

Presented pursuant to National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998)  
section 26(1) and section 26(3)

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# Sports Council for Wales Lottery Distribution Accounts 2005-2006

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 24 JULY 2006

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# Annual Report

## History and statutory background

The National Lottery 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. In November 1994, the Council launched the Lottery Fund for Sport in Wales through the creation of a separate and distinct identity: SPORTLOT. All work related to the Lottery is integrated into the Council's operation. The duties of SPORTLOT 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 Act (1993) and the Statement of Financial Requirements issued under Section 26(3) of the Act. A copy of the Accounts Direction is available for inspection at the Sports Council's offices at Sophia Gardens, Cardiff.

## 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 Chairperson 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)
Miss A Ellis MBE **	(Vice Chair)
Mr D Davies (retired 31 March 2006)	
Mr L Davies MBE (retired 31 March 2006)	
Councillor K Evans **	
Mrs C Gittoes	
Dr Nicola Bolton	
Mr Bob Lowe *	
Mr C Thomas	
Mr P H Thomas *	
Ms S Williams	
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 six panels, which are each chaired by members of the Council.

The National Panel considers all applications for capital projects costing above £250,000 as well as projects of national significance. The regional panels consider applications for all other capital projects.

The National Excellence Panel considers applications from individuals and Governing Bodies for revenue funding.

The panel members are listed below

### **National Excellence**

Mr Lynn Davies MBE – Chair (retired 31 March 2006)\*  
 Miss Anne Ellis OBE – Vice-Chair\*\*  
 Mr Dave Haller  
 Mr Tudor Williams  
 Mr Jim Munkley  
 Mrs Kelly Morgan MBE  
 Mr Steve James  
 Mr Berwyn Price  
 \*Mr Robert Turner  
 Mr Ron Jones

### **South East**

Dr Nicola Bolton – Chair\*  
 Mr Clive Thomas – Vice Chair\*  
 Ms Gillian Dale  
 Mr Mark Shephard  
 Mr John Pearse  
 Mr Dave Phenis  
 Mr Lynn Phillips  
 Dr Olinga Taeed  
 Mr Andrew Schofield  
 Mr Rod Morris  
 Ms Kerry Morgan  
 Ms Sandra Davies  
 Mr Malcolm Stammers  
 Mr David Phillips  
 Ms Helen Phillips

### **South West**

Mr Huw Thomas – Chair\*  
 Miss Anne Ellis OBE – Vice-Chair\*  
 Ms Wendy Walters  
 Ms Shana Thomas  
 Mr Andrew Thomas  
 Cllr Robert Lewis  
 Mr Jonathan Roberts  
 Mr Berwyn Price

### **North**

Mr Bob Lowe – Chair\*  
 Miss Anne Ellis OBE – Vice Chair\*  
 Mr Mel Higham  
 Ms Anna Marie Brown  
 Ms Marianne Jackson  
 Mr David Lloyd

Ms Victoria Burrows  
 Ms Denise Hampson  
 Mr Paul Airey  
 Dr Wyn Morgan  
 Mr Bruce Learner  
 Mr John Harvey-Robertson  
 Mr Mike Hornby  
 Mr David James  
 Ms Sally Lloyd-Davies

### **Active Young People**

Mr David Davies – Chair (retired 31 March 2006)\*  
 Ms Sue Williams – Vice Chair\*  
 Mr Karl Napierella  
 Mr Allan Caughter  
 Mr Peter Gomer  
 Ms Nalda Wainwright

Ms Enid Christie

Ms Efa Grufudd Jones

Ms Pru Davis-James

Mr Gwilym Williams

Ms Sian Sanders  
 Mr Owen Hayward  
 Ms Lynette Harries  
 Mr Steve Williams  
 Mr Tony Peters  
 Ms Angela Powell

### **Community Investment**

Mrs Chris Gittoes – Chair\*  
 Dr Niki Bolton – Vice Chair\*  
 Ms Lois Hilling  
 Ms Heidi Bennett  
 Mr Graham Cater  
 Mr Paul Gardner  
 Mr Paul Hinder  
 Mr Haydn Ames  
 Mr Aled Roberts  
 Ms Sarah Powell  
 Mr Will Beer

\* Member of The Sports Council 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 not 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 £6,943,000 (2004-2005 £11,714,000) were made during the year. The amount provided in the accounts for hard commitments (signed contracts) relating to capital grants fell by £3.8 million in 2005-2006 compared to a rise in 2004-2005 of £1.4 million.

As previously forecasted, few new capital schemes were supported during the year as a result of the decline in the funds available. In all only 20 applications were received during the year, resulting in only 17 new awards. The future inability of the Council to fund major capital schemes is disappointing given the need for that investment has not diminished.

### Revenue grants

In April 1996 the National Lottery directions were amended to allow revenue funding. The revised directions specifically required the Sports Council for Wales to take account of

- 1 the desirability of developing talents and skills, particularly of young people;
- 2 funding major international sporting events.

Revenue grants paid during the financial year totalled £4,610,000 (2004-2005 £4,935,000) and a description of the main schemes follows.

Dragon Sport again performed well and exceeded its targets. Through the Dragon Sport scheme 731 (target 500) teachers were trained to deliver Dragon Sport as were 986 parents and volunteers (target 600). The target to establish Dragon Sport in 90 community clubs was exceeded by 5 and resources were produced to start rolling out golf as part of the Dragon Sport scheme.

The Community Chest programme contributed to the local development of sport through the 22 unitary panels across Wales. In 2005-2006 1,081 awards were made and it was particularly pleasing to see that the scheme was still delivering a high percentage of women and girls benefiting from the scheme. For the first six months of the year awards made that benefited female participation was approaching 50 per cent of all awards.

The Elite Cymru scheme, which was the first revenue scheme introduced during the 1997-1998 financial year, continues to support talented sports men and women. In all 122 talented sports people were supported during the year and 37 athletes were supported in meeting the criteria for inclusion in UK World Class Performance Plans. The success and support offered to talented athletes is complemented by the provision of the Athlete Career and Education Programme which delivered 15 personal development workshops during 2005-2006.

## Financial results

The increase in funds after taking account of costs incurred for the financial year amounted to £467,000 (2004-2005 decrease £5,649,000). This has been transferred to reserves.

The balance sheet again shows a negative total asset figure of £2.448 million pounds. However this does not impact upon the financial stability of the Council because the negative total asset figure has been produced because of following accepted, conservative, accounting practices. Whilst the Council has to account for over £6 million pounds of contracted payments to be made over the coming years, it cannot account for the future year's income which will be used, in part, to meet these future obligations.

### Movement on Sportlot balance to 31 March 2006

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 SPORTLOT balance over the year

Balance at 1 April 2005 £000	Income received (Net) £000	Money drawn down from NLDF £000	Balance at 31 March 2006 £000
13,478	13,704	(15,432)	11,750

The table shows a reduction in balance held of £1.728 million, compared to a reduction of £7.993 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 90 per cent (2004-2005 98 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.

Name	Title	Remuneration £000	Real increase in pension at age 65 £000	Total accrued pension at age 65 at 31 March 2006 £000	Cash equivalent transfer values at 31 March 2006 £000
Philip Carling	Chair	40 – 45	0	0	0
Dr Huw Jones	Chief Executive	65 – 70	0 – 2.5	15 – 17.5	248
Graham Davies	Director of Performance and Excellence	60 – 65	2.5 – 5.00	12.5 – 15	439
Sara Butlin	Director of Participation and Physical Activity seconded to the Welsh Assembly Government	60 – 65	0 – 2.5	7.5 – 10	331
Brian Goffee	Director of Corporate Development redundant 28 February 2006	60 – 65	0 – 2.5	7.5 – 10	81
Chris James	Director of Corporate Services	50 – 55	0 – 2.5	0 – 2.5	28
Howard Tolley	Acting Director of Participation and Physical Activity	50 – 55	0 – 2.5	5 – 7.5	384

The salary of the Chairman comprised a gross salary of £43,680 (2004-2005 £38,436) with no taxable benefits paid in the year. The salary earnings of the Chief Executive comprised a gross salary of £64,256 (2004-2005 £62,688) and a non-consolidated bonus for the year of £4,822 (2004-2005 £4,580), with no taxable benefits accruing in this financial year. He has Accounting Officer responsibility for lottery matters and 23 per cent (2004-2005 23 per cent) of his remuneration was recharged to the lottery distribution account. Other senior staff receive a gross salary only.

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 £256 per month except for the Vice Chair who is remunerated at a daily rate of £282.

During the year the senior management posts were reorganised resulting in the merger of the Director of Corporate Development post with the Head of Finance post. As a consequence of this reorganisation a redundancy payment of £31,811 was made to the Director of Corporate Development. Assembly approval was given.

### Remuneration policy

The Chair, Vice Chair and members of the Council are paid in accordance with the National Assembly'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 National Assembly. 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 National Assembly. 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 National Assembly's pay remit process.

*Dr H G Jones*  
Accounting Officer

20 July 2006

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

Under Section 35 (2) – (3) of the National Lottery 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 judgements 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 Non-Departmental Public Bodies' Accounting Officers Memorandum issued by the Treasury and published in Government Accounting.

## 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 Government Accounting.

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 2006 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 following changes

- the frequency of audit committee meetings was increased from three to four meetings per year;
- audit committee members received a full day's training advising them on the role and responsibilities of committee members; and
- a 'certificate of assurance' process was established. This process required each manager who has been assigned responsibility for a risk or risks within the Risk Register to sign a bi-annual certificate of assurance confirming that stated controls were in place and have been reviewed during the financial year.

The Council's Risk Register was frequently updated during the year and was reviewed periodically by the senior management team, a departmental management risk group, internal audit and the audit committee. Looking ahead, it is the intention of the Council to further enhance the quality of the Risk Register by arranging a "risk workshop" training session for the departmental management risk group.

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 National Assembly as well as compliance with the Lottery Statement of Financial Requirement.

The internal audit service of the Sports Council for Wales during 2005-2006 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, 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

20 July 2006

# 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 SPORTLOT for the year ended 31 March 2006 under the National Lottery Act 1993. 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.

## 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 Act 1993 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 Council's and Chief Executive's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery Act 1993 and the Secretary of State for Wales directions made thereunder. 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. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if SPORTLOT 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 relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 10 and 11 reflect SPORTLOT's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of SPORTLOT'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 other information comprises only Directors' Report, the Management Commentary, and 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 opinion

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

## Opinion

In my opinion

- the financial statements give a true and fair view, in accordance with the National Lottery Act 1993 and directions made thereunder by the Secretary of State for Wales, of the state of SPORTLOT's affairs as at 31 March 2006 and of its surplus 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 Act 1993 and Secretary of State for Wales directions made thereunder; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

24 July 2006

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## Income And Expenditure Account for the year ended 31 March 2006

	Notes	2005-2006 £000	2004-2005 £000
<b>Gross income</b>			
Proceeds from National Lottery Distribution Fund (NLDF)	2	<b>10,431</b>	10,210
Investment returns from the NLDF	2	<b>565</b>	722
Interest receivable	2	<b>35</b>	34
Recoveries of grant	2	<b>23</b>	139
<b>Total income</b>		<b>11,054</b>	11,105
<b>Expenditure</b>			
Capital grants paid in the year	4	<b>6,943</b>	11,714
Revenue grants paid in the year	3, 4	<b>4,610</b>	4,935
Change in provision for hard grant commitments	4	<b>(2,938)</b>	(1,648)
Staff costs	8	<b>1,395</b>	1,314
Other operating costs	9	<b>570</b>	432
<b>Total expenditure</b>		<b>10,580</b>	16,747
<b>Increase/(decrease) in funds before taxation</b>		<b>474</b>	(5,642)
Taxation payable	7	<b>(7)</b>	(7)
<b>Increase/(decrease) in funds after taxation</b>		<b>467</b>	(5,649)
<b>Increase/(decrease) in funds for the year</b>		<b>467</b>	(5,649)
Balance at 1 April		<b>(2,915)</b>	2,734
Balance at 31 March		<b>(2,448)</b>	(2,915)

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 2006

	Notes	2006 £000	2005 £000
<b>Current assets</b>			
Debtors	12	7	134
Investments-balance held in NLDF	2	11,750	13,478
Cash at bank and in hand	11	34	356
		<u>11,791</u>	<u>13,968</u>
<b>Creditors: amounts falling due within one year</b>			
Provision for hard grant commitments	4	(7,763)	(13,527)
Other creditors	10	(371)	(78)
		<u>(8,134)</u>	<u>(13,605)</u>
<b>Net current assets</b>		<b>3,657</b>	363
<b>Creditors: amounts falling due after more than one year</b>			
Provision for hard grant commitments falling due after one year	4	(6,105)	(3,278)
<b>Total assets less liabilities</b>		<b>(2,448)</b>	<u>(2,915)</u>
<b>Financed by</b>			
Income and Expenditure account	2	<u>(2,448)</u>	<u>(2,915)</u>

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

Dr HG Jones  
Accounting Officer:

20 July 2006

## Cash Flow Statement for the year ended 31 March 2006

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

	<b>2005-2006</b>	2004-2005
	<b>£000</b>	£000
Increase/(decrease) in funds for the year	<b>439</b>	(5,676)
Decrease/(increase) in debtors	<b>127</b>	(126)
Decrease in balance held at NLDF	<b>1,728</b>	7,993
(Decrease) in creditors	<b>(2,644)</b>	(1,862)
<b>Net cash (outflow)/inflow for the year</b>	<b>(350)</b>	329

### Cashflow Statement

	Notes	<b>2005-2006</b>	2004-2005
		<b>£000</b>	£000
Net cash (outflow)/inflow for the year		<b>(350)</b>	329
Returns on investments and servicing of finance	2	<b>35</b>	34
Tax paid		<b>(7)</b>	(7)
<b>(Decrease)/increase in cash</b>	11	<b>(322)</b>	356
		<b>2005-2006</b>	2003-2004
		<b>£000</b>	£000
(Decrease)/increase in cash at bank and in hand		<b>(322)</b>	356
(Decrease) in the balance held in the NLDF		<b>(1,728)</b>	(7,993)
Net funds as at 1 April		<b>13,834</b>	21,471
Net funds as at 31 March		<b>11,784</b>	13,834

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

# Notes to the accounts for the year ended 31 March 2006

## 1 Accounting policies

### *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.

### *Funding*

The distributing activities of SPORTLOT 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 SPORTLOT 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 SPORTLOT 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. Balances quoted are the lower of cost or market value.

### *Tangible fixed assets*

The Sports Council for Wales capitalise any fixed assets used exclusively in the administration of SPORTLOT and include such fixed assets at cost, subject to annual valuation, less accumulated depreciation. As at 31 March 2006 no such assets were held by SPORTLOT.

### *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.

### *Allocation of costs*

The apportionment of staffing and indirect costs transferred from the Sports Council for Wales to SPORTLOT is calculated on the following basis

- staff costs are recharged to SPORTLOT according to the time they spend in carrying out SPORTLOT 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 SPORTLOT work;
- non staff costs are recharged either on the basis of the floor area occupied by SPORTLOT staff, or where no floor area data is available or considered appropriate, costs are apportioned based upon total SPORTLOT staff time expressed as a percentage of total staff time; and
- Council Members remuneration and travelling expenses are apportioned on a 50/50 basis.

**2 Reconciliation of movement of funds**

	Balances held In NLDF £000	Balances held at SPORTLOT £000	<b>Total 2005-2006 £000</b>	Total 2004-2005 £000
Net income from the National Lottery	10,431	0	<b>10,431</b>	10,210
Drawdown in year by SPORTLOT	(12,662)	12,662	<b>0</b>	0
Investment returns	565	35	<b>600</b>	756
Recoveries of grants	0	23	<b>23</b>	139
Expenditure in year	(62)	(10,518)	<b>(10,580)</b>	(16,747)
Taxation charge	0	(7)	<b>(7)</b>	(7)
Total increase/(decrease) in funds	(1,728)	2,195	<b>467</b>	(5,649)
Balance at 1 April	13,478	(16,393)	<b>(2,915)</b>	2,734
Balance at 31 March	11,750	(14,198)	<b>(2,448)</b>	(2,915)
Market value as at 31 March	11,750	13,478		
Cost as at 31 March	11,830	13,529		

The balance held at 31 March 2006 at the NLDF, which has been included on the balance sheet at the lower of cost and market value, is unaudited as the audit of the Fund is incomplete. Any adjustment arising from that audit will be reflected in the 2006-2007 accounts and is not expected to be material. No adjustment has been required to the 31 March 2005 balance reported in last year's accounts.

**3 Expenditure on revenue grant schemes**

Programme	<b>2005-2006 £000</b>	2004-2005 £000
Elite Cymru	<b>842</b>	865
Coach Cymru	<b>1,095</b>	1,140
Dragon Sport	<b>994</b>	1,049
Disability Sport	<b>496</b>	304
Community Chest	<b>845</b>	909
Women and Girls	<b>338</b>	225
Contributions to UK Sport	<b>0</b>	443
	<b>4,610</b>	4,935

Community Chest includes an amount of £58,000 (2004-2005 £47,000) paid in respect of administration costs of local authorities who administer the grant scheme at local level.

**4 Hard commitments**

	Capital £000	<b>2005-2006 Revenue £000</b>	Total £000	2004-2005 Total £000
Provision for hard commitments 1 April	10,295	<b>6,510</b>	16,805	18,453
Hard commitments met in the year	(6,943)	<b>(4,610)</b>	(11,553)	(16,649)
Hard commitments not taken up	(12)	<b>0</b>	(12)	(121)
Revenue commitments made in the year	0	<b>5,445</b>	5,445	4,718
Soft commitments transferred to hard commitments*	3,183	<b>0</b>	3,183	10,404
Movement in year	(3,772)	<b>835</b>	(2,937)	(1,648)
Provision for hard commitments 31 March	6,523	<b>7,345</b>	13,868	16,805
<i>Analysed as</i>				
Provision for items falling due within one year	4,973	<b>2,790</b>	7,763	13,527
Provision for hard commitments due after one year	1,550	<b>4,555</b>	6,105	3,278

*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**

	<b>2005-2006 £000</b>	2004-2005 £000
Soft commitments at 1 April	<b>3,836</b>	11,004
*Soft commitments transferred to hard commitments	<b>(2,610)</b>	(8,997)
Soft commitments not taken up	<b>0</b>	(2,007)
Soft commitments made	<b>3,072</b>	3,836
Soft commitments at 31 March	<b>4,298</b>	3,836

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 £821,000 (2004-2005 £3,513,000) had been made at 31 March 2006. 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.

\* Soft commitments transferred £3,183,000 includes £2,610,000 brought forward from 2004-2005 and new commitments of £573,000 for 2005-2006.

**6 Capital commitments**

At 31 March 2006, SPORTLOT had no contractual commitments for capital expenditure.

**7 Taxation payable**

	<b>2005-2006 £000</b>	2004-2005 £000
Tax payable on interest received at 19 per cent	<b>7</b>	7

**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 is arrived at as follows

	Average number of staff involved		<b>2005-2006</b> <b>£000</b>	2004-2005 £000
<b>Gross salary costs</b>				
Chairman P Carling	1	23%	<b>12</b>	11
Chief Executive	1	23%	<b>19</b>	15
Other staff	118	44%	<b>1,364</b>	1,288
			<b>1,395</b>	1,314
Salaries and wages			<b>1,200</b>	1,130
Social security costs			<b>70</b>	66
Other pension costs			<b>125</b>	118
			<b>1,395</b>	1,314

Staff costs are further analysed as follows

	<b>£000</b>	£000
Administration	<b>1,117</b>	1,055
Sports Science Support to Athletes	<b>278</b>	259
	<b>1,395</b>	1,314

**9 Other operating costs**

	<b>2005-2006</b> <b>£000</b>	2004-2005 £000
Direct costs	<b>323</b>	200
Accommodation	<b>46</b>	41
Consultants	<b>30</b>	6
Travel and subsistence and hospitality	<b>14</b>	19
Audit fee	<b>15</b>	15
Recharges for Sports Council for Wales services	<b>142</b>	151
	<b>570</b>	432

**10 Creditors (amounts falling due within one year)**

	<b>2005-2006</b> <b>£000</b>	2004-2005 £000
Sports Council for Wales	<b>349</b>	56
Taxation Payable	<b>7</b>	7
Accruals	<b>15</b>	15
	<b>371</b>	78

**11 Analysis of changes in cash**

	1 April 2005 £000	Cash flow £000	31 March 2006 £000
Cash at bank and in hand	356	(322)	<b>34</b>

**12 Grant recoveries**

As at 31 March 2006, the Council was pursuing recovery of grant amounts totalling approximately £7,000. 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 2006.

**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 SPORTLOT faces in undertaking its role.

*Liquidity risks*

In 2005-2006, £10,431,000 or 94.5 per cent of SPORTLOT's income derived from the National Lottery (2004-2005: £10,210,000 or 92 per cent). Of the remaining income, £565,000 or five per cent, derived from investment returns from the balance held with the National Lottery Distribution Fund, (2004-2005: £722,000 or 6.5 per cent), and £58,000 or 0.5 per cent from bank interest and sundry income (2004-2005 : £173,000 or 1.5 per cent).. The Sports Council for Wales does not consider that SPORTLOT 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 SPORTLOT hard commitments.

*Interest rate risks*

The financial assets of SPORTLOT 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 0.1 per cent in the year. The cash balance at the year end was £34,000. The Sports Council for Wales considers that SPORTLOT is not exposed to significant interest rate risks.

*Foreign currency risk*

SPORTLOT is not exposed to any foreign exchange risks.

**15 Declarartions of interest**

The SPORTLOT 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, SPORTLOT 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.

<b>Panel member</b>	<b>Body</b>	<b>Aggregate amount £000</b>	<b>Nature of Link</b>
Mr Aled Roberts	Anglesey County Council	£764	Employee
Miss Lynette Harries	Athletics Association of Wales	£109	Chair
Mr Gwilym Williams	Athletics Association of Wales	As above	President Welsh Schools Gymnastics
Mr Lynn Phillips	Blaneau Gwent C.B.C	£101	Employee
Miss Heidi Bennett	Bridgend C.B.C	£221	Employee
Mr Rod Morris	Bridgend C.B.C	As above	Employee
Mr Mark Shepard	Bridgend C.B.C	As above	Employee
Ms Sandra Davies	Caerphilly C.B.C	£218	Panel Member
Ms Kerry Morgan	Caerphilly C.B.C	As above	Employee
Mr David Phenis	Caerphilly C.B.C	As above	Employee
Mr Peter Gomer	Caerphilly C.B.C	As above	Employee
Mr Huw Thomas	Carmarthenshire County Council	£484	Panel Member
Ms Wendy Walters	Carmarthenshire County Council	As above	Employee
Mr Keith Evans	Ceridigion County Council	£290	Employee
Miss Anne Ellis MBE	City & County of Swansea	£107	Non Exec Chair
Mr Graham Cater	City & County of Swansea	As above	Non Exec Member
Mr Berwyn Price	City & County of Swansea	As above	Former Employee
Ms Shana Thomas	City & County of Swansea	As above	Employee
Ms Enid Christie	Conwy C.B.C	£181	Employee
Mr Owen Hayward	Conwy C.B.C	As above	Employee
Mr David Lloyd	Denbighshire County Council	£958	Employee
Mr Peter Gomer	Federation Disability Sport Wales	£156	Director
Mr Jim Munkley	Federation Disability Sport Wales	As above	Director
Mr Mike Hornby	Flintshire County Council	£69	Employee
Mrs Sarah Powell	Golf Development Wales	£139	Tutor
Ms Marianne Jackson	Gwynedd County Council	£168	Employee
Mr David James	Gwynedd County Council	As above	Employee
Mrs Sally Lloyd Davies	Gwynedd County Council	As above	Panel Member
Mr Gwilym Williams	Gymnastics Association	£112	Former Chair Welsh Schools Athletics
Miss Helen Phillips	Merthyr C.B.C	£347	Panel Member
Mr Steve Williams	Monmouthshire County Council	As above	Employee
Mr Karl Napierella	Neath Port Talbot C.B.C	£232	Employee
Mr Andrew Thomas	Neath Port Talbot C.B.C	As above	Employee
Mr Paul Hindler	Neath Port Talbot C.B.C	As above	Employee
Mr Hayden Ames	Newport City Council	£1,559	Employee
Mr David Davies	Pembrokeshire County Council	£1,080	Employee
Ms Louis Hilling	Pembrokeshire County Council	As above	Employee
Mrs Christine Gittoes	Powys C.B.C.	£216	Employee
Mrs Sarah Powell	Powys C.B.C.	As above	Employee
Ms Sue Williams	Squash Wales	£114	Member
Mr John Pearse	Welsh Amateur Swimming Assoc	£127	Wife Former Director Swim Wales
Mr Lynn Davies MBE	Athletics Association of Wales	£109	Patron
Mrs Kelly Morgan MBE	Welsh Badminton Union	£120	Member
Miss Anne Ellis MBE	Welsh Hockey Union	£185	President (Hon)
Mrs Sarah Powell	Welsh Hockey Union	As above	Employee
Ms Louis Hilling	Welsh Yachting Assoc	£91	Husband Member of Association
Mr Bob Lowe	Welsh Yachting Assoc	As above	Chair
Ms Anna Marie Brown	Wrexham C.B.C	£120	Panel Member

## 16 Full pension note

The employer's contributions are affected by a surplus or deficit in the scheme but because the Fund is a multi-employer scheme the Sports Council for Wales considers that its share of the underlying assets and liabilities in the scheme would not provide meaningful figures for these financial statements on a consistent and reasonable basis.

The employer's contribution for 2005-2006 was £623,000 (2004-2005 £540,000) representing 272 per cent (2004-2005 246 per cent) of employees' contributions. 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 2004 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.

The table below shows the key figures from the latest actuary's report

	£ million	£ million
<b>Value of past service ongoing liabilities</b>		
Active members	450.00	
Deferred pensions	89.50	
Pensions	<u>374.60</u>	
Funding target		914.10
Less market value of the assets		<u>548.00</u>
Past service deficit		(366.10)
Smoothing adjustment		<u>27.60</u>
Past service deficit after smoothing adjustment		<u>(338.50)</u>
Funding ratio		63%

The Fund has a past service deficit of £366.1 million and a past service deficit after applying the smoothing adjustment of £338.5 million.

In the light of the past service deficit, the actuary recommended that the Council's employer contribution rate should be increased to 272 per cent of employees' contributions from 1 April 2005 with subsequent increases to 298 per cent and 324 per cent over the following two years. The actuary has further assessed that the long term rate of employer contributions for all employers combined, disregarding the Fund deficit, is 200 per cent of employees' contributions. At the previous valuation the fund had a funding deficit of £127.9 million after allowing for the smoothing adjustment.

The Sports Council for Wales is one of 41 employers whose staff participate in the scheme and the valuation data given above relates to the whole scheme. The next valuation of the fund will be carried out as at 31 March 2007.

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