

Prepared pursuant to Section 26(1) of the National Lottery etc. Act 1993, (as amended by the National Lottery Act 1998)

Sports Council for Wales National Lottery Distribution Account 2007-2008

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Annual Report

Foreword

History and 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 the Council in performing its Lottery functions are carried out pursuant to the account directions issued by the Secretary of State for Wales, 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 and the panels established by the Sports Council to assist in distributing Lottery funds to good causes in Wales.

The Sports Council for Wales is managed by a Council of up to 14 members including a Chair and Vice Chair. The name of the Council Chief Executive and the names of the Council members who served throughout the year are listed below.

Mr Phil Carling **	(Chair)
Prof. L McAllister ***	(Vice Chair)
Councillor K Evans *** (retired 31 March 2008)	
Mr Robert Harris	
Mr H Meredydd*	
Mrs A Baumgardt	
Mr R Palmer*	
Mrs C Gittoes (retired 31 March 2008)	
Mr C Thomas (retired 31 March 2008)	
Mr P H Thomas * (retired 31 March 2008)	
Ms S Williams (retired 31 March 2008)	
Mr D R Turner (Co-opted)*	
Dr H Jones	(Chief Executive)

* Member of the Audit committee

** Member of the Remuneration committee

Members of the lottery panels

The Council's Royal Charter allows it to appoint committees or panels to exercise any of its functions. For the purposes of Lottery administration, the Sports Council for Wales have appointed two panels (2006-2007 six panels), which are each chaired by members of the Council.

The Community Investment Panel considers all applications for capital projects costing above £10,000. The National Excellence Panel considers applications from individuals for revenue funding to elite athletes.

The panel members are listed below

National excellence

- * Mr Richard Palmer – Chair
- * Ms Laura McAllister – Vice Chair
- * Mr Keith Evans
- * Ms Sue Williams
- Miss Anne Ellis OBE
- Mr Robert Turner

Community investment

- * Mrs Christine Gittoes – Chair
- * Mr Robert Harris – Vice Chair
- Mr Paul Hinder
- Ms Heidi Bennet
- Mrs Sarah Jane Powell
- Mr Aled Roberts
- Mr Paul Gardner
- Mr Will Beer
- Ms Lois Hilling
- Mr Haydn Ames
- Mr Graham Cater

*Member of The Sports Council for Wales

Pension scheme

Employees of the Sports Council 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 the Sports Council for Wales. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. The contributions of employees are set at 6 per cent (or 5 per cent for manual staff, who joined the scheme before October 1998).

Declarations of interest

Other than as shown below, none of the members or senior staff of the Sports Council for Wales have declared any interests in organisations which provide, or may seek to provide, commercial services to the Council. Relevant interests of a non-commercial nature relating to members of Lottery panels are disclosed in Note 15 of these accounts.

Council member, Councillor Keith Evans, is the owner of Fedwen Tentage Ltd. Councillor Evans is also a director of Wales Ryder Cup 2010 Ltd, a representative role carried out on behalf of the Sports Council for Wales. Similarly, Mr Graham Davies, the Council's Director of Performance and Excellence, also acts as a director of Wales Ryder Cup 2010 Ltd.

Statement on disclosure of relevant audit information

- a As far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware, and
- b 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.

Management Commentary

Performance and development during the year

Capital grants

The fund's principal activities are aimed at increasing participation and improving performance in sport and physical recreation. The Sports Council for 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 grant payments totalling £3,377,000 (2006-2007: £3,614,000) were made during the year. The amount provided in the accounts for hard commitments (signed contracts) relating to capital grants fell by £2,329,000 in 2007-2008 compared to an increase in 2006-2007 of £435,000.

As previously forecasted, few new capital schemes were supported during the year as a result of the decline in the funds available. The ability to fund capital projects is likely to remain, at best minimal, until 2013 due to the transfer of £7.254 million between 2009 and 2012 in support of the 2012 London Olympics.

Revenue grants

In April 1996 the National Lottery directions were amended to allow revenue funding.

Revenue grants paid during the financial year totalled £5,093,000 (2006-2007 £4,178,000) and a description of the main schemes follows.

Dragon Sport continues to maintain its good performance with 94 per cent of eligible primary schools involved in the scheme. 140,000 children participated in the year.

The Community Chest programme contributed to the local development of sport through the 22 unitary panels across Wales. In 2007-2008 1,450 awards were made.

UK Sport is now fully responsible for the elite sport performance system in the UK. To date 85 Welsh athletes are on the World Class programme. 75 per cent of Elite Cymru athletes (in non-Olympic/Paralympic sports) are retained on the scheme, above the target of 70 per cent.

Disability Sport continued to support the development of sport for people with disabilities. During 2007-2008 Disability Sport Wales continued to make significant progress and has provided opportunities for people to participate; establishing new clubs and its membership base, and has recruited and developed coaches and volunteers. There are currently 356 clubs, 6,044 members and 5,220 volunteers. The number of participatory opportunities offered over the 2007-2008 year was 287,690.

Financial results

The increase in funds after taking account of costs incurred for the financial year amounted to £4,090,000 (2006-2007 increase £2,659,000). This has been transferred to reserves. An additional capital element of funding amounting to £25,000 was transferred to the government grant reserve.

The balance sheet for 2007-2008 shows a total net asset figure of £4,345,000 (2006-2007: £234,000).

Movement on lottery balance to 31 March 2008

The Council aims to maintain its balance held with the National Lottery Distribution Fund at as low a level as possible consistent with ongoing commitments. The following table highlights the progress made in reducing the Lottery balance over the year

Balance at 1 April 2007 (£000)	Income Received (Net) (£000)	Money Drawn Down From NLDF (£000)	Balance at 31 March 2008 (£000)
10,562	9,746	(10,873)	9,435

The table shows a reduction in balance held of £1.127 million, compared to a reduction of £1.188 million in the previous financial year.

Creditor payment policy

The Sports Council for Wales complies with the Better Payment Code and has a policy of paying creditor accounts within 30 days of receipt of agreed invoices following the supply of goods or services. All variation to this procedure must be agreed in writing. Analysis of payments made during the year reveals that 98 per cent by number (2006-2007: 97 per cent) of settlements were within the agreed terms. No interest was incurred by the Council during the year as a result of late payments.

Remuneration Report

In accordance with Chapter 7 of the Financial Reporting manual the Council 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 the Council Members and Senior Staff. The figures within this Remuneration Report have been audited.

Name	Title	Salary 2007-2008	Salary 2006-2007	Real increase in Pension at age 65	Total accrued Pension age 65 at 31 March 2008	CETV at 31 March 2008	CETV at 31 March 2007	Real Increase CETV in Year
		£000	£000	£000	£000	£000	£000	£000
P Carling	Chair	50 – 55	45 – 50	–	–	–	–	–
Dr H Jones	Chief Executive	70 – 75	70 – 75	0 – 2.5	17.5 – 20	303	273	15
G Davies	Director of Operations	65 – 70	60 – 65	0 – 2.5	15 – 17.5	497	462	14
S Butlin left 31 August 2007	Director of Participation & Physical Activity	50 – 55	60 – 65	–	–	–	359	–
C James	Director of Corporate Services	60 – 65	55 – 60	0 – 2.5	2.5 – 5	57	37	14
H Tolley left 31 August 2007	Acting Director of Participation & Physical Activity (1-30 April 2007)	35 – 40	55 – 60	–	–	–	401	–

The salary of the Chairman comprised a gross salary of £50,736 (2006-2007: £49,488) with no taxable benefits paid in the year. The salary earnings of the Chief Executive comprised a gross salary of £67,512 (2006-2007: £65,868) and a non-consolidated bonus for the year of £4,750 (2006-2007: £4,634), with no taxable benefits accruing in this financial year. A proportion of the Senior Management salary costs are allocated to lottery. During the year senior management posts were reorganised resulting in the merger of Director of Operations post with the Director of Participation and Physical Activity post. As a consequence redundancy payments of £33,372 were made to the Director of Participation and Physical Activity and £27,372 to the Acting Director, these payments are excluded from the salary bandings shown. Assembly approval was given.

The Chairman is contracted to work three days per week and has a three year contract. The other members of the Council receive a flat fee of £271 (2006-2007: £264) per month except for the Vice Chair who is remunerated at a daily rate of £298 (2006-2007: £290) and works one day per week. The Chairman is not a member of the pension scheme.

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

Remuneration policy

The Chair, Vice Chair and members of the Council are paid in accordance with the Welsh Assembly Government's 'Remuneration and expenses of Chairs and Members of ASPBs and NHS Bodies' policy.

The senior managers of the Council are employed on terms and conditions analogous to the Welsh Assembly Government. 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 Assembly Government. The performance bonus is determined by the Remuneration Committee which consists of the Council Chair, Vice Chair and Chair of the Audit Committee supported by the Council'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 Assembly Government's pay remit process.

Dr H G Jones
Accounting Officer

16 July 2008

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

Under Section 35 (2) – (3) of the National Lottery etc Act 1993, the Sports Council for 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 Wales with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the Sports Council for Wales Lottery distribution activities at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the Council is required to

- Observe the accounts direction issued by the Secretary of State, 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 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 Assembly has designated the Chief Executive as Accounting Officer for the Council. His relevant responsibilities as Accounting Officer for Lottery distribution activities, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officers Memorandum issued by the Treasury and published in Managing Public Money.

Statement on Internal Control

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Council 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 the Council for the year ended 31 March 2008 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 the Council 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.

The Council continued during the year to review, and where necessary, implement actions that will further enhance the internal controls currently operating. This review process resulted in the design and implementation of an electronic risk register followed by a half day training session for key managers in risk awareness and how to use the risk register.

The Council's Risk Register was frequently updated during the year and was reviewed periodically by the senior management team, departmental managers, internal audit and the audit committee.

As a result of the risk management process, and also in response to concerns about the security of personal data, a new corporate risk relating to personal data has been added to the risk register and assigned to a number of managers. Each manager, to whom the risk has been assigned, has since updated the controls that their respective departments have in place to ensure personal data is properly used and protected.

The Council's audit committee not only reviews the Risk Register, but also reviews management procedures for risk assessment and the high level controls in place to moderate business risk. In particular, it examines

- the strategic objectives of the Council and the appropriateness of risks;
- the operation of the risk management review framework;
- internal audit reports and the annual internal audit report;
- the Annual Report and accounts;
- observations made by external audit, particularly the annual management letter and the Additional Assurance Report; and
- compliance with the Management Statement and Financial Memorandum issued by the Welsh Assembly Government as well as compliance with the Lottery Statement of Financial Requirement.

The internal audit service of the Sports Council for Wales during 2007-2008 was provided by KTS Owens Thomas, which operated to standards defined in the Government Internal Audit Manual. Internal audit submit regular reports which include the Head of Internal Audit's independent annual opinion on the adequacy and effectiveness of the Council's system of internal control, together with recommendations for improvement.

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 with 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 Council and the Audit Committee, and a plan to address weaknesses and ensure continuous improvements of the system is in place.

Dr H G Jones
Accounting Officer

16 July 2008

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and 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 2008 under the National Lottery etc Act 1993 (as amended). These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement 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 being audited.

Respective responsibilities of the Council, Chief Executive and Auditor

The Council and Chief Executive are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the National Lottery etc Act 1993 (as amended) and the Secretary of State for Wales directions made thereunder 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 and the part of the remuneration report to be audited 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 National Lottery etc Act 1993 (as amended) and the Secretary of State for Wales directions made thereunder. I report to you whether, in my opinion, the information which comprises the Foreword and the Management Commentary, included in the Annual 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. This information comprises the unaudited part of the Remuneration Report. 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 opinions

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.

Opinions

In my opinion

- the financial statements give a true and fair view, in accordance with the National Lottery etc Act 1993 (as amended) and directions made thereunder by the Secretary of State for Wales, of the state of the Sports Council for Wales National Lottery Distribution Account's affairs as at 31 March 2008 and of its increase 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 the National Lottery etc Act 1993 (as amended) and the Secretary of State for Wales' directions made thereunder; and
- information which comprises the Foreword and the Management Commentary, included within the Annual Report, is consistent with the financial statements.

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.

T J Burr
Comptroller and Auditor General

21 July 2008

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Income and Expenditure Account for the year ended 31 March 2008

	Notes	2007-2008 £000	2006-2007 £000
Gross Income			
Proceeds from National Lottery Distribution Fund (NLDF)	2	9,069	9,086
Investment returns from the NLDF	2	728	416
Interest receivable	2	49	42
Recoveries of grant	2	46	333
Release of deferred grant	2	4	1
Total Income		9,896	9,878
Expenditure			
Capital grants paid in the year	4	3,377	3,614
Revenue grants paid in the year	3,4	5,093	4,178
Change in provision for Hard Grant Commitments	4	(4,991)	(2,692)
Staff costs	8	1,741	1,581
Depreciation: owned assets	17	4	1
Other operating costs	9	572	529
Total Expenditure		5,796	7,211
Increase in funds before taxation		4,100	2,667
Taxation payable	7	(10)	(8)
Increase in funds after taxation		4,090	2,659
Increase in funds for the year		4,090	2,659
Balance at 1 April		211	(2,448)
Balance at 31 March		4,301	211

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.

The notes on pages 17 to 23 form part of these accounts.

Balance Sheet Account as at 31 March 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible fixed assets	17	44	23
Current assets			
Debtors	12	12	337
Investments-balance held in NLDF	2	9,435	10,562
Cash at bank and in hand	11	1,417	762
		10,864	11,661
Creditors: amounts falling due within one year			
Provision for Hard Grant Commitments	4	(6,165)	(7,486)
Other Creditors	10	(379)	(276)
		(6,544)	(7,762)
Net current assets			
		4,320	3,899
Creditors: amounts falling due after more than one year			
Provision for Hard Grant Commitments falling due after one year	4	(19)	(3,688)
Total assets less liabilities			
		4,345	234
Financed by			
Income and Expenditure Reserve	2	4,301	211
Government Grant Reserve	2	44	23
		4,345	234

The notes on pages 17 to 23 form part of these accounts.

Dr H G Jones
Accounting Officer

16 July 2008

Cash Flow Statement for the year ended 31 March 2008

Reconciliation of movement in funds to net cash (outflow)/inflow for the year

	2007-2008	2006-2007
	£000	£000
Increase in funds for the year	4,090	2,659
Depreciation of tangible fixed assets	4	1
Deferred grant transfer	(4)	(1)
(Increase)/decrease in debtors	325	(330)
Decrease in balance held at NLDF	1,127	1,188
(Decrease) in creditors	(4,887)	(2,789)
Interest received	(49)	(42)
Tax paid	10	8
NLDF Funding	25	24
Net cash inflow for the year	641	718

Cashflow Statement

	Notes	2007-2008	2006-2007
		£000	£000
Net cash inflow for the year		641	718
Returns on investments and servicing of finance	2	49	42
Tax paid		(10)	(8)
Capital Expenditure and Financial Investment	17	(25)	(24)
Increase in cash	11	655	728
Increase in cash at bank and in hand		655	728
(Decrease) in the balance held in the NLDF		(1,127)	(1,188)
Net Funds as at 1 April		11,324	11,784
Net Funds as at 31 March		10,852	11,324

The notes on pages 17 to 23 form part of these accounts.

Notes to the Accounts for the year ended 31 March 2008

1 Accounting policies

1.1 Basis of accounting

The accounts have been prepared under the historical cost convention, modified by the valuation of fixed assets by reference to current costs, in accordance with the directions given by the Secretary of State for Wales with the consent of Treasury. Without limiting the information given, the accounts meet the requirements of the Companies Act 1985 and the Accounting Standards issued or adopted by the 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 Secretary of State for Wales. There is no requirement for this account to be consolidated with the Council's accounts.

The account has been prepared on a going concern basis. The Council 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 Funding

The distributing activities of the Council's Lottery function are funded by allotted proceeds from the National Lottery. These are held in a fund administered by the Department of Culture, Media and Sport, and are available to be drawn-down into the Council'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 these balances attributable to the Council is as shown in their accounts and, at the balance sheet date, has been certified by the Secretary of State for Culture, Media and Sport in respect of current and future commitments.

1.3 Tangible fixed assets

The Sports Council for Wales capitalise any fixed assets over £500 used exclusively in the administration of the Lottery function and include such fixed assets at cost, subject to annual valuation, less accumulated depreciation.

1.4 Depreciation

Depreciation is provided on a straight line basis on all tangible fixed assets 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 the council is to depreciate assets from the month following acquisition.

1.5 Pension costs

Contributions to the pension schemes are charged to the Income and Expenditure Account so as to spread the cost of pensions over employees' working lives with the Sports Council for Wales. The application of the requirements of FRS17 does not apply to the Lottery accounts as contracts of employment are held by the Sports Council for Wales.

1.6 Allocation of costs

The apportionment of staffing and indirect costs transferred from the Sports Council for 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 per cent 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 traveling expenses is 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. For capital grants soft commitments change to a hard commitment as soon as the applicant returns a signed copy of the contract offer having complied with any special conditions incorporated in the contract.

2 Reconciliation of movement of funds

Income and Expenditure Reserve

	Balances held In NLDF £000	Balances held at SCW £000	Total 2007-2008 £000	Total 2006-2007 £000
Income from the National Lottery	9,094	0	9,094	9,110
Transfer to Government Grant Reserve	0	(25)	(25)	(24)
Drawdown in year by the Council	(10,873)	10,873	0	0
Investment Returns	728	49	777	458
Recoveries of Grants	0	46	46	333
Expenditure in year	(76)	(5,720)	(5,796)	(7,211)
Taxation Charge	0	(10)	(10)	(8)
Release of Government Grant	0	4	4	1
Total increase / (decrease) in funds	(1,127)	5,217	4,090	2,659
Balance at 1 April	10,562	(10,351)	211	(2,448)
Balance at 31 March	9,435	(5,134)	4,301	211
Market Value as at 31 March 2008	9,456			
Cost as at 31 March 2008	9,435			

The balance held at 31 March 2008 at the NLDF, which has been included on the balance sheet at cost, due to it not being significantly different to market value, is unaudited as the audit of the Fund is incomplete. Any adjustment arising from that audit will be reflected in the 2008-2009 accounts and is not expected to be material.

Government Grant Reserve

	£000
Balance at 1 April 2007	23
Transfer to Government Grant Reserve	25
Transfer to Income and Expenditure Account	(4)
Balance at 31 March 2008	<u>44</u>

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.

The Sports Council for Wales was committed to contribute up to £3.196 million in the original bid and this order allows for the transfer of up to a further £4.058 million. The first transfer of funds is expected to take place on or after 1 February 2009 when the Sports Council for Wales will contribute up to £0.488 million.

3 Revenue grants paid in the year

Programme	2007-2008 £000	2006-2007 £000
Elite Cymru	305	624
Coach Cymru	1,153	970
Dragon Sport	1,871	965
Disability Sport	378	438
Community Chest	1,285	1,033
Women and Girls	0	148
Talent Support	101	0
	<u>5,093</u>	<u>4,178</u>

Community Chest includes an amount of £58,000 (2006-2007: £58,000) paid in respect of administration costs of local authorities who administer the grant scheme at local level.

4 Hard commitments

	Capital £000	2007-2008 Revenue £000	Total £000	2006-2007 Total £000
Provision for hard commitments 1 April	6,956	4,218	11,174	13,868
Hard commitments met in the year	(3,377)	(5,093)	(8,470)	(7,792)
Hard commitments not taken up	(111)	(1,064)	(1,175)	(87)
Hard commitments made in the year	667	2,464	3,131	1,039
*Soft commitments transferred to hard commitments	491	1,032	1,523	4,148
Movement in year	(2,330)	(2,661)	(4,991)	(2,692)
Rounding adjustment	1	0	1	(2)
Provision for hard commitments 31 March	4,627	1,557	6,184	11,174
Analysed as				
Provision for items falling due within one year	4,608	1,557	6,165	7,486
Provision for hard commitments due after one year	19	0	19	3,688

Hard Commitments

A hard commitment is analogous to a commitment arising from a legally binding contract. For capital grants soft commitment changes to a hard commitment as soon as the applicant returns a signed copy of the contract offer having complied with any special conditions incorporated in the contract.

5 Soft commitments

	2007-2008 £000	2006-2007 £000
Soft commitments at 1 April	2,087	4,298
*Soft commitments transferred to hard commitments	(1,523)	(3,727)
Soft commitments not taken up	(31)	0
Soft commitments made	2,965	1,516
Soft commitments at 31 March	3,498	2,087

A soft commitment occurs when there is agreement by one of the decision making panels to fund a capital scheme and a formal offer made to the applicant body. In addition to the above, approvals in principle totalling a further £900,000 (2006-2007: £593,000) had been made at 31 March 2008. These arose in respect of projects where a decision making panel had indicated to the respective applicant that they could proceed with preparation of a detailed business case in support of funding.

6 Capital commitments

At 31 March 2008, the Lottery account had no contractual commitments for capital fixed asset expenditure (2006-2007: Nil).

7 Taxation payable

	2007-2008 £000	2006-2007 £000
Tax payable on interest received at 20% (2006-2007: 19%)	10	8

8 Staff costs

The staff costs figure shown in the Income and Expenditure account is an apportionment of costs incurred by the Sports Council for Wales and is arrived at as follows:

	Average No. of staff involved	2007-2008 £000	2006-2007 £000
Gross salary costs			
Chairman P Carling	1	12	12
Chief Executive	1	19	19
Other Staff	114	1,710	1,550
(2006-2007)	106	1,741	1,581
Salaries and wages		1,498	1,360
Social Security costs		87	79
Other Pension costs		156	142
		1,741	1,581

The average number of staff (full time equivalent) employed on lottery distribution was 45 (2006-2007: 47).

Staff costs are further analysed as follows

	2007-2008 £000	2006-2007 £000
Administration	1,379	1,267
Sports Science Support to Athletes	362	314
	1,741	1,581

9 Other operating costs

	2007-2008 £000	2006-2007 £000
Direct costs	323	294
Accommodation	41	44
Consultants	18	11
Travel and subsistence and hospitality	15	17
Audit Fee	16	16
Recharges for Sports Council for Wales Services	159	147
	572	529

10 Creditors (amounts falling due within One year)

	2007-2008 £000	2006-2007 £000
Sports Council for Wales	353	253
Taxation Payable	10	8
Accruals	16	15
	379	276

11 Analysis of changes in cash

	1 April 2007 £000	Cash Flow £000	31 March 2008 £000
Cash at Bank and in hand	<u>762</u>	<u>655</u>	<u>1,417</u>

12 Debtors

As at 31 March 2008, the Council was pursuing recovery of grant amounts totalling approximately £12,000 (2006-2007: £337,000). These had arisen due to a number of reasons, including underspends against amounts awarded and failures by recipients to comply in full with the conditions of grant.

13 Contingent liabilities

There were no contingent liabilities at 31 March 2008 (2006-2007: Nil).

14 Financial instruments

Financial Reporting Standard 13 : Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks the Council's Lottery function faces in undertaking its role.

Liquidity risks

In 2007-2008, £9,069,000 or 92 per cent of Lottery income derived from the National Lottery (2006-2007: £9,086,000 or 92 per cent). Of the remaining income, £728,000 or 7.0 per cent, derived from investment returns from the balance held with the National Lottery Distribution Fund, (2006-2007: £416,000 or 4.2 per cent), and £95,000 or 1 per cent from bank interest and sundry income (2006-2007: £375,000 or 3.8 per cent). The Sports Council for 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. The Sports Council for 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 0.18 per cent in the year. The cash balance at the year end was £1,417,000. The Sports Council for Wales considers that its Lottery function is not exposed to significant interest rate risks.

Foreign currency risk

The Lottery function of the Council is not exposed to any foreign exchange risks.

15 Related party transactions

The Lottery operations of the Sports Council for Wales are funded from the National Lottery Fund through the Department of Culture, Media and Sport. The Department is regarded as a related party. In addition, the Lottery paid capital grants during the year to a number of organisations in which panel members declared an interest and which are considered material. Having declared an interest panel members are required to leave the meeting while the relevant application is discussed and a decision made.

Panel Member	Body	Aggregate Amount £000	Nature of Link
Mr Aled Roberts	Ynys Mon County Council	£194	Employee
Miss Heidi Bennett	Bridgend C.B.C	£509	Employee
Miss Anne Ellis MBE	City & County of Swansea	£215	Non Exec Chair
Mrs Sarah Powell	Golf Union of Wales	£59	Tutor
Mr Richard Hendicott	Golf Union of Wales	£59	Member
Ms Sue Williams	Squash Wales	£77	Member
Ms Lois Hilling	Welsh Yachting Assoc	£85	Husband Member of Association
Ms Sue Williams	Youth Justice Board	£194	Employee

16 Pensions

The pension costs for the Sports Council For Wales for 2007-2008 amounted to £1,246,000, (2006-2007: £783,000) representing 324 per cent (2006-2007: 298 per cent) of employees' contributions and advanced contributions of £292,000 in respect of the early retirement costs following the redundancy of two senior staff. 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 2007 and the actuary's report was prepared in accordance with Guidance Note GN9 issued by the Institute and Faculty of Actuaries, current at the valuation date, to the extent that it applies to the Local Government Pension Scheme. Full disclosure under FRS17 'Retirement Benefits' are set out in the Sports Council For Wales consolidated financial statements which are publicly available.

17 Tangible fixed assets

	Equipment	Total
Cost or Valuation at 1 April 2007	24	24
Additions	25	25
Disposals	–	–
At 31 March 2008	49	49
Depreciation at 1 April 2007	(1)	(1)
Charge for the year	(4)	(4)
Disposals	–	–
At 31 March 2008	(5)	(5)
Net Book Value at 31 March 2008	44	44
Net Book Value at 31 March 2007	23	23

18 Post balance sheet events

The Accounting Officer authorised these financial statements for issue on 21 July 2008.

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