

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

Sports Council for Wales Lottery Distribution Account 2004-2005

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 20 JULY 2005

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Foreword

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.

Financial results

The decrease in funds after taking account of costs incurred for the financial year amounted to £5,649,000 (2003-2004 decrease £15,677,000). This has been transferred to reserves. This is the third year running, and the fifth in total, that the Lottery account has shown an excess of expenditure over income. This situation is to be expected since the Council is not only spending current year receipts, but also utilising funds that have built up in previous years to meet its financial commitments. This policy of reducing central fund balances is consistent with Government policy and is controlled by the Council via cash forecasting models.

For the first time the Lottery balance sheet shows a negative total assets figure of £2.915 million pounds. This has arisen because the Council is required to account for hard grant commitments of £3.278 million pounds which do not fall due for payment until after 1 April 2006. These commitments will be funded post April 2006 from Lottery proceeds that will be credited to the Council from the National lottery distribution fund in future accounting periods, that cannot be accounted for in the 2004-2005 accounts. Future commitments and the Council's ability to meet them are again monitored via the Council's cash forecasting models.

Review of National Lottery distribution activities

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 £11,714,000 (2003-2004: £16,591,000) were made during the year. The amount provided in the accounts for hard commitments (signed contracts) relating to capital grants fell by £1.4 million in 2004-2005 compared to a rise in 2003-2004 of £2.3 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 32 applications were received during the year, resulting in only 13 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; and
- 2 funding major international sporting events.

Revenue grants paid during the financial year totalled £4,935,000 (2003-2004: £4,262,000) and a description of the main schemes follows.

Dragon Sport again exceeded its targets. It has added a further 138 primary schools to the scheme during the year (a figure that exceeded the target of 125) bringing the total number of primary schools on board to 1,265. The scheme has also established 456 new Dragon Sports School clubs. The success of this scheme is demonstrated by the fact that over 95,000 children took part in the scheme over the year. New challenges will be the introduction of golf to the programme, developing the current activities, establishing further links with clubs and secondary schools and developing volunteers.

Disability Sport, like Dragon Sport, has exceeded its targets. During the year 38 disability specific and pan disability clubs were established, and the number of Disability Sports coaches increased by 227 across Wales. These are two of the very positive factors that lead to 12,183 more people with disabilities participating in sports clubs than the year before.

The Community Chest programme contributed to the local development of sport through the 22 unitary panels across Wales. In 2004-2005 1,463 awards were made and it was particularly pleasing to see that the number of women and girls benefiting from the scheme was in excess of the target. During 2004-2005 13,020 women or girls received such a benefit from the scheme.

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 163 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 funding provided via the Coach Cymru programme which delivered the services of 36 full time professional coaches during the year.

Movement on SPORTLOT balance to 31 March 2005

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 2004 (£000)	Income received (Net) (£000)	Money drawn down from NLDF (£000)	Balance at 31 March 2005 (£000)
21,471	10,895	(18,888)	13,478

The table shows a reduction in balance held of £7.993 million, compared to a reduction of £10.245 million in the previous financial year.

Disabled persons

The Sports Council for Wales, which employs the staff carrying out the administration of SPORTLOT, has a policy to ensure no applicant or employee receives less favourable treatment. Selection criteria and procedures are reviewed frequently to ensure individuals are selected, promoted and treated on the basis of their relevant merits and abilities.

Employee consultation

The Council recognises the importance of keeping its employees fully up to date with developments and changes, both within the organisation and those with which the Council is involved externally.

Improving its internal communications is an ongoing objective, through the investment of both staff and employee representatives. A Staff Council with management and union representatives meets regularly to discuss matters of concern including terms and conditions of employment.

Commercial interests

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 16 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 National Development Services, also acts as a director of Wales Ryder Cup 2010 Ltd.

Members of the SPORTLOT panels

The Council's Royal Charter allows it to appoint committees or panels to exercise any of its functions. For the purposes of SPORTLOT, the Sports Council for Wales have appointed five 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

Miss Anne Ellis MBE*
Ms Helen Croft
Cllr Keith Evans*
Mr Paul Griffiths
Mr Ieuan Lewis (resigned 31 March 2005)*
Mr Philip Lloyd Jones (resigned 31 March 2005)*
Mr Bob Lowe*
Mr Berwyn Price
Mr Aled Roberts
Mr Clive Thomas*
Miss Helen Phillips
Mr Haydn Ames
Dr Nicky Bolton*
Mr Russell Ward

South West

Mr David Davis*
Mr Alun Wyn Bevan (resigned 31 March 2005)
Mr John Deason
Mr David Evans
Ms Sandra Hayes (resigned 31 March 2005)
Mr Paul Hindler
Ms Gillian Hopley
Ms Deborah John
Mr Andi Morgan
Mr P Huw Thomas*
Mr Roy Bergiers

National Excellence

Miss Anne Ellis MBE*
Mr Rhodri Davies
Ms Tanni Grey-Thompson MBE
Mr John Hinchliffe
Mr Berwyn Price
Mr Mark Tattersall
Mr Robert Turner*
Mr Nigel Walker
Mr Adrian Davies
Mr Lynne Davies MBE*
Miss Lynette Harries

* Member of the Sports Council for Wales

South East

Mr Clive Thomas*
Mr Graham Down
Mrs Wendy Groves
Mrs Sarah Powell
Miss Sally Church
Mr Raymond Davies
Mr Michael Harvey
Mrs Barbara Beedham
Mr Frank Rees (resigned 31 March 2005)
Mrs Christine Gittoes*

North

Mr Philip Lloyd Jones (resigned 31 March 2005)*
Cllr R Mark Davies
Mrs Sally R Lloyd Davies
Dr Ann Gosse
Mr Mike Hornby
Mr Gareth Hughes
Mr David James
Mr Ieuan Lewis (resigned 31 March 2005)*
Miss Sian Mai Jones
Mr Alan Watkin
Mr Bob Lowe*

Appointment of auditors

The Comptroller and Auditor General has been appointed under Section 35 (5) of the National Lottery Act 1993 to examine, certify and report to Parliament on the Accounts. A copy of the audited accounts is also laid before the National Assembly for Wales.

Dr HG Jones
Accounting Officer

12 July 2005

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 in the Council for the year ended 31 March 2005 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 minimize 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 audit committee's terms of reference were amended to provide clarity on the role of the committee and to re-affirm the availability of a direct route between committee members to both internal and external auditors;
- the establishment of the audit committee has been increased by adding two additional members: one is a member of the Council and the other is an external member who will add relevant experience and an external perspective to the committee;
- the audit committee's standing agenda has been updated to reflect good practice. This revision, for example, now includes the submission of more detailed management accounting information to the committee for their scrutiny; and
- internal training has been provided for key staff and managers. This training was delivered to help them better understand financial procedures, especially procurement procedures and the budgetary controls process.

The last point mentioned above will continue into the 2005-2006 financial year with a training/induction session being delivered to members of the audit committee. This session will again focus on the roles and responsibilities of committee members.

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

- ensuring the risks and controls identified within the register become far more central within future internal audit programmes;
- to establish a management 'certificate of assurance' process. This process will require each manager who has been assigned responsibility for the control of risks within the register, signing an annual assurance certificate to confirm that the stated controls to mitigate against those risks are in place and have been reviewed during the financial year; and
- by inviting the Council's internal auditor to attend at least one departmental management risk group meeting each year.

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 Review work; 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 the year 2004-2005 was provided by Deloitte & Touche, 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 plan to address weaknesses and ensure continuous improvements of the system is in place.

Dr HG Jones
Accounting Officer

12 July 2005

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 on pages 11 to 21 under the National Lottery Act 1993. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 14.

Respective responsibilities of the Council, the Chief Executive, and Auditor

As described on page 6 the Council and the Chief Executive are responsible for the preparation of the financial statements in accordance with the National Lottery Act 1993 and the directions made thereunder by the Secretary of State for Wales and for ensuring the regularity of financial transactions. The Council and Chief Executive are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and are guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the National Lottery Act 1993 and the directions made thereunder by the Secretary of State for Wales, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if SPORTLOT has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 7 and 8 reflects the Council's compliance with HM Treasury's guidance 'Corporate governance: statement on internal control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

Basis of opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to SPORTLOT's and 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 are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material aspects, 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.

Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of SPORTLOT at 31 March 2005 and of the decrease in funds, total recognised gains and losses and cashflows for the year then ended and have been properly prepared in accordance with the National Lottery Act 1993 and directions made thereunder by the Secretary of State for Wales; 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

15 July 2005

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London SW1W 9SP

Income and Expenditure Account for the year ended 31 March 2005

	Notes	2004-2005 £000	2003-2004 £000
Gross income			
Proceeds from National Lottery Distribution Fund (NLDF)	2	10,210	9,773
Investment returns from the NLDF	2	722	783
Interest receivable	2	34	37
Recoveries of grant	2	139	25
Total income		11,105	10,618
Expenditure			
Capital grants paid in the year	4	11,714	16,591
Revenue grants paid in the year	3,4	4,935	4,262
Change in provision for hard grant commitments	4	(1,648)	3,889
Staff costs	8	1,314	984
Other operating costs	9	432	562
Total expenditure		16,747	26,288
(Decrease) in funds before taxation		(5,642)	(15,670)
Taxation payable	7	(7)	(7)
(Decrease) in funds after taxation		(5,649)	(15,677)
(Decrease) in funds for the year		(5,649)	(15,677)
Balance at 1 April		2,734	18,411
Balance at 31 March		(2,915)	2,734

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 14 to 21 form part of these accounts.

Balance Sheet Account as at 31 March 2005

	Notes	2004-2005 £000	2003-2004 £000
Current assets			
Debtors	12	134	8
Investments-balance held in NLDF	2	13,478	21,471
Cash at bank and in hand	11	356	0
		13,968	21,479
Creditors: amounts falling due within one year			
Provision for hard grant commitments	4	(13,527)	(13,761)
Other creditors	10	(78)	(292)
		(13,605)	(14,053)
Net current assets		363	7,426
Creditors: amounts falling due after more than one year			
Provision for hard grant commitments falling due after one year	4	(3,278)	(4,692)
Total assets less liabilities		(2,915)	2,734
Financed by			
Income and expenditure account	2	(2,915)	2,734

The notes on pages 14 to 21 form part of these accounts.

Dr HG Jones
Accounting Officer

12 July 2005

Cashflow Statement for the year ended 31 March 2005

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

	2004-2005	2003-2004
	£000	£000
(Decrease) in funds for the year	(5,676)	(15,610)
(Increase) in debtors	(126)	(8)
Decrease in balance held at NLDF	7,993	10,246
(Decrease) in creditors	(1,862)	3,848
Net cash inflow for the year	<u>329</u>	<u>(1,524)</u>

Cashflow Statement

	Notes	2004-2005	2003-2004
		£000	£000
Net cash inflow for the year		329	(1,524)
Returns on investments and servicing of finance	2	34	37
Tax paid		(7)	(5)
Increase in cash	11	<u>356</u>	<u>(1,492)</u>
		2004-2005	2003-2004
		£000	£000
Increase in cash at bank and in hand		356	(1,492)
(Decrease) in the balance held in the NLDF		(7,993)	(10,245)
Net funds as at 1 April		21,471	33,208
Net funds as at 31 March		<u>13,834</u>	<u>21,471</u>

The notes on pages 14 to 21 form part of these accounts.

Notes to the Accounts

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 as referred in the forward to the accounts on page 2. 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 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.

1.3 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 2005 no such assets were held by SPORTLOT.

1.4 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.

1.5 Allocation of costs

The methodology for apportioning the costs incurred by the Sports Council for Wales in distributing Lottery proceeds was revised in 2004-2005. This new methodology has been implemented and used for the first time in this set of accounts to reflect a more accurate cost associated with administration of Lottery. The apportionment of staffing and indirect costs transferred from the Sports Council for Wales to SPORTLOT was 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% 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 traveling expenses is apportioned on a 50/50 basis.

2 Reconciliation of movement of funds

	Balances held in NLDF £000	Balances held at SPORTLOT £000	Total 2004-2005 £000	Total 2003-2004 £000
Net income from the National Lottery	10,210	0	10,210	9,773
Drawdown in year by SPORTLOT	(18,888)	18,888	0	0
Investment returns	722	34	756	820
Recoveries of grants	0	139	139	25
Expenditure in year	(37)	(16,710)	(16,747)	(26,288)
Taxation charge	0	(7)	(7)	(7)
Total increase/(decrease) in funds	(7,993)	2,344	(5,649)	(15,677)
Balance at 1 April	21,471	(18,737)	2,734	18,411
Balance at 31 March	13,478	(16,393)	(2,915)	2,734
Market value as at 31 March	13,478	0	0	21,471
Cost as at 31 March	13,529	0	0	21,737

The balance held at 31 March 2005 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 2005-2006 accounts and is not expected to be material. No adjustment has been required to the 31 March 2004 balance reported in last year's accounts.

3 Expenditure on revenue grant schemes

Programme	2004-2005 £000	2003-2004 £000
Elite Cymru	865	954
Coach Cymru	1,140	805
Dragon Sport	1,049	949
Disability Sport	304	360
Community Chest	909	1,067
Women and Girls	225	127
Contributions to UK Sport	443	0
	4,935	4,262

Community Chest includes an amount of £47,000 (2003-2004: £69,000) paid in respect of administration costs of local authorities who administer the grant scheme at local level.

4 Hard commitments

	Capital £000	2004-2005 Revenue £000	Total £000	2003-2004 Total £000
Provision for hard commitments 1 April	11,726	6,727	18,453	14,564
Hard commitments met in the year	(11,714)	(4,935)	(16,649)	(20,853)
Hard commitments not taken up	(121)	0	(121)	(119)
Revenue commitments made in the year	0	4,718	4,718	5,926
Soft commitments transferred to hard commitments*	10,404	0	10,404	18,935
Movement in year	(1,431)	(217)	(1,648)	3,889
Provision for hard commitments 31 March	10,295	6,510	16,805	18,453
Analysed as				
Provision for items falling due within one year	10,073	3,454	13,527	13,761
Provision for hard commitments due after one year	222	3,056	3,278	4,692

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. Revenue grants are regarded as a hard commitment once the panel has approved the grant.

5 Soft commitments

	2004-2005 £000	2003-2004 £000
Soft commitments at 1 April	11,004	20,346
Soft commitments transferred to hard commitments*	(8,997)	(18,935)
Soft commitments not taken up	(2,007)	(93)
Soft commitments made	3,836	9,686
Soft commitments at 31 March	3,836	11,004

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 £3,513,000 (2003-2004: £5,995,000) had been made at 31 March 2005. 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 £10,404,000 includes £8,997,000 brought forward from 2003-2004 and new commitments of £1,407,000 for 2004-2005.

6 Capital commitments

At 31 March 2005, SPORTLOT had no contractual commitments for capital expenditure.

7 Taxation payable

	2004-2005 £000	2003-2004 £000
Tax payable on interest received at 19 per cent	<u>7</u>	<u>7</u>

8 Staff costs

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

	Average No. of staff involved		2004-2005 £000	2003-2004 £000
		percent		
Gross salary costs				
Chairman G Davies	0		0	5
Chairman P Carling	1	23	11	2
Chief executive	1	23	15	20
Other staff	114	45	1,288	957
			<u>1,314</u>	<u>984</u>
Salaries and wages			1,130	846
Social security costs			66	49
Other pension costs			118	89
			<u>1,314</u>	<u>984</u>

Staff costs are further analysed as follows

	£000	£000
Administration	1,055	772
Sports Science support to athletes	259	212
	<u>1,314</u>	<u>984</u>

b Treasury guidance requires the financial statements to disclose the cash equivalent transfer value of pensions for the Council Members and Senior Staff. However, this information is not yet available from the pension scheme's actuary. It is the Council's intention that this information be included in the financial statements for 2005-2006.

Name	Title	2004-2005 Salary (as defined below) £000	2004-2005 Real increase in pension at 65 £000	2004-2005 Total accrued pension at age 65 £000
Philip Carling	Chairman	35 – 40	0	0
Dr Huw Jones	Chief Executive	65 – 70	0 – 2.5	10 – 15
Graham Davies	Director of National Development Services	55 – 60	0 – 2.5	10 – 15
Sara Butlin	Director of Local Development Services	55 – 60	0 – 2.5	5 – 10
Brian Goffee	Director of Corporate Development	55 – 60	0 – 2.5	0 – 5

- c The salary of the Chairman comprised of a gross salary of £38,436 (2003-2004: £5,710), with no taxable benefits paid in the year. The salary earnings of the Chief Executive comprised a gross salary of £62,688 (2003-2004: £61,464) and a non-consolidated bonus for the year of £4,580 (2003-2004: £4,335), with no taxable benefits accruing in this financial year. He has Accounting Officer responsibility for lottery matters and 23% (2003-2004: 28%) of his remuneration was recharged to the lottery distribution account. Other senior staff receive a gross salary only.
- d Panel members receive no remuneration for SPORTLOT work. Council members receive a flat fee of £250 per month.

9 Other operating costs

	2004-2005 £000	2003-2004 £000
Direct costs	200	182
Accommodation	41	38
Consultants	6	8
Travel and subsistence and hospitality	19	62
Audit fee	15	14
Recharges for Sports Council for Wales services	151	258
	432	562

10 Creditors: amount falling due within one year

	2004-2005 £000	2003-2004 £000
Sports Council for Wales	56	271
Taxation payable	7	7
Accruals	15	14
	78	292

11 Analysis of changes in cash

	1 April 2004 £000	Cash flow £000	31 March 2005 £000
Cash at bank and in hand	<u>0</u>	<u>356</u>	<u>356</u>

12 Grant recoveries

As at 31 March 2005, the Council was pursuing recovery of grant amounts totalling approximately £134,000. 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 2005.

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 2004-2005, £10,210,000 or 92 per cent of SPORTLOT's income derived from the National Lottery (2003-2004: £9,773,000 or 92 per cent). Of the remaining income, £722,000 or 6.5 per cent, derived from investment returns from the balance held with the National Lottery Distribution Fund, (2003-2004: £783,000 or 7.4 per cent), and £173,000 or 1.5 per cent from bank interest and sundry income (2003-2004: £62,000 or 0.6 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 £356,000. 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 Pension commitments

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% (or 5% for manual staff, who joined the scheme before October 1998).

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 2004-2005 was £540,000 (2003-2004: £448,000), of which £53,000 was a one off payment relating to a staff redundancy, representing 246% (2003-2004: 241%) 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
Value of past service ongoing liabilities		
Active Members	450.00	
Preserved pensions	89.50	
Pensions	374.60	
Funding target		914.10
Less market value of the assets		548.00
Past service deficit		(366.10)
Smoothing adjustment		27.60
Past service deficit after smoothing adjustment		(338.5)
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.

16 Related party transactions

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 have 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	Anglesey County Council	146	Employee
Miss Sian Mai Jones	Anglesey County Council	As above	Employee Plas Arthur Leisure Centre
Miss Lynette Harries	Athletics Association of Wales	56	Chair
Mr Lynn Davies MBE	Athletics Association of Wales	As above	Patron
Mr Gareth Hughes	Athletics Association of Wales	As above	Volunteer Welsh Athletics
Mrs Barbara Beedham	Cardiff County Council	228	Employee
Mr Huw Thomas	Carmarthenshire County Council	199	Member Community Chest Committee
Cllr Keith Evans	Ceredigion County Council	89	Elected Member
Ms Gillian Hopley	Ceredigion County Council	As above	Elected Member
Miss Anne Ellis MBE	City & County of Swansea	450	Non Exec Chair
Mr David Evans	City & County of Swansea	As above	Director
Ms Sandra Hayes	City & County of Swansea	As above	Director
Dr Ann Gosse	Denbighshire County Council	As above	Employee
Mr Phillip Lloyd Jones	Flintshire County Council	110	Chair Sports Council
Mr Mike Hornby	Flintshire County Council	As above	Employee
Mr Ieuan Lewis	Gwynedd County Council	131	Director of Corporate Policy
Mrs Sally Lloyd Davies	Gwynedd County Council	As above	Member Community Chest Committee
Miss Helen Phillips	Merthyr Tyfil C.B.C.	822	Member Community Chest Panel
Mrs Wendy Groves	Merthyr Tyfil C.B.C.	As above	Employee
Mr Graham Down	Monmouthshire County Council	356	Elected Member
Mr Russel Ward	Neath & Port Talbot C.B.C.	1051	Employee
Mr Paul Hindler	Neath & Port Talbot C.B.C.	As above	Employee
Mr Hadyn Ames	Newport City Council	735	Employee
Mr Iain Varah	Newport City Council	As above	Employee
Mr David M Davies	Pembrokeshire County Council	290	Employee
Mr John Deason	Pembrokeshire County Council	As above	Employee
Ms Deborah John	Pembrokeshire County Council	As above	Secretary Sports Development Council
Mr Paul Griffiths	Powys C.B.C.	142	Employee
Mrs Sarah Powell	Powys C.B.C.	As above	Employee
Mrs Christine Gittoes	Powys C.B.C.	As above	Employee
Miss Sally Church	Torfaen C.B.C.	447	Employee
Mr Michael Harvey	Vale of Glamorgan Council	143	Employee
Miss Anne Ellis MBE	Welsh Hockey Union	96	President (Hon)
Mrs Sarah Powell	Welsh Hockey Union	As above	Employee (Seconded)
Mr Bob Lowe	Welsh Yachting Association	76	Chair
Cllr R Mark Davies	Wrexham C.B.C.	110	Councillor
Mr Alan Watkin	Wrexham C.B.C.	As above	Employee

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