Trust Company		0	0	1,911
Prepayments and accrued income	1,756	1,634	758	694
Balances with other Central Government Bodies: Sport England Lottery Fund	3,148	3,363	3,148	1,263
<b>All amounts fall due within one year</b>	<b>5,786</b>	<b>6,573</b>	<b>4,617</b>	<b>5,004</b>
Included in Debtors are the following Intra-Government balances: Other Central Government bodies: Sport England Lottery Fund	3,148	3,363	3,148	1,263
UK Sport	6	6	6	6
Balances with Local Authorities: East of England Regional Assembly	24	0	24	0
Greater London Authority	10	0	10	0
London Borough of Bromley	1	0	1	0

**13.0 CREDITORS**

	GROUP		COUNCIL	
	2006/07 £000	2005/06 Restated £000	2006/07 £000	2005/06 £000
Trade Creditors	2,231	1,489	1,147	1,375
Corporation Tax	113	52	109	52
Other taxation and social security	0	0	0	0
Accruals & Deferred Income	4,032	6,911	3,457	6,734
Other creditors	5	775	5	5
Sports Council Trust Company	0	0	81	0
Caversham Lakes Trust Limited	0	0	3	0
<b>All amounts fall due within one year</b>	<b>6,381</b>	<b>9,227</b>	<b>4,802</b>	<b>8,166</b>
Included in Creditors are the following Intra-Government balances: Other Central Government bodies: HM Revenue and Customs	113	52	109	52

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14 REVENUE RESERVE	GROUP		COUNCIL	
	2006/07 £000	2005/06 £000 Restated	2006/07 £000	2005/06 £000 Restated
At 1 April 2006 (as restated)	14,707	17,953	676	4,272
Net Expenditure for year	(100,683)	(82,209)	(101,316)	(82,168)
Grant-in-Aid received towards resource expenditure	32,541	31,512	32,541	31,512
Earmarked Grant-in-Aid				
National Sports Foundation	1,781	0	1,781	0
Football Foundation	20,675	0	20,675	0
Sportsmatch	3,675	3,675	3,675	3,675
Community Club Development	19,174	20,000	19,174	20,000
Coaching Task Force	15,320	14,195	15,320	14,195
Club Links	4,233	4,500	4,233	4,500
Step Into Sport	3,830	4,000	3,830	4,000
Competition Managers	0	100	0	100
Core Grant-in-Aid received towards purchase of fixed assets	0	0	0	0
Capital grant-in-Aid received towards purchase of fixed assets	1,271	981	1,271	981
Assets Gifted to Sports Council Trust Company	0	0	(556)	(391)
	<b>16,524</b>	14,707	<b>1,304</b>	676
Revenue Funds:				
Reg Ranger Memorial Fund	3	3	0	0
National Anglers Council	6	6	0	0
Donald Scummell Fund	5	5	0	0
Bisham Abbey Appeal Fund	3	3	0	0
Greater Manchester Fund *	35	36	35	36
	<b>16,576</b>	14,760	<b>1,339</b>	712
<b>PENSION RESERVE</b>				
1 April 2006	(9,613)	(13,673)	(9,613)	(13,673)
Movements in the Year	(4,586)	4,060	(4,586)	4,060
<b>31 March 2007</b>	<b>(14,199)</b>	<b>(9,613)</b>	<b>(14,199)</b>	<b>(9,613)</b>
<b>TOTAL REVENUE RESERVES</b>	<b>2,377</b>	5,147	<b>(12,860)</b>	(8,901)

\* The Greater Manchester 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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#### 15.1 SUPERANNUATION (London Pension Fund Authority Scheme)

The majority of staff of the Council are members of the London Pension Fund Authority Superannuation Scheme (LPFA). This scheme closed to new members on 30 September 2005. 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 £1,157,839 in 2006/07 (2005/06 - £1,294,604). 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 £1,809,000. 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 £197,517 (2005/06 - £160,997). 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;
- 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 2004 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 13.7% (2005/06 - 10.2% from 1 April 2005 to 30 September 2005 and 13.7% from 1 October 2005). The rate of contribution for employees was 6.0% (2005/06 - 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.

The independent actuary's valuation at 31 March 2007 for the purposes of FRS17 estimates a net pension liability of £31,444,000 (2005/06: £21,764,000). This includes £1,809,000 in relation to the closed scheme and £29,635,000 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 approximately 40% of the current scheme liability (£29,635,000) should be apportioned to Exchequer

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and 60% apportioned to Lottery. Therefore, the liability carried in these accounts as at 31 March 2007 is £13,694,000 (2005/06: £9,613,000) which includes the current scheme share of liability (£11,885,000) and the closed scheme liability (£1,809,000):

**Balance Sheet Disclosure as at 31 March 2007**

Assumptions as at	31 March 2007	31 March 2006	31 March 2005
	% per annum	% per annum	% per annum
Price increases	3.2%	3.1%	2.9%
Salary increases	4.7%	4.6%	4.4%
Pension increases	3.2%	3.1%	2.9%
Discount rate	5.4%	6.0%	5.4%
<b>Assets</b>	<b>Long Term Return</b>	<b>Fund Value at 31 March 2007</b>	<b>Fund Value at 31 March 2006</b>
	% per annum	£'000	£'000
Equities	7.7%	26,837	23,661
Target return funds	6.4%	9,636	7,149
Alternative assets	6.8%	5,464	4,425
Cash	4.9%	1,157	2,306
Total	7.2%	43,093	37,541
<b>Net Pension Asset at</b>		<b>31 March 2007</b>	<b>31 March 2006</b>
		£'000	£'000
Estimated Employer Assets (A)		43,093	37,541
Total Value of Liabilities (B)		74,537	59,305
Net Asset/(Liability) (A)-(B)		(31,444)	(21,764)

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 approximately 40% relates to Exchequer.

**Analysis of amount charged to operating profit**

Amount Charged to Operating Profit	Year to	Year to
	31 March 2007	31 March 2006
	£'000	£'000
Service Cost	1,045	1,191
Past Service Costs	0	0
Curtailement and Settlements	74	24
Decrease in irrecoverable surplus	0	0
Total Operating Charge (A)	1,119	1,215
<b>Projected Amount Credited to Other Finance Income</b>	<b>Year to</b>	<b>Year to</b>
	31 March 2007	31 March 2006
	£'000	£'000
Expected Return on Employer Assets	2,626	2,104
Interest on Pension Scheme Liabilities	(3,564)	(3,223)
Net Return(B)	(938)	(1,119)
Net Revenue Account Cost	2,057	2,333

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

	31 March 2007	31 March 2006
	£'000	£'000
Actual Return less expected return on pension scheme assets	372	4,721
Experience gains & losses arising on the scheme liabilities	(693)	(57)
Changes in financial assumptions underlying the present value of the scheme liabilities	(10,795)	4,081
Actuarial (loss)/gain in pension plan	(11,116)	8,745
Change in irrecoverable surplus from membership fall and other factors	-	-
Actuarial (loss)/gain recognised in STRGL	(11,116)	8,745

Of the actuarial (loss)/gain for this scheme shown above of £10,974,000 the Exchequer share is £4,444,000 and the Lottery share is £6,531,000.

**Movement in Surplus/ Deficit During the Year**

	31 March 2007	31 March 2006
	£'000	£'000
Deficit at the beginning of the year	(21,764)	(31,475)
Current Service Cost	(1,045)	(1,191)
Employer Contributions	3,096	2,945
Contributions in respect of Unfunded Benefits	397	355
Other Income	-	-
Other Outgoings	-	-
Past Service costs	-	-
Impact of Settlements and Curtailments	(74)	(24)
Net Return on Assets	(938)	(1,119)
Actuarial Gains /(Losses)	(11,116)	8,745
Deficit at the end of year	(31,444)	(21,764)

**History of Experience Gains & Losses**

	31 March 2007	31 March 2006
	£'000	£'000
Difference between the expected and actual return on assets	372	4,721
Value of Assets	43,093	37,541
Percentage of Assets	0.9%	12.6%
Experience Gains on Liabilities	(693)	(57)
Present Value of Liabilities	74,537	59,305
Percentage of the Present Value of Liabilities	(0.9)%	0.0%
Actuarial Losses recognised in STRGL	(11,116)	(2,875)
Present Value of Liabilities	74,537	59,305
Percentage of the Present Value of Liabilities	(15.1%)	(4.8%)

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.



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**15.2 SUPERANNUATION (Scottish Equitable, Group Stakeholder Pension Scheme)**

From 1 October 2005 Sport England has operated a Group Stakeholder Pension Scheme (GSPS) with Scottish Equitable for staff commencing after this date. The Scottish Equitable Group Stakeholder Pension Scheme is government registered, and meets all legislative requirements. A stakeholder pension enables each employee to build up an individual pension fund in their own name, making their own choice about how much they contribute. The money in the fund is invested on the employee's behalf, and when they retire the fund is used to buy an annuity or an unsecured pension (or an alternatively secured pension if they are 75) which gives a regular income for life. Part of the fund may also be used to provide a tax-free lump sum.

Employer contributions for staff members of this scheme for the year ended 31 March 2007 were £125,770 (2005/06 - £2,141)

There were no amounts outstanding or pre-paid at 31 March 2007 (2005/06 £nil)

**16.0 PROVISIONS**

**16.1 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	
	2006/07 £000	2005/06 £000	2006/07 £000	2005/06 £000
Balance at 1 April	0	400	0	400
Charges for the year	2,068	(185)	2,068	(185)
Transfer from Reserve	0	(215)	0	(215)
Balance at 31 March	2,068	0	2,068	0

**16.2 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	
	2006/07 £000	2005/06 £000	2006/07 £000	2005/06 £000
Balance at 1 April	0	400	0	400
Charges for the year	0	(193)	0	(193)
Transfer from Reserve	0	(207)	0	(207)
Balance at 31 March	0	0	0	0

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**17.0 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.

**18.0 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 2007, had entered into commitments to pay grants to:

- County Sports Partnerships in respect of their approved programmes for Community Sport Coaching Scheme in the following years:

2007/08	£9,875,259
2008/09	£2,637,010
Total -	£12,512,269 (2005/06 - £1,050,000).

The Group had contractual commitments for capital works amounting to £15,181 as at 31 March 2007 (2005/06 - £90,204). This amount has not been provided for in these financial statements.

**19.0 NATIONAL CENTRE RESERVE**

	GROUP		COUNCIL	
	2006/07 £000	2005/06 £000	2006/07 £000	2005/06 £000
Balance at 1 April	1,047	768	1,047	768
Transfer to Reserve (from Deferred Income)	0	400	0	400
Transfer from Reserve	(999)	(121)	(999)	(121)
Balance at 31 March	48	1,047	48	1,047

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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**20.0 REVALUATION RESERVE**

		GROUP	
		2006/07 £000	2005/06 £000
20.1	Land and Buildings		
	Balance at 1 April 2006	41,710	32,128
	Surplus owing to revaluation of properties	5,858	7,940
	Accumulated Depreciation Adjustment	0	2,352
	Amortisation of revaluation reserve to income and expenditure account	(735)	(710)
	Balance at 31 March 2007	<b>46,833</b>	41,710
20.2	Equipment		
	Balance at 1 April 2006	0	0
	Surplus/(Deficit) arising on revaluation of equipment	0	0
	Balance at 31 March 2007	<b>0</b>	0
20.3	Investments		
	Balance at 1 April 2006	163	70
	Surplus/(Deficit) arising on revaluation of investments	18	93
	Balance at 31 March 2007	<b>181</b>	163
	Total Balance at 31 March 2007	<b>47,014</b>	41,873

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

	GROUP		COUNCIL	
	2006/07 £000	2005/06 Restated £000	2006/07 £000	2005/06 Restated £000
Cash (outflow)/inflow in the year	242	649	(423)	1,267
Investments	0	0	0	0
Movement in net debt	<b>242</b>	649	<b>(423)</b>	1,267
Opening net funds 1 April 2006	<b>6,527</b>	5,878	<b>6,217</b>	4,950
Closing net funds at 31 March 2007	<b>6,769</b>	6,527	<b>5,794</b>	6,217

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

	GROUP		COUNCIL	
	2006/07 £000	2005/06 Restated £000	2006/07 £000	2005/06 Restated £000
Operating (deficit)	(102,231)	(84,389)	(102,847)	(83,585)
Depreciation of tangible assets	1,141	2,212	806	634
Notional interest on capital employed	1,210	1,176	1,210	1,176
Disposal of fixed assets	0	(23)	36	0
Pension movements	(505)	(446)	(505)	(446)
Revaluation Adjustment	0	2,924	0	0
Amortisation of Revaluation Reserve	(735)	(710)	0	0
(Increase)/decrease in stocks	41	(24)	41	(24)
(Increase)/decrease in debtors	787	5,554	387	4,961
(Increase)/decrease in prepaid grants	1,186	(959)	1,186	(959)
(Increase)/decrease in Loans	(250)	0	(250)	0
Increase/(decrease) in grants outstanding	259	2,632	259	2,632
Increase/(decrease) in creditors	(2,847)	(2,511)	(3,365)	(1,224)
Increase/(decrease) in provisions	2,068	0	2,068	0
Increase/(decrease) in deferred income	(252)	(1,186)	0	0
Increase/(decrease) in National Centre Reserve	(999)	0	(999)	0
Net cash (outflow)/inflow from operating activities	(101,127)	(75,750)	(101,973)	(76,835)

**23.0 RELATED PARTY TRANSACTIONS**

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

The English Sports Council's subsidiary companies, Sports Council Trust Company, Phoenix Sports Limited, Caversham Lakes Trust Limited and National Sports Foundation Limited, are related parties of the Council.

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.

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	Awards 2006/07 £	Balances Remaining £	Supplier Payments £
<b>Executive Directors</b>			
Interim CEO and Director of Sport – <b>Stephen Baddeley</b> Badminton England	487,500	176,875	3,799
Director of Regions – <b>Tim Garfield</b> Nottingham City Council		195,000	52
Rugby Football Union	2,214,250	4,060,714	
Surrey County Council	22,885	22,885	
Director of North East – <b>Judith Rasmussen</b> Sunderland City Council		5,485	
Director of West Midlands – <b>David Lanfear</b> Sport Across Staffordshire		79,873	
Director of Yorkshire – <b>David Gent</b> British Canoe Union	332,500	127,500	812
Rugby Football League	2,023,500	3,315,500	
Director of South East - <b>Lisa O’Keefe</b> Womens Sports Foundation	462,333	382,898	21
Director of South East – <b>Sean Holt</b> Culture South East			1,100
Tourism South East	40,000	40,000	14,350
Director of South West – <b>Jim Clarke</b> Plymouth Argyle FC			550
Royal Yachting Association	322,050	163,519	
<b>North West</b>			
<b>Andy Worthington</b>			
The Football Foundation	20,675,000	1,605,165	
Institute of Leisure & Amenity Management			793
Sports Council Trust Company	1,050,000		2,335,842
Sports Coach UK	4,293,312	1,055,000	68,808
<b>South East</b>			
<b>Mary McAnally</b>			
Lawn Tennis Association	1,596,000	3,580,050	

**24.0 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS**

The English Sports Council 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.

The English Sports Council performs all transactions in Sterling and therefore has no currency exchange risk and does not enter into any forward foreign currency contracts or similar financial instruments.

The English Sports Council does not borrow money and therefore has no exposure to interest rate risks nor liquidity risk in this regard. Cash balances are held in commercial bank accounts and attract market rates of interest. The English Sports Council does not enter into any interest rate swaps or similar financial instruments.

**THE ENGLISH SPORTS COUNCIL AND ENGLISH SPORTS COUNCIL GROUP**  
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The English Sports Council Group does hold, in the subsidiary bodies, a number of financial instruments. These relate to financial instruments listed in the United Kingdom. The English Sports Council Group does not undertake any measures to mitigate the risks of the movement in the values of these instruments and is therefore fully exposed to these risks. Further information on these financial instruments can be found in note 10. In all other respects, the English Sports Council Group is exposed to the risks as the English Sports Council.

**25.0 POST BALANCE SHEET EVENT**

The Annual Report and Accounts were authorised for issue by the Sport England Main Board on **xx** October 2007

**THE ENGLISH SPORTS COUNCIL NATIONAL LOTTERY DISTRIBUTION ACCOUNT**  
Accounts for the year ended 31 March 2007

**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. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she 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.
4. The Accounting Officer of the English Sports Council is responsible for preparing financial statements that give a true and fair view, and for making available to the auditors all relevant information for their purposes. So far as the Accounting Officer is aware there is no relevant audit information of which the English Sports Council's auditors are unaware. Further, the Accounting Officer has taken all the steps she ought to have taken to make herself aware of any relevant audit information and to establish that the English Sports Council's auditors are aware of that information.

Jennie Price  
Chief Executive and Accounting  
Officer of the English Sports Council

October 2007

Derek Mapp  
Chair of the English Sports Council

October 2007

# THE ENGLISH SPORTS COUNCIL NATIONAL LOTTERY DISTRIBUTION ACCOUNT

## Accounts for the year ended 31 March 2007

### 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 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. 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.

The system of internal control has been in place in the English Sports Council for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The system of internal control seeks to mitigate rather than eliminate all risk. It can therefore only provide reasonable and not an absolute assurance of effectiveness. It is also not possible to mitigate every risk. It is based on a process designed to identify, prioritise and evaluate the likelihood of risk being realised and the resulting impact should this occur, and maintain this using a risk register.

#### 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, use of IT and Health and Safety matters. In 2006/07 we have worked towards improving the organisations ability to identify and manage risk via a programme of risk workshops.



# THE ENGLISH SPORTS COUNCIL NATIONAL LOTTERY DISTRIBUTION ACCOUNT

## Accounts for the year ended 31 March 2007

### 4. The risk and control framework

The key elements of our risk management strategy are:

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

During 2006-07 we continued to adopt 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 and its ability to prosper as a business. Each identified risk was allocated to an appropriate team member to own and manage. Our operational staff 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. In turn, the Executive Group presented key risks to the organisation to the Audit, Risk and Governance Committee (and in turn the Sport England Main Board) on a regular basis.

Although we have made 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 helped us to embed risk management in our organisation although we continue to work on progressing this area:

- A programme of risk workshops undertaken within the context of a culture of openness, so that risks can be openly identified, recorded and mitigated;
- 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 development of project management processes and regular 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;
- 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;
- We have recently completed, through a self assurance process, an assessment of National Partners in receipt of Lottery money to provide assurance about the ability of these bodies to manage public funds; and
- 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,

# THE ENGLISH SPORTS COUNCIL NATIONAL LOTTERY DISTRIBUTION ACCOUNT

## Accounts for the year ended 31 March 2007

appointing external contractors to monitor project progress, project risk registers to identify record and control risks and regular project progress reviews at Board level.

### 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, Risk and Governance Committee.

The business has faced a very substantial amount of change throughout the year, including a major restructure in the early part of 2006, a significant change in business direction and a number of changes of personnel at Chair, Executive and senior levels. Reasonable assurance has been gained that, during this period, basic controls have been operating effectively. However, a number of areas which clearly require improvement have been identified and a more vigorous approach to control needs to and will be driven through the business. This includes the need to achieve a faster and more comprehensive response to the control improvements that are recommended by internal audit and the need to implement a more robust procurement policy and education programme. I am highly committed to making this happen.

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

- Executive Group members – I meet regularly with the other members of my Executive Group to consider and discuss the Council's operational plans and objectives and to discuss day-to-day management issues;
- The Main Board – This comprises a Chair, Vice Chair, two Regional Sports Board Chairs, the Executive Group, the Chair of the Audit, Risk and Governance Committee and 10 other members. All Board members are appointed by the Secretary of State (DCMS). We have met 8 times this year to discuss the Council's strategy and performance, progress on major projects and to assess investment decisions;
- Projects Committee – This is chaired by the Chair of the Main Board and consists of 3 other board members and the Executive Group. They are responsible for making funding decisions on up to a maximum of £2M per individual award.
- The Audit, Risk and Governance Committee – which is chaired by an independent Board member and consists of one other Board member and two non-executive members who have been selected for their expertise in this field. The Audit, Risk and Governance Committee met five times this year with both Internal and External Auditors present, 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 Council. 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;
- Financial Control Framework – this is in place to ensure the integrity of the financial information received and the adequacy of the financial process there within.
- Audit and Risk – this department, supported by Bentley Jennison and AHL Limited, undertakes internal audits to Government Internal Audit Standards and provides regular reports and an overall

## THE ENGLISH SPORTS COUNCIL NATIONAL LOTTERY DISTRIBUTION ACCOUNT

### Accounts for the year ended 31 March 2007

annual opinion on risk management, control and governance in the English Sports Council. During 2006/07 the Department undertook planned audits across a number of the regional offices, reviewed certain key processes across the organisation, managed the National Partner Self Assurance process and provided risk management advice 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. Significant Internal Control Issues:

The most significant control and regularity issues arising during 2006-07 included:

- ii. Possible Ultra vires transaction – during the year it emerged that an award made to the Sports Institute Northern Ireland may be ultra vires.

Mitigation – as soon as this risk became apparent, independent legal advice was sought and the matter discussed with DCMS. No payments have been made in respect of the award, and subsequently the award has been de-committed by the Board and therefore is not disclosed in the 2006/2007 accounts. The recipient was informed of the actions taken. Tripartite discussions are being held as to how the Government's contribution to the facility in Northern Ireland might be effected. Training will be undertaken with key staff to ensure they have a better understanding of the nature of vires risks in future.

- iii. Adverse finding by the Parliamentary and Health Service Ombudsman - Risk of high costs administrative disruption and reputational damage arising from the finding of mal administration by the ombudsman relating to de-commitments made in 2003.

Mitigation – Active consideration and liaison with the ombudsman on the form of a scheme of redress that provides appropriate restitution and which is practicable from an English Sports Council point of view

- iv. Payments to the Velodrome Trust, Manchester – After the year-end it emerged that Sport England breached Lottery regulations in respect of an award made to the Manchester Velodrome Trust during 2005/06.

Mitigation – A detailed review has been conducted to ensure there have been no other similar occurrences and lessons learnt are being captured and disseminated to guard against a future occurrence of this type.

- v. Grant management controls - some common weaknesses have been identified in the grant processing undertaken in Regional offices.

Mitigation - a clearer and simplified process document, including a definition of who is responsible for what, has been developed. This will be rolled out shortly with a programme of training and development. More extensive internal audit coverage is now also in place.

Jennie Price  
Chief Executive and Accounting

Derek Mapp  
Chair of the English Sports Council

THE ENGLISH SPORTS COUNCIL NATIONAL LOTTERY DISTRIBUTION ACCOUNT  
Accounts for the year ended 31 March 2007

Officer of the English Sports Council

October 2007

October 2007

**THE ENGLISH SPORTS COUNCIL NATIONAL LOTTERY DISTRIBUTION ACCOUNT**  
Accounts for the year ended 31 March 2007

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

I certify that I have audited the financial statements of the English Sports Council Lottery Distribution Fund for the year ended 31 March 2007 under Part II, paragraph 35(5) of the National Lottery etc. Act 1993 (as amended). These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

**Respective responsibilities of the English Sports Council, Chief Executive and auditor**

The Council and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with Part II, paragraph 35 of the National Lottery etc. Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Council's and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Part II, paragraph 35 of the National Lottery etc. Act 1993 (as amended) and directions made thereunder. I report to you if, in my opinion, certain information given in the Annual Report (which includes: Chairman's Foreword; Introduction by Chief Executive Officer; Annual Review; Financial and Performance Review; History and Background; and, Remuneration Report) is consistent with the financial statements. I also report 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.

In addition, I report to you if the Council has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Council's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

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 report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

**Basis of audit opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the

# THE ENGLISH SPORTS COUNCIL NATIONAL LOTTERY DISTRIBUTION ACCOUNT

## Accounts for the year ended 31 March 2007

Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the English Sports Council Lottery Distribution Fund'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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error 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 and the part of the Remuneration Report to be audited.

### Opinions

#### Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with Part II, paragraph 35 of the National Lottery etc. Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury, of the state of the English Sports Council Lottery Distribution Fund's affairs as at 31 March 2007 and of its decrease in funds for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Part II, paragraph 35 of the National Lottery etc. Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury; and
- information given in the Annual Report (which includes: Chairman's Foreword; Introduction by Chief Executive Officer; Annual Review; Financial and Performance Review; History and Background; and, Remuneration Report) is consistent with the financial statements.

#### Audit Opinion on Regularity

In my opinion, 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.

#### Report

I have no observations to make on these financial statements.

John Bourn  
Comptroller and Auditor General

October 2007

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

THE ENGLISH SPORTS COUNCIL NATIONAL LOTTERY DISTRIBUTION ACCOUNT  
Accounts for the year ended 31 March 2007

The English Sports Council National Lottery Distribution Account  
Accounts for the year ended 31 March 2007

**INCOME AND EXPENDITURE ACCOUNT**

	Note	2007 £000	2006 Restated £000
<b><u>INCOME</u></b>			
Share of proceeds from the National Lottery	2	124,190	174,197
Investment returns from the National Lottery	2	7,796	8,971
Bank interest receivable		252	405
Other income	3	212	9,440
		<b>132,450</b>	<b>193,013</b>
<b><u>EXPENDITURE</u></b>			
Grant commitments made in the year	4	139,235	149,377
Grant de-commitments occurring in year	4	(13,475)	(7,757)
Staff costs	5	7,410	8,516
Other operating costs	6	11,352	12,411
		<b>144,522</b>	<b>162,547</b>
<b><u>(DECREASE)/INCREASE IN LOTTERY FUNDS BEFORE TAXATION</u></b>		<b>(12,072)</b>	<b>30,466</b>
Taxation		(75)	(119)
<b><u>(DECREASE)/INCREASE IN LOTTERY FUNDS</u></b>		<b>(12,147)</b>	<b>30,347</b>

All Income and Expenditure relates to continuing activities.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

		2007 £000	2006 £000
(Decrease)/Increase in lottery funds		(12,147)	30,347
Actuarial (loss)/gain in pension plan	12	(6,531)	5,480
Total recognised (losses)/gains for the year		<b>(18,678)</b>	<b>35,827</b>



**The English Sports Council National Lottery Distribution Account**  
Accounts for the year ended 31 March 2007

BALANCE SHEET

	Note	2007 £000	2006 Restated £000
<b><u>FIXED ASSETS</u></b>			
Tangible Assets	7	0	0
		0	0
<b><u>CURRENT ASSETS</u></b>			
Investments - balance in NLDF	2.1	195,391	191,805
Debtors and prepayments	10	743	9,489
Cash at bank and in hand		2,602	3,014
		198,736	204,308
<b><u>CREDITORS falling due within one year</u></b>			
Sundry creditors	11	3,148	1,298
Hard grant commitments	13	68,880	77,163
		72,028	78,461
<b><u>NET CURRENT ASSETS</u></b>			
		126,708	125,847
<b><u>TOTAL ASSETS LESS CURRENT LIABILITIES</u></b>			
		126,708	125,847
<b><u>CREDITORS falling due after more than one year</u></b>			
Superannuation scheme	12	17,750	12,151
Hard grant commitments	13	75,964	62,024
		93,714	74,175
<b><u>NET ASSETS</u></b>			
		32,994	51,672
<b>REPRESENTED BY:</b>			
<b><u>LOTTERY FUNDS</u></b>			
Revenue surplus	15	32,994	51,672
		32,994	51,672

Jennie Price  
 Chief Executive and Accounting  
 Officer of the English Sports Council

October 2007

Derek Mapp  
 Chair  
 of the English Sports Council

October 2007

The English Sports Council National Lottery Distribution Account  
Accounts for the year ended 31 March 2007

CASH FLOW STATEMENT

	Notes	2007 £000	2006 £000
<b><u>OPERATING ACTIVITIES</u></b>			
Cash drawn down from NLDF		128,400	202,100
Other income		8,958	19,219
Awards payments		(120,103)	(196,676)
Staff costs		(8,342)	(8,739)
Other operating costs		(9,502)	(16,636)
<b>Net cash (outflow) from operating activities</b>	16	<b>(589)</b>	<b>(732)</b>
<b><u>RETURNS ON INVESTMENTS</u></b>			
Interest received		252	405
		252	405
<b><u>TAXATION</u></b>			
Corporation Tax paid		(75)	(119)
<b>Net Cash outflow</b>	18	<b>(412)</b>	<b>(446)</b>

**The English Sports Council National Lottery Distribution Account**  
Accounts for the year ended 31 March 2007

**NOTES TO THE ACCOUNTS**

**1 ACCOUNTING POLICIES**

Accounting Convention

- 1.1 The financial statements have been prepared under the historical cost convention. 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 on operating costs is taken into account in the financial period to which it relates. Awards are accounted for on a commitments basis (see 1.5 below).
- 1.3 In compliance with section 35 of the National Lottery etc. Act 1993 the accounts cover the year to 31 March 2007. Comparative figures are shown for the year ended 31 March 2006.
- 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.

National Lottery Share of Overheads

- 1.7 The English Sports Council is required to apportion the costs of overheads between its Grant-in-Aid and National Lottery Distribution activities. The

## The English Sports Council National Lottery Distribution Account

### Accounts for the year ended 31 March 2007

apportionment of these costs is determined in accordance with a time recording system which splits the time spent by staff between Grant-in-Aid and National Lottery Distribution activities. In all cases the charges have been calculated on a full cost recovery basis in accordance with HM Treasury's "Fees and Charges Guide". The costs so apportioned to the National Lottery Distribution activities will be reimbursed from the Sport England Lottery Fund to the Grant-in-Aid account.

The English Sports Council has integrated accounting records 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 Group creditor.

#### Tangible Fixed Assets

1.8 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.

1.9 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
- 

The capitalisation threshold is £1,000.

#### Pension Costs

1.10 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

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

#### Investments

1.12 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 2007, 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

1.13 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

**The English Sports Council National Lottery Distribution Account**  
Accounts for the year ended 31 March 2007

of the Sport England Lottery Fund interest thereon is subject to Corporation Tax and is fully provided in the period to which it applies.

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.

**The English Sports Council National Lottery Distribution Account**  
Accounts for the year ended 31 March 2007

Space For Sport and Arts Programme

- 1.15 The Space For Sport and Arts programme is a jointly funded scheme between The Department for Culture Media and Sport (£79m) Big Lottery Fund (£25m), (formerly known as the New Opportunities Fund), The Arts Council of England (£5m) and Sport England (£25.0m). The total grant and administration funding for the programme is £134m. Previously these accounts only reflect Sport England's share of the grants awarded under the programme with full disclosure shown in a memorandum set of accounts appended to these accounts. That policy has been changed for these accounts. The full amount of all grants and administration expenditure has been charged within the income and expenditure account as has the income due from partners. Corresponding amounts for the year ended 31 March 2006 have been restated.

Active England Programme

- 1.16 The Active England programme is a jointly funded scheme between the Big Lottery Fund (£77.5m), and Sport England (£31.0m). The total grant funding for the programme is £108.5m. These accounts only reflect Sport England's share of the grants awarded under the programme. 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 English Sports Council National Lottery Distribution Account**  
Accounts for the year ended 31 March 2007

**2 NATIONAL LOTTERY DISTRIBUTION FUND**

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

	2007 £000	2006 £000
<b>Balance brought forward</b>	<b>191,805</b>	210,737
Share of net operator proceeds	124,190	174,197
Investment returns from National Lottery Distribution Fund	7,796	8,971
Transfer to UK Sport (see below)	(7,000)	0
<b>Available for distribution</b>	<b>316,791</b>	393,905
Funds drawn down	(121,400)	(202,100)
<b>Balance carried forward</b>	<b>195,391</b>	191,805

On 1 April 2006 £7,000,000 was transferred from Sport England's National Lottery Distribution Fund to National Lottery Distribution Fund of UK Sport in accordance with statutory Instrument 2006 No.654.

Of this amount £2,000,000 represents Sport England's commitment for the two years funding under the Talented Athlete Scholarship Scheme, which has been charged in these accounts as a grant commitment, and £5,000,000 is to cover working capital requirements arising out of the transfer of future obligations to UK Sport for the Performance Pathway. Both these items are charged to the income and expenditure account as grant commitments.

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

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 English 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%. From 1 April 2006, Sport England's share was reduced to 10.33% from 12.60% (being 61.97% - previously 75.58%) of the total available for the five sport lottery distributors.

**The English Sports Council National Lottery Distribution Account**  
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**3 OTHER INCOME**

	2007	2006
	£000	£000
Big Lottery Fund – Green Spaces Programme	0	500
Professional Footballers’ Association, Football Foundation, and the Football Association – Football Youth Development Programme	0	6,260
Big Lottery Fund and The Arts Council of England – Space For Sport and Arts Programme	212	1,804
Big Lottery Fund – PE & Sport in Schools	0	194
Grant recoveries	0	682
<b>Total other income</b>	<b>212</b>	<b>9,440</b>

Other income above includes income from jointly funded schemes. The Green Spaces Programme, Football Youth Development Programme and PE & Sport in Schools were all finished by 31 March 2006.

Grant recoveries represent amount of grant repaid from recipients.

**4 GRANT COMMITMENTS**

Grant commitments and grant de-commitments are summarised below.

	2007	2006
	£000	£000
Grant commitments made in the year	139,235	149,377
Grant de-commitments occurring in year	(13,475)	(7,757)
<b>Net Grant Commitments</b>	<b>125,760</b>	<b>141,620</b>

A summary of the net grant commitments by programme is set out below.

	2007	2006
	£000	£000
Whole Sport Plans	79,148	66,250
Community Investment Fund	14,099	10,257
County Sport Partnerships	13,614	8,904
Community Capital	2,002	6,840
Awards For All	6,567	5,576
Everyday Sport	3,150	0
English Institute of Sport	2,451	13,475
Football Foundation	(2,762)	14,000
UK Sport	5,000	0
Talented Athlete Scholarship Scheme	2,000	0
Space for Sport and Arts	512	3,363
Football Youth Development	0	9,053
Active England	86	4,887
Other Programmes	(107)	(985)



The English Sports Council National Lottery Distribution Account  
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Total Net Grant Commitments	125,760	141,620
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**The English Sports Council National Lottery Distribution Account**  
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**5 STAFF COSTS**

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

	2007	2006
	£000	£000
Wages and salaries	5,190	5,982
Temporary staff	506	603
Social security costs	470	483
Other pension costs	2,175	1,751
Pension credit re FRS 17 review	(931)	(303)
<b>Total Employee Costs</b>	<b>7,410</b>	<b>8,516</b>

The average number of staff employed is as follows:

	2007	2006
	No	No
Permanent	128	141
Temporary	9	13
<b>Average Staff Numbers</b>	<b>137</b>	<b>154</b>

**6 OTHER OPERATING COSTS**

These costs can be summarised as follows:

	2007	2006
	£000	£000
Other staff costs	1,031	910
Office costs	2,200	2,150
Legal costs	2,431	3,013
Media/Communications	1,598	1,886
Programme support	2,672	2,705
Monitoring and evaluation	665	949
Irrecoverable VAT	1,530	1,794
Asset hire charges	443	355
Recharges	(1,338)	(1,396)
Other expenses	120	45
<b>Total Other Operating Costs</b>	<b>11,352</b>	<b>12,411</b>

Auditors' remuneration of £45,000 (2006-£45,000) is included within the amount shown above for legal costs.

**The English Sports Council National Lottery Distribution Account**  
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**7 TANGIBLE FIXED ASSETS**

	Refurbishment	Equipment Fixtures & Fittings	Total Tangible Fixed Assets
	£000	£000	£000
Cost at 1 April 2006	604	1,102	1,706
Additions/Disposals	0	0	0
<b>Cost at 31 March 2007</b>	<b>604</b>	<b>1,102</b>	<b>1,706</b>
Accumulated depreciation at 1 April 2006	604	1,102	1,706
Charge for the year	0	0	0
Disposals	0	0	0
<b>Accumulated depreciation at 31 March 2007</b>	<b>604</b>	<b>1,102</b>	<b>1,706</b>
<b>Net book value at 31 March 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net book value at 31 March 2006	0	0	0

**8 CAPITAL COMMITMENTS**

At 31 March 2007 the Sport England Lottery Fund had made £nil committed in respect of capital expenditure for administrative purposes (2006: £nil) and £nil authorised in respect of capital expenditure for administrative purposes but not contracted (2006: £nil).

**9 INVESTMENTS**

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.

Capital sums are distributed in accordance with the provisions of the National Lottery etc. Act 1993. Interest earned on the sums invested is apportioned to each of the Lottery Distributors on the basis of their percentage share of the total remaining National Lottery Distribution Fund at the time the interest is received.

**10 DEBTORS**

	2007	2006
	£000	£000
Trade debtors	126	0
Grant repayable from the Manchester Commonwealth Games	0	2,400
Amounts due from funded partners	617	7,089
	<b>743</b>	<b>9,489</b>

**The English Sports Council National Lottery Distribution Account**  
Accounts for the year ended 31 March 2007

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**11 CREDITORS**

	2007 £000	2006 £000
English Sports Council - Exchequer	3,148	1,132
Accruals	0	166
	<b>3,148</b>	<b>1,298</b>

**12 SUPERANNUATION SCHEME; ENGLISH SPORTS COUNCIL**

The majority of staff of the Council are members of the London Pension Fund Authority Superannuation Scheme (LPFA). This scheme closed to new members on 30 September 2005. 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 £1,157,839 in 2006/07 (2005/06 - £1,294,604). 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 £1,686,000. 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 £197,517 (2005/06 - £160,997). 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;
- 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 2004 was £1,378 million, and the actuarial value was sufficient to cover 100% of the benefits which had accrued to members of the scheme.

## The English Sports Council National Lottery Distribution Account

### Accounts for the year ended 31 March 2007

Following the advice of the consulting actuaries to the LPFA the English Sports Council's employer contribution (as a percentage of pensionable payroll) was 13.7% (2005/06 - 10.2% from 1 April 2005 to 30 September 2005 and 13.7% from 1 October 2005). The rate of contribution for employees was 6.0% (2004/05 - 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.

The independent actuary's valuation at 31 March 2007 for the purposes of FRS17 estimates a net pension liability of £31,321,000 (2005/06: £21,764,000). This includes £1,686,000 in relation to the closed scheme and £29,635,000 in relation to the current scheme. The Lottery Accounts only include a share of 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 approximately 40% of the current scheme liability (£29,635,000) should be apportioned to Exchequer and 60% apportioned to Lottery. Therefore, the liability carried in these accounts as at 31 March 2007 is £17,750,000 (2006: £12,151,000).

#### Balance Sheet Disclosure as at 31 March 2007

Assumptions as at	31 March 2007	31 March 2006	31 March 2005
	% per annum	% per annum	% per annum
Price increases	3.2%	3.1%	2.9%
Salary increases	4.7%	4.6%	4.4%
Pension increases	3.2%	3.1%	2.9%
Discount rate	5.4%	6.0%	5.4%
Assets	Long Term Return	Fund Value at 31 March 2007	Fund Value at 31 March 2006
	% per annum	£'000	£'000
Equities	7.7%	26,837	23,661
Target return funds	6.4%	9,636	7,149
Alternative assets	6.8%	5,464	4,425
Cash	4.9%	1,157	2,306
Total	7.2%	43,093	37,541
Net Pension Asset at		31 March 2006	31 March 2006
		£'000	£'000
Estimated Employer Assets (A)		43,093	37,541
Total Value of Liabilities (B)		72,728	57,619
Net Asset/(Liability) (A)-(B)		(29,635)	(20,078)

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 approximately 40% relates to Exchequer.

#### Analysis of amount charged to operating profit

Amount charged to Operating Profit	Year to	Year to
	31 March 2007	31 March 2006
	£'000	£'000

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Service Cost	1,045	1,191
Past Service Costs	0	0
Curtailment and Settlements	74	24
Decrease in irrecoverable surplus	0	0
Total Operating Charge (A)	1,119	1,215
<b>Projected Amount Credited to Other Finance Income</b>	<b>Year to</b>	<b>Year to</b>
	<b>31 March</b>	<b>31 March</b>
	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Expected Return on Employer Assets	2,626	2,104
Interest on Pension Scheme Liabilities	3,466	(3,124)
Net Return(B)	(840)	(1,020)
Net Revenue Account Cost	1,959	2,235

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

	31 March 2007	31 March 2006
	£'000	£'000
Actual Return less expected return on pension scheme assets	372	4,721
Experience gains & losses arising on the scheme liabilities	(621)	(16)
Changes in financial assumptions underlying the present value of the scheme liabilities	(10,725)	4,156
Actuarial (loss)/gain in pension plan	(10,974)	8,861
Change in irrecoverable surplus from membership fall and other factors	-	-
Actuarial (loss)/gain recognised in STRGL	(10,974)	8,861

Of the actuarial (loss)/gain for this scheme shown above of £10,974,000 the Lottery share is £6,531,000. (2006-£5,480,000).

**Movement in Surplus/ Deficit During the Year**

	31 March 2007	31 March 2006
	£'000	£'000
Deficit at the beginning of the year	(20,078)	(29,890)
Current Service Cost	(1,045)	(1,191)
Employer Contributions	3,096	2,945
Contributions in respect of Unfunded Benefits	280	241
Other Income	-	-
Other Outgoings	-	-
Past Service costs	-	-
Impact of Settlements and Curtailments	(74)	(24)
Net Return on Assets	(840)	(1,020)
Actuarial Gains /(Losses)	(10,974)	8,861
Deficit at the end of year	(29,635)	(20,078)

**History of Experience Gains & Losses**

	31 March 2007	31 March 2006
	£'000	£'000
Difference between the expected and actual return on assets	372	4,721
Value of Assets	43,093	37,541
Percentage of Assets	0.9%	12.6%
Experience Gains on Liabilities	(621)	(16)
Present Value of Liabilities	72,728	57,619
Percentage of the Present Value of Liabilities	(0.9)%	0.0%

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Actuarial Losses recognised in STRGL	(10,974)	(2,759)
Present Value of Liabilities	72,728	57,619
Percentage of the Present Value of Liabilities	(15.1%)	(4.8%)

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.

**SUPERANNUATION (Scottish Equitable, Group Stakeholder Pension Scheme)**

From 1 October 2005 Sport England has operated a Group Stakeholder Pension Scheme (GSPS) with Scottish Equitable for staff commencing after this date. The Scottish Equitable Group Stakeholder Pension Scheme is government registered, and meets all legislative requirements. A stakeholder pension enables each employee to build up an individual pension fund in their own name, making their own choice about how much they contribute. The money in the fund is invested on the employee's behalf, and when they retire the fund is used to buy an annuity or an unsecured pension (or an alternatively secured pension if they are 75) which gives a regular income for life. Part of the fund may also be used to provide a tax-free lump sum. Employer contributions on for staff members of this scheme for the year ended 31 March 2007 were £125,770 (2005/06 - £2,141).

There were no amounts outstanding or pre-paid at 31 March 2007 (2006 - Enil).

**13 HARD COMMITMENTS**

	2007 £000	2006 £000
Hard commitments brought forward	139,187	194,243
Hard commitments paid	(120,103)	(196,676)
Hard de-commitments	(13,475)	(7,757)
Hard commitments entered into	139,235	149,377
Hard commitments carried forward as at 31 March	<b>144,844</b>	139,187

	2007 £000	2006 £000
Amounts due during 2006/07 Financial Year	0	77,163
Amounts due during 2007/08 Financial Year	68,880	38,074
Amounts due during 2008/09 Financial Year	37,199	23,950
Amounts due during 2009/10 Financial Year	38,765	0
Hard commitments carried forward as at 31 March	<b>144,844</b>	139,187

As explained in the Accounting Policies note hard commitments are charged to the income and expenditure in the accounting period in which the award offer is accepted. A number of these award offers cover up to three and four years of revenue

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funding and the payment of these awards is not profiled to occur within the next twelve months. 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.

**14 SOFT COMMITMENTS**

	2007 £000	2006 £000
Soft commitments brought forward	150,350	104,555
Soft commitments transferred to Hard	(139,235)	(149,377)
Soft commitments entered into	106,217	195,172
Soft commitments carried forward as at 31 March	117,332	150,350

Soft commitments are the aggregate of award offers made and not yet accepted by the award recipient and award decisions approved by our respective National and Regional Sports Boards where no formal award offer has been sent at the balance sheet date

The amounts committed to hard and soft commitments exceed the available resources by £84,538,000 (2006-£98,383,000). 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.

**15 REVENUE RESERVES**

	2007 £000	2006 £000
Surplus brought forward	51,672	15,845
(Decrease)/increase in lottery funds for the year	(12,147)	30,347
Actuarial (loss)/gain in pension plan	(6,531)	5,480
Surplus carried forward	32,994	51,672
<b>Analysed as follows;</b>		
Revenue reserve	50,144	63,823
Pension reserve	(17,750)	(12,151)
Surplus/(deficit) carried forward	32,944	51,672

**16 RECONCILIATION OF (DECREASE)/INCREASE IN LOTTERY FUNDS BEFORE TAXATION TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

	2007 £000	2006 £000



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(Decrease)/increase in lottery funds before taxation	(12,072)	30,466
Decrease/(increase) in debtors	8,746	9,740
Decrease/(increase) in creditors	13,106	(64,945)
Interest receivable	(252)	(405)
Actuarial (loss)/ gain in pension plan	(6,531)	5,480
Increase/(decrease) in NLDF	(3,586)	18,932
Net cash (outflow) from operating activities	(589)	(732)

**17 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	2007	2006
	£000	£000
(Decrease) in cash	(412)	(446)
Movement in liquid resources – NLDF balance	3,586	(18,932)
Increase /(decrease) in net funds	3,174	(19,378)
Net funds brought forward	194,819	214,197
Net funds carried forward	197,993	194,819

**18 CHANGE IN CASH DURING THE YEAR**

	2007	2006
	£000	£000
Opening cash balance	3,014	3,460
Net cash(outflow)	(412)	(446)
Cash and bank balances at year end	2,602	3,014

**19 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.

The Sport England Lottery Fund performs all transactions in Sterling and therefore has no currency exchange risk and does not enter into any forward foreign currency contracts or similar financial instruments.

The Sport England Lottery Fund does not borrow money and therefore has no exposure to interest rate risks nor liquidity risk in this regard. Cash balances are held in commercial bank accounts and attract market rates of interest. The Sport England Lottery Fund does not enter any into any interest rate swaps or similar financial instruments.

**20 CONTINGENT ASSETS, CONTINGENT LIABILITIES AND OTHER MATTERS**

Contingent Asset : Community Facility Award Clawback

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Sport England made awards of £7.9m from the Community Capital programme to support the construction and development of a community facility. In February 2007 Sport England issued a letter to the Awardee indicating that if they had commenced works to alter the facility without the prior approval of Sport England, they were in breach of the funding agreement. Under the terms of the Deed, Sport England are required to notify the Awardee of this breach giving reasons and permit the Awardee "reasonable" time to redress the problem.

If the Awardee fails to comply they would be liable to repay in full the total grant amount. Sport England is currently pursuing a satisfactory resolution with the Awardee, and therefore it is not possible at this time to give a reliable estimate of the clawback.

**Contingent Liability : Ombudsmen**

Following a report by the Parliamentary Commissioner for Administration dated May 2007, Sport England is implementing a scheme to address concerns about the administration of the decommitment (and subsequent appeals) process undertaken by Sport England during 2003, under which a number of projects that had been given Stage One approval had their applications for funding refused. The Ombudsman has approved 37 projects as being liable for compensation. The compensation Scheme allows for each Decommited Project to be compensated on the basis of a baseline compensation of £1,000 with additional enhancement based on the status of the decommitted project at the time of the decommitment, to a maximum of £1,200 for projects that had 75% of action points in the project plan recorded as completed. These projects are currently being assessed against the scheme to determine the level of compensation appropriate for each. The estimate of the compensation payable is in the region of £67,000, with an estimated maximum of £87,000.

**21 DIFFERENCES BETWEEN COMMITMENT AND ACCRUAL ACCOUNTING METHODOLOGY**

These Lottery statutory accounts are prepared on a commitment basis – recognising grant awards at the point that commitment and conditions are agreed between Sport England and recipients, although actual payment may lag up to four years. Thus the Income and Expenditure Account reflects hard commitments made, rather than payments. This timing difference is also reflected in the Balance Sheet as both a current and long-term liability, according to whether it falls within one year. Cash flow is unaffected. Thus if the accounts were to be prepared on the same basis as Sport England's Exchequer accounts, which would allow them to be compared on a like-for-like basis, the following adjustments would be made.

	Commitment	Basis	Accrual	Basis
	2007	2006	2007	2006
	£000	£000	£000	£000
<b>Income &amp; Expenditure - excerpt</b>				
<b>Expenditure</b>				
Hard commitments	139,235	149,377	0	0
Hard de-commitments	(13,475)	(7,757)	0	0
Grants payable	0	0	120,103	196,676
Staff costs	7,410	8,516	7,410	8,516
Other operating costs	11,352	12,411	11,352	12,411
Taxation	75	119	75	119
	144,597	162,666	138,940	217,722

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(Decrease)/increase in Lottery funds	<b>(12,147)</b>	30,347	<b>(6,490)</b>	(24,709)
<b>Balance Sheet - excerpt</b>				
Hard grant commitments < 1 year	<b>68,880</b>	77,163	<b>0</b>	0
Hard grant commitments > 1 year	<b>75,964</b>	62,024	<b>0</b>	0
Pension liability	<b>17,750</b>	12,151	<b>17,750</b>	12,151
<b>Total assets less all liabilities</b>	<b>32,994</b>	51,672	<b>177,838</b>	190,859

**22 RELATED PARTIES**

The Department for Culture, Media and Sport is the sponsoring department for the English Sports Council, and its sponsored bodies are regarded as related parties 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.

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	Awards 2007 £	Balances Remaining £	Supplier Payments £
<b>Executive Directors</b>			
Interim CEO and Director of Sport – <b>Stephen Baddeley</b> Badminton England	2,236,355	4,472,710	3,799
Director of Regions – <b>Joanna Robinson</b> St Paul's Primary School		12,912	
Director of Regions – <b>Tim Garfield</b> Nottingham City Council		89,530	52
Director of London Region – <b>Andy Sacha</b> Harlequins RFC		10,242	
Rugby Football Union Surrey County Council	667,969	1,084,427	
Director of North East – <b>Judith Rasmussen</b> Sunderland City Council	414,938	4,205,638	
Director of West Midlands – <b>David Lanfear</b> Sport Across Staffordshire	56,123		
Director of Yorkshire – <b>David Gent</b> British Canoe Union	620,000	1,240,000	812
Rugby Football League	2,450,000		
Director of South East - <b>Lisa O'Keefe</b> Womens Sports Foundation	84,411	24,202	21
Director of South East – <b>Sean Holt</b> Culture South East			1,100
Tourism South East			14,350
Director of South West – <b>Jim Clarke</b> Plymouth Argyle FC			550
Royal Yachting Association	1,218,000	1,836,000	
<u>East Region</u>			
<b>Stephen Castle</b>			
Essex County Council		19,140	
<u>North West</u>			
<b>Andy Worthington</b>			
The Football Foundation	2,500,000		
Institute of Leisure & Amenity Management			793
Sports Council Trust Company		193,222	2,335,842
Sports Coach UK			68,808
<u>Yorkshire</u>			
Sheffield City Council	55,758	112,903	
<u>South East</u>			
<b>Mary McAnally</b>			
Lawn Tennis Association	2,122,928	4,081,952	

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**23.0 POST BALANCE SHEET EVENTS**

The Annual Report and Accounts were authorised for issue by the Sport England Main Board on xx October 2007

**Payments to the Velodrome Trust, Manchester**

After the year-end it emerged that Sport England has breached Lottery regulations in respect of an award made to the Manchester Velodrome Trust for the British Cycling Federation's (BCF) use of the Velodrome for training purposes. The first award was made to the Trust in 2003/04 towards financing the costs of the Trust making available its track facilities to the BCF. The award was made directly to the Trust rather than the BCF in order to minimise the VAT liability for the BCF. The total awards value since 2003 is £993,144, and the current award covers the period from January 2006 to March 2009 with the Trust receiving an annual payment of £172,726. The effect on the 2006/07 accounts is a cash payment of £172,726 and an outstanding commitment (grant creditor) of £345,452 in respect of two further year's funding.

In order to mitigate this breach of regularity a detailed review has been conducted to ensure there have been no other similar occurrences and lessons learnt are being captured and disseminated to guard against a future occurrence of this type. The award to the Velodrome trust will be decommitted and an alternative means of funding the BCF's use of the Velodrome is being investigated.

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