

SPORTS COUNCIL FOR WALES LOTTERY DISTRIBUTION ACCOUNT
1 APRIL 2012 – 31 MARCH 2013

ANNUAL REPORT

FOREWORD HISTORY & STATUTORY BACKGROUND

The National Lottery etc Act 1993 (as amended) nominated the Sports Council for Wales as the body responsible for distributing funds generated by the lottery to sport in Wales. The duties of Sport Wales in performing its Lottery functions are carried out pursuant to the account directions issued by the Secretary of State for Culture, Media and Sport, in accordance with Section 26(1) of the National Lottery etc Act 1993 and the Statement of Financial Requirements issued under Section 26(3) of the Act.

MANAGEMENT

The management and administration of the Lottery function is carried out through the Sports Council for Wales (known by its trade name, Sport Wales) and the panels established by Sport Wales to assist in distributing Lottery funds to good causes in Wales.

During 2012/13, Sport Wales comprised the following board members;

Prof L McAllister **	(Chair Reappointed 01.02.2013)
Mrs Adele Baumgardt	(Vice Chair Appointed 01.09.2012)
Mr David Roberts	(Reappointed 01.04.2011)
Mr Martin J Warren */**	(Reappointed 01.04.2011)
Prof. John Baylis *	(Appointed 01.04.2011)
Mr Richard Cuthbertson *	(Appointed 01.04.2011)
Mr Andrew Morgan	(Appointed 01.04.2011)
Mr Simon Pirotte	(Appointed 01.04.2011)
Mr Paul Thorburn	(Appointed 01.04.2011)
Mr Alan Watkin *	(Appointed 01.05.2011)
Ms Julia Longville	(Appointed 01.09.2012)
Ms Janet Kingston	(Appointed 01.09.2012)
Ms Johanna Lloyd	(Appointed 01.09.2012)
Mr Peter King	(Appointed 01.09.2012)

Dr H Jones (Chief Executive)

* Member of the Audit committee

** Member of the Remuneration committee

REGISTERED OFFICE

Sophia Gardens
Cardiff
Wales
CF11 9SW

MANAGEMENT COMMENTARY

Our purpose as Wales' sports development and advocacy agency is twofold: to inspire more people to become, and remain active for life and to boost the performance of our elite athletes, teams and coaches.

Sport Wales works in partnership with others to achieve these aims and has a role in bringing partners and people together; local authorities, governing bodies of sport, communities, coaches, adults, young people, children and the entire nation to support, participate and excel in sport. Sport Wales works towards achieving equality in all of our functions, whilst embracing the spirit of equality legislation and eradicating any form of unfair discrimination.

LOTTERY FUNDING AND ADDITIONALITY

All Lottery distributors are required to report on their policy and practice.

Lottery funding is distinct from Government funding and should not replace Exchequer spending. Where appropriate, it can complement Government and other programmes, policies and funding.

When we assess applications for funding, we ensure additionality is considered. We work closely with leading organisations to ensure that our funding programmes add value to Government and other funding but do not replace it.

Review of National Lottery Distribution Activities

During 2012/13 Sport Wales distributed awards under a number of Lottery Funded grant programmes.

Capital Grants

The fund's principal activities are aimed at increasing participation and improving performance in sport and physical recreation. Sport Wales introduced its plans for the distribution of lottery funds to capital projects in September 1994. A two stage process is used for all capital applications. The first stage of the application enables the initial focus to be more on the added benefits to sport and the aims, objectives and proposed management of the project. Applicants seek provisional approval of a scheme prior to undertaking the investment necessary to present the full application.

Capital grants totalling £3,628,000 (2011/12 £4,831,000) were met during the year. The amount provided in the accounts for hard commitments (signed contracts) relating to capital grants increased by £275,000 in 2012/13 (2011/12 fall of £2,491,000).

Revenue Grants

Revenue grant payments totalling £7,350,000 (2011/12 £5,483,000) were met during the year. The amount provided in the accounts for hard commitments (signed contracts) relating to revenue grants increased by £1,162,000 in 2012/13 (2011/12 decrease of £105,000).

MOVEMENT ON LOTTERY BALANCE TO 31 MARCH 2013

The following table shows the movements of the balances held with the National Lottery Distribution Fund in the year:

Balance at 1 April 2012	Income Received (Net)	Money Drawn Down From National Lottery Distribution Fund	Transfer to Olympic Lottery Distribution Fund	Unrealised Gain	Balance at 31 March 2013
(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
12,382	17,513	(13,420)	(909)	21	15,587

The table shows an increase in the balance held of £3.205 million, compared to £0.454 million in the previous financial year.

FINANCIAL RESULTS

Sport Wales's Lottery Distribution results are set out in the Statement of Comprehensive Income. Total comprehensive income for the financial year amounted to £2,540,000 (2011/2012 total comprehensive income of £2,536,000). This has been transferred to reserves.

The statement of financial position for 2012/13 shows a total net asset figure of £12,412,000 (2011/12, £9,872,000).

The table below shows data from some of our key output data.

Performance Indicators 2012-2013

	Output 2012/13	Output 2011/12
Number of athletes moving through the Sport Wales pathway onto UK athlete pathway	19	11
Proportion of Welsh Athletes on UK athlete pathway	6.21	5.65
Number of affiliated club members within Sport Wales supported National Governing Bodies (NGB)	517,743	455,049
Number of hours of NGB use at the National Centre	23,916	20,694

Plans for Future Periods

Our work over the coming year largely builds on our current position. Amongst a much wider set of objectives, the board has highlighted what it considers to be the most critical deliverables for 2013/14:

Equality

Deliver a women and girls communications campaign to influence and increase participation levels.

Sporting Innovation

Partner Investment Principles: 59 Partners to complete the self-assessment process to inform Board investment.

Community Sport

Work with the 10 focus sports: co-ordinating national and regional planning to maximise collaborative delivery of community sport outcomes.

Skills for a life in sport

Consider and support the implementation of the relevant recommendations from Welsh Government's *School & Physical Activity Task & Finish Group*.

Growing a skilled and passionate workforce

Develop our approach to leadership in sport; focussing on the UK Leadership Development Programme and the revised Women in Leadership Programme.

Up-skill staff and sector colleagues; enabling them to base their guidance and decisions on high-quality evidence to improve sporting outcomes.

Sporting Excellence

High potential sports have a positive rating when assessed for all areas of sporting excellence.

To implement a new investment programme in identified Olympic sports to increase the number of athletes selected on to GB pathways and UK sport World Class programme. Establish, in partnership with UK Sport, a talent development programme in Wales, with focus on systematic success at the Commonwealth Games post 2014.

Of huge importance to us are the Glasgow 2014 Commonwealth Games, as this is the world's only multi-sport competition in which Wales can compete as a nation. We want to finish as the number one nation as ranked by the medals per head of population. Welsh representation on Team GB and Paralympic GB gives us confidence, with 18 of the 30 Welsh athletes making their Olympic debut in London. These talented young stars are individual examples of Wales' bright sporting future which we must support and grow.

ENVIRONMENTAL, SOCIAL AND COMMUNITY ISSUES

Social and Community Issues

Our work is guided by several key documents: the Programme for Government; Creating an Active Wales, the five year strategic action plan to deliver Climbing Higher; and the Vision for Sport in Wales. The Programme for Government is reflected in the Minister's Remit Letter to Sport Wales.

The principles of social justice, sustainability and inclusivity underpin the Welsh Government's long-term strategy for sport and physical activity, Creating an Active Wales. The objective of the strategy is to have:

An active, healthy and inclusive Wales, where sport and physical activity provide a common platform for participation, fun and achievement, which binds communities and the nation and where the outstanding environment of Wales is used sustainably to enhance confidence in ourselves and our place in the world.

The Vision for Sport in Wales is underpinned by four Sport Wales supporting strategies: the Community Sport Strategy; Child Poverty Strategy; Elite Sport Strategy and Coaching and Volunteering Strategy.

The Community Sport Strategy and Child Poverty Strategy respond to social and community issues. Sport Wales aspires to get every child hooked on sport for life, and our priorities form the strategic basis for our work in achieving Core Aim 4 of the Welsh Government's 7 Core Aims, which states every child and young person should "have access to play, leisure, sporting and cultural activities". This means working with our partners to ensure that there are opportunities for children and young people to participate and that we are doing everything we can to ensure barriers that prevent this are overcome.

The Community Sport Strategy sets out clear priorities to enable a dramatic shift in the range and number of people involved in local sport. The Child Poverty Strategy will not be solely delivered by Sport Wales, but outlines our commitment to making a difference to children, young people and their families who live in poverty.

As well as planning and delivering our contributions to these strategies, we also support our partners in planning, developing and sustaining their contributions. We recognise that we cannot deliver the Government's agendas without our partners.

DECLARATIONS OF INTEREST

All Members and Senior Staff of Sports Wales have completed a return detailing any interests in Organisations which provide, or may seek to provide, commercial services to Sport Wales for 2012/13. Information provided that requires disclosure in accordance with International Accounting Standard 24 is disclosed in Note 17 of these accounts.

PERSONAL DATA RELATED INCIDENTS

Sport Wales has controls and policies in place to ensure data integrity. Its systems ensure that the physical security of data is tightly controlled. As far as we are aware, no loss of data occurred during the period under review.

RISK IDENTIFICATION AND MANAGEMENT

Detail on Risk Management is contained in the Risk Management section of the Annual Governance Statement page 20.

SUPPLIER PAYMENT POLICY AND PERFORMANCE ACHIEVED

Under the Late Payment of Commercial Debts (Interest Act 1998) and in line with the Better Payment Practice Code (which can be located on www.payontime.co.uk) Sport Wales is required to pay suppliers' invoices not in dispute within 30 days of receipt of goods or services or valid invoice, whichever is the later.

Sport Wales aims to pay 100% of invoices, including disputed invoices once the dispute has been settled, in line with these terms. During the year ended 31 March 2013 Sport Wales paid 99% (2011/12 98%) of all invoices within the terms of its payment policy. No interest was incurred during the year as a result of late payments.

FINANCIAL INSTRUMENTS

Details of financial instruments can be found in note 1.10 and note 16 to the financial statements.

HUMAN RESOURCES

Sport Wales has an extensive range of policies which reflect current legislation, and aim to secure retention and motivation. These policies are reviewed regularly with staff involvement via a recognition agreement with the PCS Union. All policies are equality checked before implementation.

SICKNESS ABSENCE DATA

The sickness data for 2012/13 (2011/2012) is as follows:

Total Days Lost	Total Number of Employees (FTE)	Total Sick Days Lost Per Person
750.00 (698.47)	144.15 (150.48)	5.20 (4.64)

Investing in Our People

Sport Wales has "Investors in People" status and its human resources policies reflect best practice as part of its commitments as a learning organisation

REMUNERATION OF AUDITORS

During 2012/13, no non audit work was undertaken by our external auditor, the Comptroller and Auditor General.

Statement on Disclosure of Relevant Audit Information.

1. As far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware, and
2. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any audit information and to establish that the auditors are aware of that information.

Sustainability

Sport Wales actively pursues policies and initiatives that seek to reduce the impact its operations have on the environment, the main delivery being achieved via the Green Dragon* Environmental Standard and by working in conjunction with the Carbon Trust.

The work undertaken so far by Sport Wales has reduced gas, oil and electricity consumption over a number of years, resulting not only in a lower carbon footprint but also in reduced fuel costs. The determination by Sport Wales to reduce the environmental impact of its activities has been recognised with the awarding of level three accreditation of the Green Dragon¹ standard at our National Centre in Plas Menai; and a level two Green Dragon* accreditation at our Sport Wales National Centre in Cardiff. In addition, Plas Menai secured grant funding during the year towards the costs of an environmental management system, with the aim of delivering significant future energy savings. 2013/14 will see this implemented.

The main sustainable practices used throughout Sport Wales are as follows:

- The use of electronic media is utilised where possible in place of individuals travelling to events.
- ICT equipment, cardboard, paper, toners, bottles and cans are collected and recycled
- Light and movement sensors are used to control lighting.
- Recycled paper is used for all offices.
- There are recycling stations throughout all offices and located within the National Centres.

Sport Wales has recognised a need to bring a more consistent approach to sustainability and is developing a Corporate Environment Policy which, once agreed, will guide the organisation in its future actions.

ENVIRONMENTAL SUSTAINABILITY

The following tables includes all Sport Wales offices data and associated cost

Waste		2012/13	2011/12
Non-financial	Total KG	55,186	N/A
Greenhouse Gas		2012/13	2011/12
Co2	Total gross emissions (Co2)	1,705,976	1,569,204
	Total net emissions (Co2)	1,705,976	1,569,204
	Gross emission, scope 1 (direct)	762,727	669,476
	Gross emissions, scope 2 (indirect)	943,249	899,728
Energy consumption	Electricity (non-renewable)	1,812,652	1,729,015
kWh	Electricity (renewable)	0	0
	Gas	1,256,517	1,271,053
	Gas Oil	1,707,263	1,381,594
Financial Indicators	Expenditure – energy	357,171	303,393

Sport Wales does not currently have a specific target for its carbon emissions, as this will form part of the Corporate Environmental Policy. However, the main direct impacts for Sport Wales are in its energy consumption and efficiency programmes are in place to reduce these impacts where possible.

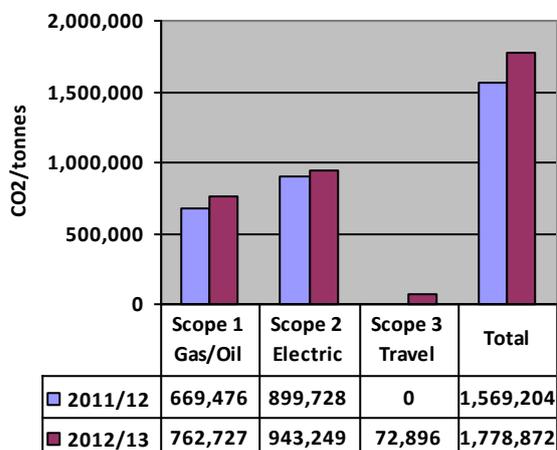
¹ Green Dragon is a stepped Standard recognising effective environmental management. The Standard offers an environmental management system relevant to the specific needs of companies and organisations and rewards actions taken to achieve environmental improvements.

Finite Resource		2012/13	2011/12
Non-financial (M³)	Supplied	12,720	13,369
	Abstracted	2,613	2,786
Financial indicators	Water supply costs	34,737	36,024

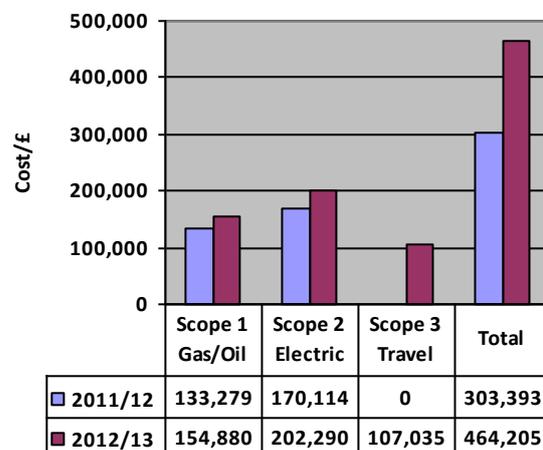
Travel		2012/13	2011/12
Co2	Rail	12,494	N/A
	Air	3,758	N/A
	Car (taxi/bus etc)	1,431	N/A
	Car Own usage	55,213	N/A
	Total	72,896	N/A
Cost	Rail	20,286	N/A
	Air	3,282	N/A
	Car (taxi/bus etc)	2,051	N/A
	Car Own usage	81,416	N/A
	Total	107,035	N/A
Miles	Rail	134,214	N/A
	Air	12,916	N/A
	Car (taxi/bus etc)	883	N/A
	Car Own usage	180,925	N/A
	Total	328,938	N/A

As this is the first year of reporting figures marked N/A for 2011/12 were not available.

CO2 Emissions



Financial Indicators



Conservation and Biodiversity

Sport Wales National Centre, Cardiff is located in a Grade 2 listed garden and all the trees have Tree Protection Orders which are managed in accordance with these orders.

The National Centre at Plas Menai runs marine environmental educational courses on the Menai Strait, has planted a managed woodland and bird boxes have been placed around the site.

Sustainable Procurement and the Future

Sport Wales's procurement policy requires that all Procurement awards in excess of £10,000 should be awarded on the basis that they offer "the optimum combination of whole life costs and benefits to meet Sport Wales's requirements". Whole life costing considers not just the purchase price, but also takes into account the continued cost of ownership, maintenance and disposal of services.

We will continue to work to embed sustainable policies in our operations and work towards:

- Improved waste management reporting.
- Increased staff awareness.
- Continue to build sustainability into our operations where appropriate.

REMUNERATION REPORT

In accordance with Chapter 5 of the Financial Reporting Manual, Sport Wales is required to disclose the following concerning remuneration during the year of Council Members and Senior Staff with responsibility for running policy making departments. Treasury guidance requires the financial statements to disclose the cash equivalent transfer value of pensions for Sport Wales Members and Senior Staff.

Remuneration Policy

The Chair and members of Sport Wales are paid in accordance with the Welsh Government "Remuneration and expenses of Chairs and Members of ASGBs and NHS Bodies" policy. With the exception of the Chief Executive, senior managers receive no additional performance or bonus payments.

The Chief Executive is paid a performance bonus in accordance with guidelines issued by the Welsh Government. The performance bonus is determined by the Remuneration Committee which consists of Sport Wales Chair and Chair of the Audit Committee supported by Sport Wales's Human Resources Manager. In addition to agreeing the Chief Executive's performance bonus, the Remuneration Committee also meets to agree the annual pay award for all staff via the Welsh Government's pay remit process.

Service Contracts

The Senior Staff of Sport Wales are employed on terms and conditions broadly analogous to the Welsh Government terms and conditions

Sport Wales Members are appointed by Welsh Ministers for a three year contracted period and may be reappointed for a further three year period. The Chair is remunerated at a daily rate of £337 and is contracted to work two days per week. Other Council Members receive a daily rate of £282 and are contracted to work two days per month.

Notice Period

The Chief Executive is entitled to four months notice of termination of contract by Sport Wales and the remaining Senior Staff are entitled to three months notice of termination of contract.

Salary

"Salary" includes gross salary and performance bonuses where applicable. During the year the Chief Executive received a gross salary of £76,416, (2011/12 £76,416). No bonus payments were made to the Chief Executive or any other member of staff during the year (2011/12 £Nil). In January 2013 the Chief Executive announced his intention to take early retirement, as a consequence Sport Wales has made a provision of £77,000 in its accounts, which represents the contribution required toward the strain on the pension fund as a result of this early retirement. A proportion of the Senior Management salary costs are allocated to lottery.

Benefits in Kind

There are no benefits in kind.

The following sections provide details of the remuneration and pension interest of the Senior Managers of Sport Wales.

Remuneration (subject to audit)

<u>Name</u>	<u>Title</u>	<u>Salary 2012/13</u>	<u>Salary 2011/12</u>
Prof. Laura McAllister (from 01/04/07 to 31/01/2016)	Chair	35-40	35 - 40
Mrs Adele Baumgardt (Member from 01/04/09 to 31/03/12) (appointed Vice Chair 01/09/2012 to 31/08/2015)	Vice Chair	0-5 (5 -10 full year equivalent)	5 -10
Dr Huw Jones (from 01/01/03)	Chief Executive	75-80	75 - 80
Mr Chris James (from 01/02/06 to 31/10/2012)	Corporate Director	40-45* (65-70 full year equivalent)	65 - 70
Mrs Anne Hamilton (from 01/09/07 to 30/09/11)	Head of Service	-	25 – 30 (55 – 60 full year equivalent)
Mr Alan Williams (from 14/12/94)	Manager Plas Menai Watersports Centre	55-60	55 - 60
Ms Sarah Powell (from 01/09/07)	Corporate Director	55-60	55 - 60
Mr Mark Frost (from 01/09/07)	Corporate Director	55-60	55 - 60
Mr Malcolm Zaple (from 01/04/97)	Manager Sport Wales National Centre	55-60	55 - 60
Ms Sian Thomas (from 06/04/09)	Corporate Director	55-60	55 - 60
Mr Randal Hemingway (from 01/12/2012)	Corporate Director	15-20 (50-55 full year equivalent)	-
Mr Richard Palmer (reappointed from 01/04/09 to 31/03/12)	Council Member	-	5 - 10
Cllr Robert Harris (reappointed from 01/04/09 to 31/03/12)	Council Member	-	5 - 10
Rev Hywel Davies (reappointed from 01/04/09 to 31/03/12)	Council Member	-	5 - 10

<u>Name</u>	<u>Title</u>	<u>Salary 2012/13 £000</u>	<u>Salary 2011/12 £000</u>
Mr David Roberts (reappointed from 01/04/11 to 31/03/14)	Council Member	5 - 10	5 - 10
Mr Martin J Warren (reappointed from 01/04/11 to 31/03/14)	Council Member	5 - 10	5 - 10
Prof. John Baylis (from 01/04/2011 to 31/03/2014)	Council Member	5 - 10	5 - 10
Mr Richard Cuthbertson (from 01/04/2011 to 31/03/2014)	Council Member	5 - 10	5 - 10
Mr Andrew Morgan (from 01/04/2011 to 31/03/2014)	Council Member	5 - 10	5 - 10
Mr Simon Pirotte (from 01/04/2011 to 31/03/2014)	Council Member	5 - 10	5 - 10
Mr Paul Thorburn (from 01/04/2011 to 31/03/2014)	Council Member	5 - 10	5 - 10
Mr Alan Watkin (from 01/05/2011 to 31/03/2014)	Council Member	5 - 10	5 - 10
Ms Johanna Lloyd (appointed 01/09/2012 to 31/08/2015)	Council Member	0-5 (5-10 full year equivalent)	-
Ms Julia Longville (appointed 01/09/2012 to 31/08/2015)	Council Member	0-5 (5-10 full year equivalent)	-
Ms Janet Kingston (appointed 01/09/2012 to 31/08/2015)	Council Member	0-5 (5-10 full year equivalent)	-
Mr Peter King (appointed 01/09/2012 to 31/08/2015)	Council Member	0-5 (5-10 full year equivalent)	-

* In addition to the salary payment a redundancy payment of £70,000 was made.

Median Remuneration Ratio

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

	2012 / 13	2011 / 12*
Band of Highest Paid Director's Total Remuneration (£ '000)	75 - 80	75 - 80
Median Total Remuneration	17,122	18,504
Ratio	4.5	4.2

The ratio was calculated using the following assumptions:

1. Only salaries for staff paid through the payroll has been used (excludes agency staff as not material),
2. Annualised salary figures are calculated using an appropriate cut-off date for starters and leavers during the year, and
3. Figures have not been adjusted to reflect any apportionment to the Lottery accounts i.e. costs reflect all staff employed by The Sports Council for Wales processed through the payroll.

Total remuneration includes salary but excludes severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The banded remuneration of the highest-paid director in Sport Wales in the financial year 2012/13 was £75,000-80,000 (2011/12 £75,000-80,000). This was 4.5 times (2011/12 4.2 times) the median remuneration of the workforce, which was £17,122 (2011/12 £18,504).

*Restated to exclude severance payments in line with revised HM Treasury guidance.

PENSION SCHEME

Employees of Sport Wales are members of the Cardiff and Vale of Glamorgan Pension Fund (the Fund). The Fund is a defined benefit scheme providing benefits based on final pensionable pay, and its assets are held separately from those of Sport Wales. Any pension built up before April 2008 is calculated at a rate of 1/80th with a lump sum of three times pension. Pension built up from 1 April 2008 is calculated at the rate of 1/60th and there is an option to take an extra lump sum in exchange for pension. The contributions of employees and manual staff are set at 5.5% to 7.5% based on salary range.

Pension Benefits (subject to audit)

Name	Real increase in Pension (and lump sum) at age 65	Total accrued Pension at age 65 at 31 March 2013 (lump sum)	CETV at 31 March 2013	CETV at 31 March 2012	Real Increase/ (Decrease) CETV in Year
	£000	£000	£000	£000	£000
Dr Huw Jones <i>Chief Executive</i>	0 - 2.5 (-2.5 - 0.0)	25 - 30 (65 - 70)	560	525	35
Mr Chris James <i>Corporate Director</i>	0 - 2.5 (-2.5 - 0.0)	10 - 15 (10 - 15)	148	136	7
Mr Randal Hemingway <i>Corporate Director</i>	0 - 2.5 (0.0 - 2.5)	0 - 5 (0 - 5)	2	-	1
Mr Alan Williams <i>Manager Plas Menai Watersports Centre</i>	0 - 2.5 (-2.5 - 0.0)	20 - 25 (45 - 50)	412	385	22
Ms Sarah Powell <i>Corporate Director</i>	0 - 2.5 (-2.5 - 0.0)	10 - 15 (20 - 25)	142	130	8
Mr Malcolm Zaple <i>Manager Sport Wales National Centre</i>	0 - 2.5 (-2.5 - 0.0)	15 - 20 (45 - 50)	340	320	16
Mr Mark Frost <i>Corporate Director</i>	0 - 2.5 (-2.5 - 0.0)	10 - 15 (15 - 20)	171	155	11
Ms Sian Thomas <i>Corporate Director</i>	0 - 2.5 (-2.5 - 0.0)	5 - 10 (0 - 5)	48	39	5

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 figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to Sport Wales's pension scheme.

They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real Increase/(Decrease) in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include 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.

Further information is set out at note 18.

ACCOUNTING OFFICER: S Powell
10 July 2013

STATEMENT OF SPORTS COUNCIL FOR WALES AND CHIEF EXECUTIVE'S RESPONSIBILITIES

For the 2012/13 financial year and until 21 June 2013, Dr H Jones was the Accounting officer for Sport Wales. The relevant responsibilities of the Accounting Officer are set out within this Statement. On 21 June 2013, Sarah Powell, Corporate Director, took on the Accounting Officer responsibilities for Sport Wales.

Under Section 35 (2) - (3) of the National Lottery etc Act 1993, the Sports Council for Wales (Sport Wales) is required to prepare a statement of accounts for the 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 and must show a true and fair view of Sport Wales Lottery Distribution activities at the year end and of its income and expenditure, changes in equity and cash flows for the financial year.

In preparing the accounts the Accounting Officer and Council are required to comply with the requirements of HM Treasury's Financial Reporting Manual and in particular 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 judgments and estimates on a reasonable basis;
- State whether appropriate accounting standards, as set out in HM Treasury's Financial Reporting Manual, 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 fund will continue in operation.

The Principal Accounting Officer for the Welsh Government has designated the Chief Executive as Accounting Officer for Sport Wales. His relevant responsibilities as Accounting Officer for Lottery distribution activities, including his responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Sport Wales's assets, are set out in the Welsh Government's Accounting Officers Memorandum issued by HM Treasury.

ACCOUNTING OFFICER: S Powell
10 July 2013

ANNUAL GOVERNANCE STATEMENT 2012/2013

Introduction

On 21 June 2013, I took on the Accounting Officer responsibility for Sport Wales from Dr H Jones.

The following material has been provided to me by Dr H Jones, to support my consideration of the information that I am required to include within this Annual Governance Statement.

The Governance Statement brings together in one place all disclosures about matters relating to an organisation's governance, risk and control. As Accounting Officer I am personally responsible for the Governance Statement which outlines how I have discharged my responsibility to manage and control the resources of Sport Wales during the course of the year.

As Accounting Officer I have reviewed the 2012 Corporate Governance Code and believe that Sport Wales has fully complied with the relevant elements of the code in respect of both its Exchequer and Lottery functions.

CORPORATE GOVERNANCE

The Board

Corporate Governance is the system by which organisations are directed and controlled. The Board of Sport Wales is responsible for the governance of Sport Wales and the Sports Council for Wales Trust. The Board's role is to satisfy itself that an appropriate governance structure is in place and to scrutinise the performance of the executive and the organisation's delivery of the Sport Wales Vision.

The Sport Wales Board is made up of a Chair, a Vice Chair and up to twelve other members all of whom are appointed by the Welsh Government. The board's composition includes representation from a wide cross section of different sports and members with expertise and experience relevant to both community and elite sport. During the year, the Chair was re-appointed by Welsh Government Minister with responsibility for sport, Huw Lewis AM.

The Board met on five occasions during the year to: review strategies and policies; to receive reports from working group on specific issues; and to receive and scrutinise both performance and financial reports. A Governance Questionnaire completed by board members found that the information provided was considered more than adequate.

Attendances for both the Board and the Audit Committee are shown in the table below.

Board Member	Board Meeting (Number of meetings attended)	Audit Committee (Number of meetings attended)
Prof. L McAllister (Chair)	5	Not Applicable
Adele.Baugmgardt (Vice Chair)	3	Not Applicable
David Roberts	5	Not Applicable
Martin J Warren	4	4
John Baylis	4	3
Richard Cuthbertson	4	3
Andrew Morgan	5	Not Applicable
Simon Pirotte	4	Not Applicable
Paul Thorburn	4	Not Applicable
Alan Watkin	5	4
Julia Longville	3	Not Applicable
Janet Kingston	2	Not Applicable
Johanna Lloyd	3	Not Applicable
Peter King	2	Not Applicable
(External members – Audit Committee only)		
Sandy Blair	Not Applicable	3
Keith Evans	Not Applicable	3
Overall Percentage Attendance rate	88	88

To discharge its responsibilities and to obtain the assurance required that demonstrate good governance practices are in place, the Board has agreed the following governance structure:

- Two permanent committees; The Audit Committee and the Remuneration Committee
- Task and Finish groups approved by the Board (listed below).
- The Executive Management Team and staff structure

Audit Committee

The Board has established an Audit Committee to support it in discharging its responsibilities over issues of risk, internal control and governance by:

- Reviewing the comprehensiveness of current processes, controls, audits and other measures in meeting the assurance needs of the Board and Accounting Officer;
- Reviewing the reliability and integrity of these assurances;
- Providing an opinion on how well the Council and Accounting Officer are supported in decision making and in discharging their accountability obligations (particularly in respect of Financial Reporting).

The Audit Committee consists of four Board members and two external members. The committee met four times during the year and there was an overall member's attendance rate of 88%.

Over the year the committee's areas of focus included (but were not limited to):

- the operation and effectiveness of the risk management review framework;
- internal audit reports covering specific business areas and the annual internal audit report;
- the Annual Report and Accounts and their format;
- observations made by external audit, particularly the annual management letter and the Additional Assurance Report;
- compliance with the Management Statement and Financial Memorandum issued by the Welsh Government as well as compliance with the Lottery Statement of Financial Requirement;
- the Governance Framework document;
- the corporate Social Media Policy; and
- the Gifts and Hospitality Register

The Audit Committee Chair reports back verbally to the Board at every Board meeting. The Board also receives the minutes of the Audit Committee. In addition the Chair presents a formal annual report on the committee's work to the Board.

IT systems ensure that the physical security of data is tightly controlled. In 2012/13 there were no information risk issues or significant control weaknesses to report and the Audit Committee were satisfied that the level of risk was acceptable and managed in an appropriate manner.

Remuneration Committee

The Chief Executive informed the remuneration committee members of his intention to decline any bonus it might offer to him due to the current economic climate. This, combined with the public sector pay freeze, meant that the committee did not meet during 2012/13.

Task and finish groups

Task and finish groups are appointed by the Board as and when required. The groups are made up of Board members appointed by the Chair along with officers of Sport Wales. Their purpose is to provide additional help and advice to the Board within specific themes and they meet on an ad-hoc basis.

During 2012/13 the following task and finish groups were operational:

- The Advocacy group;
- The Local Government Advocacy group;
- The Focus 2014 group; and
- The Performance Management group.
- The Transition group (established to oversee the recruitment of a new Chief Executive)

A Chair is appointed to each task and finish group who then reports back verbally at Board meetings.

The Executive Senior Management Team

The Executive Senior Management Team consists of the Chief Executive (also the Accounting Officer) and four Corporate Directors.

During the year, the Corporate Services Director post was restructured and replaced with a new Corporate Director role with an increased emphasis on maximising Sport Wales commercial potential.

The Executive, under the leadership of the Chief Executive, is responsible to the Board for the development and implementation of strategy and policies and the reporting thereof.

The Executive meets at regular intervals and at least monthly to discuss and agree corporate matters. Progress against the Business Plan is reported and monitored on a quarterly basis.

Board and Committee Effectiveness

Board and Committee effectiveness was reviewed following a survey of members during the September Board away day session.

In the furtherance of being more effective, the Board considered the following:

- Adequacy of time to challenge the executive effectively;
- Striking the right balance between support and challenge;
- The role of the Chair in encouraging constructive debate;
- The decision making process;
- The quality and quantity of information provided;
- The effectiveness of task and finish groups

Although the Board considers the quality of data provided to them to be sufficient to meet their assurance/ decision making needs, quarterly reporting methods will be reviewed during 2013/14 as part of the drive toward continuous improvement. Additionally, during the following financial year, the Vice Chair will be undertaking performance reviews with longstanding members of the Board.

RISK MANAGEMENT

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Sport Wales' 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 at Sport Wales throughout the year ended 31 March 2013 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance. Finally, the system of internal control provides reasonable assurance that Sport Wales has complied with the Lottery financial directions and that adequate processes are in place for the detection of conflicts of interest and to minimise losses of Lottery grants.

Capacity to handle risk

As Accounting Officer I am personally responsible for ensuring that the Sports Council for Wales has an effective risk management process. As an organisation, we monitor key risks through appropriate use of the Risk Register. We have a documented Risk Management Policy that contains definitions relating to risk management and the policy also sets out how we identify, analyse and manage risk.

Corporate risks, and the control measures implemented to mitigate them, are assigned to and managed by the appropriate manager, Corporate Director or in some cases by myself as the Accounting Officer. Operating risks, especially those of the two national centres, are the responsibility of the relevant managers while day to day risk management may be delegated to their subordinates.

New risks can be identified by officers of Sport Wales, the Audit Committee or the Board. When a new risk has been identified, and it is considered to be a significant risk, it is inserted into the Risk Register and assigned to a Corporate Director and / or manager.

The risk and control framework

The risk management strategy defines how risk managed by Sport Wales is identified, assessed and controlled. Business, financial and service delivery risks are derived from organisational objectives and the business planning process of Sport Wales.

During 2012/13 the main component of the risk management strategy was the Risk Register. The Risk Register is an electronic solution that is accessible to relevant managers via an online portal.

The Risk Register records significant corporate risks including risks to information, an overall assessment of likely impact and probability, control measures and where required, a list of future action measures. The Risk Register is reviewed at regular intervals by managers, and reported to the Audit Committee.

During the reporting period the policy of requesting that managers attend audit committee meetings continued to operate. In attending the committees, managers talked through their sections of the Risk Register, with an emphasis on explaining the controls they had in place to prevent manage the risk.

As part of the internal audit programme a number of key areas of risk were identified, which have been evaluated to provide additional assurance during the year. These include: a review of the booking system at Plas Menai; a review of the procurement card system; and a review of the gifts and hospitality register.

Sport Wales risk appetite is low. This is principally driven by the nature of public funding. As a consequence, investment tends to be made through delivery partners such as Local Authorities with a similarly risk averse nature. Where Sport Wales has chosen an innovative or unproven approach or partner, this has been done cautiously through a very modest investment and represents a small risk relative to the overall delivery/portfolio of investments plan. The application of Sport Wales Risk appetite is made via the individual risk assessments of managers and monitored via the internal audit reports presented to the Audit Committee.

No audit findings were classified as being of "high" or "very high" risk. Also, as a result of this review, no new significant additional risks were identified.

Internal Control

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Sport Wales's policies, aims, and objectives. I also have personal responsibility for safeguarding the proceeds from the National Lottery distributed to Sport Wales and Sport Wales's assets, in accordance with the responsibilities assigned to me in Managing Welsh Public Money.

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 both the internal and external auditors and the managers within the Sports Council for Wales 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 via the Audit Committee meetings and I plan to address weaknesses and ensure continuous improvement of the system in place.

The internal audit service of the Sports Council for Wales during 2012/13 was provided by KTS Owens Thomas Ltd, which operated to standards defined in the Government Internal Audit Manual. Internal audit submit regular reports which provide an independent annual opinion on the adequacy and effectiveness of Sport Wales's system of internal control, together with recommendations for improvement.

The Annual Internal Audit Report for the year states "The work we have undertaken during the year has not highlighted any fundamental weaknesses in the organisation's governance and risk management arrangements and we are satisfied that Sport Wales, in general, is aware of the need for, and operates adequate control systems". The report goes on to state " On the basis of the work we have undertaken during the year and the action agreed with managers to resolve some of the weaknesses identified, we believe that Sport Wales can be satisfied that its systems provide the basis for enabling effective financial and management control".

Every year the Audit Committee produces an Annual Report of their work to the Board of Sport Wales. This report identifies any concerns relating to the adequacy of the risk management systems in place at Sport Wales.

On-going Developments

Whilst the current system of internal control is strong, nevertheless there are always areas which will benefit from the implementation of improvements. With this ethos of continuous improvement in mind, controls will be improved during 2013/14 by actioning the following:

- Establishing improved quarterly reporting methods to the Board and Welsh Government focusing on priority Business Plan objectives and Remit Letter requirements;
- Ensuring consistency in style and structure of Departmental business plans to underpin the above;
- Thematic reporting by lead managers on the on the five priority areas set out in the Vision document;
- A focus on improved one-to-one meetings in order to ensure the effectiveness of every member of staff;
- Introduction of 360 degree assessments to underpin the above;
- The development of team role guides to be followed by individual role guides in order to ensure clarity of culture and working practices.
- The introduction of a new on-line grants management system to improve efficiency and effectiveness.

Based on the above assurances from the former Accounting Officer, which I have discussed with him, and from my own review of the matters required to be included within this Governance Statement, I am satisfied that for the 2012/13 financial year a sound governance framework and system of internal control were in place. They supported the achievement of Sport Wales policies, aims and objectives; facilitated effective exercise of Sport Wales' functions; and safeguarded public funds and assets for which the former Accounting Officer was personally responsible. These matters of governance and control are in accordance with the responsibilities that had been assigned to the former Accounting Officer, and now to me, in HM Treasury's Welsh Government Accounting Officers' Memorandum.

ACCOUNTING OFFICER: S Powell
Date:10 July 2013

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT AND THE MEMBERS OF THE NATIONAL ASSEMBLY FOR WALES

I certify that I have audited the financial statements of the Sports Council for Wales Lottery Distribution Account for the year ended 31 March 2013 under the National Lottery etc. Act 1993. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; 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 Council, Chief Executive and auditor

As explained more fully in the Statement of Sports Council for Wales and Chief Executive's Responsibilities, the Sports Council for Wales and the Chief Executive as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the National Lottery etc. Act 1993. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Sports Council for Wales Lottery Distribution Account's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Sports Council for Wales; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Sports Council for Wales Lottery Distribution Account's affairs as at 31 March 2013 and of the net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder with the approval of HM Treasury.

SPORTS COUNCIL FOR WALES – LOTTERY DISTRIBUTION ACCOUNT
STATEMENT OF COMPREHENSIVE NET INCOME
FOR THE YEAR ENDED 31 MARCH 2013

	<u>Notes</u>	<u>2012/2013</u> £000	<u>2011/2012</u> £000
Expenditure			
Grant commitments made in year	3	12,479	7,757
Less Lapsed and revoked commitments	3	(64)	(39)
Staff costs	7	1,513	1,432
Depreciation: owned assets	9	26	24
Other Operating Costs	8	320	336
Olympic Lottery Distribution Fund		909	1,952
Total Expenditure		15,183	11,462
Gross Income			
Proceeds from National Lottery Distribution Fund (NLDF)		17,443	13,598
Investment returns from the NLDF		93	98
Recoveries of grant		19	22
Other Income	8	145	127
Total Income		17,700	13,845
Net Income before interest and taxation		2,517	2,383
Investment Income			
Interest receivable		2	1
Net income before taxation		2,519	2,384
Taxation Payable	6	-	-
Net income after taxation		2,519	2,384
Other Comprehensive Income			
Gain/(Loss) on the revaluation of NLDF investments		21	152
Total Comprehensive income for the year ended 31 March 2013		2,540	2,536
Balance at 1 April		9,872	7,336
Balance at 31 March		12,412	9,872

All recognised gains and losses have been calculated on the historical cost basis and have been reflected in the above statement. All activities are continuing with no acquisitions or disposals.

The notes on pages 30 to 46 form part of these accounts.

SPORTS COUNCIL FOR WALES – LOTTERY DISTRIBUTION ACCOUNT
STATEMENT OF FINANCIAL POSITION

	<u>Notes</u>	<u>31 March</u> <u>2013</u> <u>£000</u>	<u>31 March</u> <u>2012</u> <u>£000</u>
Non Current Assets			
Property, plant and equipment	9	116	122
Current Assets			
Trade receivables and other current assets	10	68	125
Investments-balance held in NLDF		15,587	12,382
Cash and cash equivalents	12	1,482	448
Total Current Assets		<u>17,137</u>	<u>12,955</u>
Total Assets		<u>17,253</u>	<u>13,077</u>
Current Liabilities			
Provision for Hard Grant Commitments	3	(4,313)	(2,910)
Other current liabilities	11	(407)	(208)
Total Current Liabilities		<u>(4,720)</u>	<u>(3,118)</u>
Non Current assets plus Net Current Assets		12,533	9,959
Non Current Liabilities			
Provision for Hard Grant Commitments	3	(121)	(87)
Assets less Liabilities		<u>12,412</u>	<u>9,872</u>
Reserves:			
Income and Expenditure Reserve		<u>12,412</u>	<u>9,872</u>
		<u>12,412</u>	<u>9,872</u>

The notes on pages 30 to 46 form part of these accounts.

ACCOUNTING OFFICER: S Powell
10 July 2013

SPORTS COUNCIL FOR WALES LOTTERY DISTRIBUTION ACCOUNT
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MARCH 2013

	<u>Notes</u>	<u>2012/2013</u> £000	<u>2011/2012</u> £000
<u>Operating Activities</u>			
Cash drawn down from NLDF		13,420	11,400
Other income		159	147
Grant payments		(10,670)	(10,073)
Cash paid to and on behalf of employees		(1,617)	(1,552)
Other operating costs		(246)	(404)
Net cash inflow/(outflow) from operating activities	13	1,046	(482)
<u>Investing Activities</u>			
Interest received		2	1
<u>Financing Activities</u>			
Purchase of property, plant & equipment		(20)	(43)
Loan repayments		6	6
<u>Taxation</u>			
Corporation tax paid		-	-
Net cash inflow/(outflow) for the year	12	1,034	(518)

The notes on pages 30 to 46 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE SPORTS COUNCIL FOR WALES LOTTERY DISTRIBUTION ACCOUNT FOR THE YEAR ENDED 31 MARCH 2013

	<u>Balances held In NLDF £000</u>	<u>Balances held at SCW £000</u>	<u>Total 2012/2013 £000</u>
Balance at 1 April	12,382	(2,510)	9,872
Changes in Taxpayers' Equity 2012/13			
Income from the National Lottery	17,443	-	17,443
Drawn down in year by Sport Wales	(13,420)	13,420	-
Investment returns	93	2	95
Other Operating Income	-	145	145
Recoveries of grants	-	19	19
Income in year	(23)	(14,251)	(14,274)
Olympic Lottery Distribution Fund	(909)	-	(909)
Gain on revaluation	21	-	21
	<hr/>	<hr/>	<hr/>
Balance at 31 March	<u>15,587</u>	<u>(3,175)</u>	<u>12,412</u>

2011/12 COMPARATIVES

	<u>Balances held In NLDF £000</u>	<u>Balances held at SCW £000</u>	<u>Total 2011/2012 £000</u>
Balance at 1 April	11,928	(4,592)	7,336
Changes in Taxpayers' Equity 2011/12			
Income from the National Lottery	13,598	-	13,598
Drawn down in year by Sport Wales	(11,400)	11,400	-
Investment returns	98	1	99
Other Operating Income	-	127	127
Recoveries of grants	-	22	22
Income in year	(42)	(9,468)	(9,510)
Olympic Lottery Distribution Fund	(1,952)	-	(1,952)
Gain on revaluation	152	-	152
Balance at 31 March	<u>12,382</u>	<u>(2,510)</u>	<u>9,872</u>

The notes on pages 30 to 46 form part of these accounts.

SPORTS COUNCIL FOR WALES – LOTTERY DISTRIBUTION ACCOUNT
NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31 MARCH 2013

1. ACCOUNTING POLICIES

1.1 Basis of Accounting

The accounts have been prepared under the historical cost convention, modified by the valuation of Property, Plant and Equipment by reference to current costs, in accordance with the directions given by the Secretary of State for Culture, Media and Sport with the consent of Treasury in accordance with Section 35 of the National Lottery etc Act 1993 (as amended). A copy of the accounts direction can be obtained by request in writing to Sports Council of Wales (Sport Wales), Sophia Gardens, Cardiff, CF11 9SW. Without limiting the information given, the accounts meet the requirements of the Companies Act 2006 and are prepared in accordance with IFRS issued by the International Accounting Standards Board so far as these requirements are appropriate.

Separate accounts have been prepared for the activities funded from grant-in-aid, in accordance with the directions issued by the Welsh Ministers. There is no requirement for this account to be consolidated with Sport Wales's accounts.

The accounts have been prepared on a going concern basis. Sport Wales is required to account for long term grant commitments which fall due for payment in subsequent accounting periods, which are funded by future lottery proceeds.

1.2 Income from the National Lottery Distribution Fund

The distributing activities of Sport Wales's Lottery function are funded by allotted proceeds from the National Lottery. These are held in a fund administered by the Department for Culture, Media and Sport, and are available to be drawn-down into Sport Wales's Lottery bank accounts when needed.

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 such balances attributable to Sport Wales is shown in the accounts at market value and, at the Statement of Financial Position date, has been certified by the Secretary of State for Culture, Media and Sport as being available for distribution by Sport Wales in respect of current and future commitments.

The balance held at 31 March 2013 at the NLDF, is unaudited as the audit of the Fund is incomplete. Any adjustment arising from that audit will be reflected in the 2013/14 accounts and is not expected to be material.

In February 2008 a statutory instrument (SI 2008 No. 255 The Payments into the Olympic Lottery Distribution Fund etc. Order 2008) was passed which allowed for the transfer of up to £1,085m from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund in order to meet some of the costs of hosting the 2012 games.

This comprises £410 million as originally envisaged when the Government decided to support London's Olympic bid in 2003, and a proposed further £675 million arising from the subsequent budget review.

Sport Wales was committed to contribute up to £3,196,000 in the original bid and this order allows for the transfer of up to a further £4,058,000.

The first transfer of funds took place on 2 February 2009 amounting to £488,118. Sport Wales made a further payment during 2010/11 totalling £1,952,000 followed by another payment of £1,952,000 during 2011/12 and a payment of £909,370 during 2012/13

1.3 **Property, Plant and Equipment**

Sport Wales capitalise any property, plant and equipment over £500 used exclusively in the administration of the Lottery function and the equipment is included in the statement of financial position at historic cost less a provision for depreciation. In the opinion of Sport Wales, there is no material difference between the historic and current cost net book value of these assets.

1.4 **Depreciation**

Depreciation is provided on a straight line basis on all property, plant and equipment having regard to their estimated useful lives and anticipated residual values. The average asset lives used for this purpose are as follows:

Equipment - Computers	3 years
Equipment - Other	3 - 10 years

The policy of Sport Wales is to depreciate assets from the month following acquisition.

1.5 **Pension Costs**

Contributions to the pension schemes are charged to the Statement of Comprehensive Net Income so as to spread the cost of pensions over employees' working lives with Sport Wales. The application of the requirements of IAS 19 does not apply to the Lottery accounts as contracts of employment are held by Sports Wales.

1.6 **Allocation of Costs**

The apportionment of staffing and indirect costs transferred from Sport Wales to the Lottery account is calculated on the following basis:

1.6.1

Staff costs are recharged to Lottery according to the time they spend in carrying out Lottery activities. Where staff are identified as being employed 100% for Lottery purposes their costs are recharged in full. Where staff work, or provide a service to both lottery and exchequer schemes, their costs are recharged in proportion to the amount of time spent on Lottery work.

1.6.2

Non staff costs are recharged either on the basis of the floor area occupied by Lottery staff, or where no floor area data is available or considered appropriate, costs are apportioned based upon total Lottery staff time expressed as a percentage of total staff time.

1.6.3

Council Members remuneration and travelling expenses are apportioned on a 50/50 basis.

1.7 Policy for Grant Commitments

Hard commitments are analogous to a commitment arising from a legally binding contract, carrying with it an obligation on the distributor to pay the agreed Lottery grant provided only that all the conditions of grant are met, and the National Lottery continues to operate. A hard commitment arises when a firm offer of a grant from the National Lottery proceeds has been made by Sport Wales and accepted in writing by the recipient. A firm offer will be made if there is a reasonable expectation that conditions attached to the offer will be met. Hard commitments are charged to the Statement of Comprehensive Net Income in the year that the grant recipient accepts the grant offer.

A soft commitment occurs when there is agreement by one of the decision making officers or panels to fund a grant scheme and a formal offer is made to the applicant body. Whilst a formal offer has been made to the applicant body, the offer and associated conditions have yet to be accepted. Since soft commitments are still to be accepted by grant recipients and do not represent a firm commitment no charge is made to the Statement of Comprehensive Net Income. Instead soft commitments are disclosed by way of note as potential liabilities and are transferred to hard commitments (and therefore charge to the SCNI) when the offers are accepted by the recipient.

1.8 Other income

Relates to income generated from UK Sport for the use of Sport Wales's assets and facilities.

1.9 Use of Estimates and Judgements

The preparation of the financial statements requires Sport Wales to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

Information about significant areas of estimation and critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:-

Note 1.6.1 Staff costs are recharged to Lottery according to the time they spend in carrying out Lottery activities, see note 1.6.1 for further details.

1.10 Financial Instruments

1.10.1

Financial Assets

Trade receivables and other current assets do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Cash and cash equivalents comprise cash in hand, short-term deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

1.10.2

Financial Liabilities

Trade Payables and other current liabilities are not interest bearing and are stated at their nominal value.

1.10.3

Borrowings

Non-interest-bearing borrowings receivable are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, non interest-bearing borrowings are stated at amortised cost with any differences between cost and redemption value being recognised in the income statement over the period of the borrowings at an effective interest rate of 3.5%.

1.11 Segmental reporting

Sport Wales's management reporting for Lottery provides information relating to the distribution of Lottery grants. Sport Wales is of the opinion that the disclosure requirements of IFRS 8 Operating Segments, is not applicable to these Lottery Distribution Accounts.

2. REVENUE GRANTS PAID IN THE YEAR

Programme	<u>2012/2013</u> £000	<u>2011/2012</u> £000
Elite Cymru	2,189	447
Coach Cymru	2,413	2,360
Disability Sport	590	630
Community Chest	2,144	1,576
Talent Cymru	14	470
	<u>7,350</u>	<u>5,483</u>

Community Chest includes an amount of £64,706 (2011/12 £67,591) paid in respect of administration costs of local authorities who administer the grant scheme at local level.

3. HARD COMMITMENTS

	<u>Capital</u> <u>£000</u>	<u>Revenue</u> <u>£000</u>	<u>2012/2013</u> <u>Total</u> <u>£000</u>	<u>2011/2012</u> <u>Total</u> <u>£000</u>
Hard commitments as at 1 April	502	2,495	2,997	5,593
Hard commitments met in the year	(3,628)	(7,350)	(10,978)	(10,314)
Hard commitments not taken up	(30)	(34)	(64)	(39)
Hard commitments made in the year	2,999	7,575	10,574	7,647
Soft commitments transferred to hard commitments	934	971	1,905	110
Grant commitments made in year	3,933	8,546	12,479	7,757
Movement in year	275	1,162	1,437	(2,596)
Hard commitments as at 31 March	777	3,657	4,434	2,997
Analysed as:				
Hard commitments due within one year	656	3657	4,313	2,910
Hard commitments due after one year	121	-	121	87
			<u>2012/2013</u> <u>£000</u>	<u>2011/2012</u> <u>£000</u>
Amounts due during 2012/13 Financial Year			-	2,910
Amounts due during 2013/14 Financial Year			4,313	21
Amounts due during 2014/15 Financial Year			121	66
Amounts due during 2015/16 Financial Year			-	-
Amounts due during 2016/17 Financial Year			-	-
Amounts due after 5 years			-	-
Hard commitments carried forward as at 31 March			4,434	2,997

	<u>2012/2013</u> £000	<u>2011/2012</u> £000
Intra-government balances		
Balances with other central government bodies	-	2
Balance with local authorities	26	186
	<u>26</u>	<u>188</u>
Balance with bodies external to government	4,408	2,809
	<u>4,434</u>	<u>2,997</u>

4. SOFT COMMITMENTS

	<u>2012/2013</u> £000	<u>2011/2012</u> £000
Soft commitments at 1 April	1,995	112
Soft commitments transferred to hard commitments	(1,905)	(110)
Soft commitments not taken up	(65)	(2)
Soft commitments made	1,020	1,995
Soft commitments at 31 March	<u>1,045</u>	<u>1,995</u>

5. CAPITAL COMMITMENTS

At 31 March 2013, the Lottery account had no contractual commitments for capital and Property, Plant and Equipment (2011/2012 Nil).

6. TAXATION PAYABLE

	<u>2012/2013</u> £000	<u>2011/2012</u> £000
Tax payable on interest received at 20% (2011/2012 20%)	<u>-</u>	<u>-</u>

7. STAFF NUMBERS AND RELATED COSTS

The staff costs figure shown in the Net Expenditure Account is an apportionment of costs incurred by Sport Wales and is arrived at as follows:

	Average No. Of full time equivalent staff Involved		<u>2012/2013</u> £000	<u>2011/2012</u> £000
	2012/13	2011/12		
<u>Gross salary costs</u>				
Chair L McAllister (see note below *)			18	18
Chief Executive	0.25	0.25	19	19
Other Staff	32.22	28.95	1,476	1,395
			<u>1,513</u>	<u>1,432</u>
Salaries and Wages			1,221	1,165
Social Security costs			82	66
Other Pension costs			210	201
			<u>1,513</u>	<u>1,432</u>

Redundancy costs for the year have been met in full by and reflected in the accounts for the Sports Council for Wales. There are no redundancy costs included in these financial statements.

Staff costs are further analysed as follows:

	<u>2012/2013</u> £000	<u>2011/2012</u> £000
Administration	807	1,065
Sports Science Support to Athletes	706	367
	<u>1,513</u>	<u>1,432</u>

* The average number of staff employed are all permanent contract staff. The Chair is appointed to work 2 days per week and spends 50 per cent of that time on lottery activities

8. OTHER OPERATING COSTS AND OTHER INCOME

COSTS	<u>2012/2013</u> £000	<u>2011/2012</u> £000
Direct Costs	133	105
Accommodation	35	35
Audit Fee	19	18
Recharges for Sports Wales Services	133	178
	<u>320</u>	<u>336</u>
INCOME	<u>2012/2013</u> £000	<u>2011/2012</u> £000
UK Sport Grant	145	127
Other	-	-
	<u>145</u>	<u>127</u>

9. PROPERTY, PLANT AND EQUIPMENT

	Equipment £000	Total £000
Cost or Valuation at 1 April 2011	149	149
Additions	43	43
Disposals	-	-
At 31 March 2012	<u>192</u>	<u>192</u>
Depreciation at 1 April 2011	(46)	(46)
Charge for the year	(24)	(24)
Disposals	-	-
At 31 March 2012	<u>(70)</u>	<u>(70)</u>
Net Book Value at 31 March 2012	<u>122</u>	<u>122</u>
Net Book Value at 31 March 2011	<u>103</u>	<u>103</u>

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Equipment £000	Total £000
Cost or Valuation at 1 April 2012	192	192
Additions	20	20
Disposals	-	-
At 31 March 2013	<u>212</u>	<u>212</u>
Depreciation at 1 April 2012	(70)	(70)
Charge for the year	(26)	(26)
Disposals		
At 31 March 2013	<u>(96)</u>	<u>(96)</u>
Net Book Value at 31 March 2013	<u>116</u>	<u>116</u>
Net Book Value at 31 March 2012	<u>122</u>	<u>122</u>

10. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	<u>31 March</u> <u>2013</u> £000	<u>31 March</u> <u>2012</u> £000
Due within 1 Year		
Other receivables and prepayments	43	94
Due within more than 1 Year		
Other receivables and prepayments	25	31
Total	<u>68</u>	<u>125</u>

Included in other receivables and prepayments is £32,000 (2011/2012 £38,000) in respect of an interest free capital loan made over a 10 year period.

	<u>31 March</u> <u>2013</u> £000	<u>31 March</u> <u>2012</u> £000
Intra-government balances		
Balances with other central government bodies	-	-
Balance with local authorities	36	88
	36	88
Balance with bodies external to government	32	37
	<u>68</u>	<u>125</u>

Grants repayable had arisen due to a number of reasons, including under spends against amounts awarded and failures by recipients to comply in full with the conditions of grant

11. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	<u>31 March</u> <u>2013</u> £000	<u>31 March</u> <u>2012</u> £000
Sport Wales	388	184
Accruals	19	24
	<u>407</u>	<u>208</u>

	<u>31 March</u> <u>2013</u> £000	<u>31 March</u> <u>2012</u> £000
Intra-government balances		
Balances with other central government bodies	388	184
Balance with local authorities	-	-
	388	184
Balance with bodies external to government	19	24
	<u>407</u>	<u>208</u>

12 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	<u>1 April</u> <u>2012</u> <u>£000</u>	<u>Cash Flow</u> <u>£000</u>	<u>31 March</u> <u>2013</u> <u>£000</u>
Cash and cash equivalents	448	1,034	1,482

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

	<u>2012/2013</u> <u>£000</u>	<u>2011/2012</u> <u>£000</u>
Net income before interest and taxation	2,538	2,320
Decrease in other receivables	51	5
Increase/(Decrease) in other payables	1,636	(2,377)
(Increase) in NLDF	(3,205)	(454)
Depreciation of property, plant & equipment	26	24
Net cash inflow/(outflow) from operating activities	<u>1,046</u>	<u>(482)</u>

14 RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET FUNDS

	<u>2012/2013</u> <u>£000</u>	<u>2011/2012</u> <u>£000</u>
Increase/(Decrease) in cash and cash equivalents	1,034	(518)
Movement in liquid resources – NLDF balance	<u>3,205</u>	<u>454</u>
Increase/(Decrease) in net funds	4,239	(64)
Net funds brought forward	<u>12,830</u>	<u>12,894</u>
Net funds carried forward	<u>17,069</u>	<u>12,830</u>

15. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2012 and 31 March 2013

16. FINANCIAL INSTRUMENTS

International Financial Reporting Standard 7 : Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks Sport Wales's Lottery function faces in undertaking its role.

Liquidity Risks

In 2012/13, £17,443,000 or 98.5% of income derived from the National Lottery (2011/12: £13,598,000 or 98.2%). Of the remaining income, £93,000 or 0.5%, derived from investment returns from the balance held with the National Lottery Distribution Fund, (2011/12: £98,000 or 0.7%), and £164,000 or 1.0% from bank interest and sundry income (2011/12: £149,000 or 1.1%). Sport Wales does not consider that its Lottery fund is exposed to any significant liquidity risk, and are satisfied that the balance within the NLDF and projected future Lottery proceeds are sufficient to meet its hard commitments.

Interest Rate Risks

The financial assets of the Lottery are invested in the National Lottery Distribution Fund, which invests in a narrow band of low risk assets such as government bonds and cash. Sport Wales has no control over the investment of Funds in the National Lottery Distribution Fund. Cash balances which are drawn down from the Fund to pay grant commitments and operating costs are held in an instant access variable rate bank account which on average carried an interest rate of 0.50% (2011/12 0.50%) in the year. The cash balance at the year-end was £1,482,000 (2011/12: £448,000). Sport Wales considers that its Lottery function is not exposed to significant interest rate risks. Included in receivables (note 10) is £32,000 (2011/12 £38,000) which relates to an interest free loan. If interest had been charged at a treasury rate of 3.5% then £1,330 (2011/12 3.5% £1,575) would have been charged as interest in these accounts.

Foreign Currency Risk

The Lottery function of Sport Wales is not exposed to any foreign exchange risks.

17. RELATED PARTY TRANSACTIONS

The Lottery operations of Sport Wales are funded from the National Lottery Fund through the Department for Culture, Media and Sport. The Department is regarded as a related party. In addition, the Lottery paid grants during the year to a number of organisations in which members and senior staff declared an interest and which are considered material.

Member's Panel	Body	Grant Payment/ (Income) in Year £000	Nature of link	Hard Grant Commitments not yet met
S Thomas Corporate Director	FAW Football in the Community Ltd	33	Partner Trustee Welsh Football Trust	45
S Thomas Corporate Director	FAW Football Development Centre Ltd	625	Partner Trustee Welsh Football Trust	125
A Williams Manager Plas Menai Watersports Centre	Welsh Yachting Assoc	117	Coach and member Royal Yachting Assoc Daughters coach/ one employed for RYA	186
A Williams Manager Plas Menai Watersports Centre	The Outdoor Partnership	40	Member of Executive for North Wales Outdoor Partnership	65
A Williams Manager Plas Menai Watersports Centre	Welsh Cycling Union	528	Member British Cycling	538
A Williams Manager Plas Menai Watersports Centre	Welsh Canoeing Assoc	68	Member Canoe Wales	166
M Frost Corporate Director	Cricket Board of Wales	100	Former Director Cricket Board of Wales	50

Member's Panel	Body	Grant Payment/ (Income) in Year £000	Nature of link	Hard Grant Commitments not yet met
M Frost Corporate Director	Cardiff City Council	92	Wife employee Cardiff City Council	2
S Powell Corporate Director	Welsh Hockey Union	186	Subscribing member of Welsh Hockey Union	243
S Powell Corporate Director	Cardiff Hockey Forum	-	Subscribing member of Welsh Hockey Union	1
Dr H Jones Chief Executive	Sports Aid Cymru Wales	15	Member of Sports Aid Cymru Golf Society	-
J Lloyd Council Member	Welsh Netball Assoc	71	Mother Employee Welsh Netball Assoc	43
J Lloyd Council Member	Rhondda Cynon Taff CBC	140	Sister employee Rhondda Cynon Taff CBC	-
J Lloyd Council Member	Badminton Wales	48	Sister coach Badminton Wales	-
J Lloyd Council Member	Welsh Rugby Union	10	Father match official Welsh Rugby Union	-
J Longville Council Member	Pembrokeshire CC	44	Consultant West Consortia PE School Sport	-
J Longville Council Member	Powys CC	68	Consultant West Consortia PE School Sport	-
J Longville Council Member	Neath & Port Talbot CC	23	Consultant West Consortia PE School Sport	-

Member's Panel	Body	Grant Payment/ (Income) in Year £000	Nature of link	Hard Grant Commitments not yet met
J Longville Council Member	City & County of Swansea	70	Consultant West Consortia PE School Sport	4
J Longville Council Member	Ceredigion CC	53	Consultant West Consortia PE School Sport	-
J Longville Council Member	Welsh Netball Assoc	71	Former Director and coach Welsh Netball Assoc	43
J Longville Council Member	Athletics Assoc of Wales	552	Son athlete of Athletes Assoc of Wales	571
P King Council Member	Welsh Cycling Union	528	Executive Director British Cycling	538
Prof L McAllister Chair	FAW Football in the Community Ltd	33	Board Director and Trustee Welsh Football Trust	45
Prof L McAllister Chair	FAW Football Development Centre Ltd	625	Board Director and Trustee Welsh Football Trust	125
Prof L McAllister Chair	Bangor University	7	Honorary Degree	-
Prof L McAllister Chair	UK Sport	(145)	Board Member	-
Prof J Baylis Council Member	University Union Cardiff	7	Daughter employee Cardiff University	2
A Morgan Council Member	Golf Union of Wales	106	Former Chair Golf Union of Wales	42
A Morgan Council Member	Athletics Assoc. of Wales	552	Member of Cardiff Athletic Club	571
P Thorburn Council Member	Welsh Rugby Union	10	President of South Gower RFC (links to WRU)	-
P Thorburn Council Member	Welsh Cycling Union	528	Daughter cycles for Welsh Cycling Union	538

Member's Panel	Body	Grant Payment/ (Income) in Year £000	Nature of link	Hard Grant Commitments not yet met
P Thorburn Council Member	Welsh Canoeing Assoc	68	Chair-Steering Group for World Cup 2012 Welsh Canoeing Assoc	166
P Thorburn Council Member	University Union Cardiff	7	Chairman Welsh Varsity (Swansea and Cardiff)	2
A Watkin Council Member	Welsh Hockey Union	186	Chair Hockey Wales (North Wales)	243
A Watkin Council Member	Tennis Wales	15	Director Tennis Wales	7
A Watkin Council Member	Wrexham CBC	149	Former employee Wrexham CBC	4
D L Roberts Council Member	Welsh Gymnastics Ltd	464	Partner CEO Welsh Gymnastics Ltd	525

Remuneration of Senior Managers and Council Members

Senior Managers and Council Members are considered to be the Directors and their remuneration is disclosed within the Remuneration Reports on pages 10 to 13.

18. PENSIONS

Pension costs for Sport Wales for 2012/13 amounted to £920,000 (2011/12 £1,110,000) representing 21.5% (2011/12 21.5%) of pensionable pay and advanced contributions in respect of early retirement costs. From 2013/14, the rate will be 21.5%. Contributions to the Fund have been determined by an independent qualified actuary. The latest triennial valuation of the Fund was carried out as at 31 March 2010.

Sport Wales expects to contribute £960,000 to the fund in 2013/14. In addition to this "strain on fund" contributions may be required.

Pension costs are apportioned to Lottery on the same basis as the staff costs allocation per note 1.6.1.

As the employer, Sport Wales share of the net pension assets/liabilities, together with its accounting for pension funds in line with International Accounting Standard (IAS) 19 (Employee Benefits) have been recognised in the consolidated financial statements for the Sports Council for Wales and Sports Council for Wales Trust. No apportionment of the net pension assets/liabilities has been made to the Lottery accounts. Full disclosure is set out in the Sport Wales consolidated financial statements which are publicly available.

19. EVENTS AFTER THE REPORTING PERIOD

Dr H Jones, Accounting Officer retires on 30 September 2013. As part of the transitional arrangement, Sarah Powell, Corporate Director became Accounting Officer from 21 June 2013.