



The United Kingdom Sports Council

**Grant-in-Aid and National Lottery Distribution Fund
Annual Report and Accounts
for the year ended 31 March 2019**

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Grant-in-Aid and National Lottery Distribution Fund Annual Report and Accounts for the year ended 31 March 2019

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Introduction by the Chair

It's been a very positive year for the United Kingdom Sports Council (UK Sport), with some fantastic performances from our athletes, a series of engaging and inspiring major events and a comprehensive public conversation on our future strategy.

Our inspirational CEO, Liz Nicholl steps down this summer after what has been an incredible 20 years in a leadership role, with eight as CEO. Liz has played an integral role in the success of Team GB and ParalympicsGB as one of the architects of the system of World Class Programme support, underpinned by a performance focused investment strategy that has transformed the prospects and achievements of British athletes on the world stage. She will be greatly missed. Whilst it was always going to be a challenging task to replace her, we are delighted to appoint Sally Munday as the next CEO of UK Sport. Sally is currently CEO at England and GB Hockey and will bring a wealth of knowledge and experience to the role as well as a passion to build on the legacy created by her predecessors. Simon Morton, our Chief Operating Officer will be filling the Acting Chief Executive role in the interim period until Sally joins us in the Autumn.

In performance terms, our athletes have secured over 100 medals for Great Britain and Northern Ireland at World Championships in the past year, with over 250 medals secured at European Championships. The Home Nations excelled at the Commonwealth Games in the Gold Coast, Australia, with around 250 UK Sport funded athletes competing.

This year marked the launch of UK Sport's Public consultation which saw two independent consultancies host a series of stakeholder and public meetings across the UK. This process also included an online survey which engaged 5,000 people, demonstrating a real interest in Olympic and Paralympic sport in the UK as well as its future direction.

Overall the majority of respondents indicated that they believe achieving medal success at the Olympics and Paralympics must remain as the core focus of UK Sport's performance investment strategy. This was supported by the UK public, 61% agreeing with this approach and only 10% disagreeing.

The consultation report, alongside many other engagement exercises including think tanks and interviews with individuals and thought leaders from business, academia, entertainment, science and sport, have helped the Board to outline a future direction for high-performance sport for the Paris 2024 cycle and beyond.

Work has continued in driving world-leading standards of culture, integrity and governance across sport. We have launched a Mental Health Expert Panel, in conjunction with the English Institute of Sport (EIS), that includes psychiatrists and clinical psychologists with experience of elite sport, to provide guidance to sports in managing complex mental health problems within their athlete cohort. In both sport and society, it is vital that we work towards supporting positive mental health for all people involved in the high performance sport environment.

We have continued working with sporting bodies to showcase Olympic and Paralympic sport to the nation through our major events programme with sell-out crowds at the Olympic Park for the Women's Hockey World Cup, as well as a fantastic Boccia World Championships in Liverpool to name just two.

I've been privileged to visit some amazing programmes in Ghana, Zambia and most recently Nepal as part of UK Sport's International Partnerships work. These visits have demonstrated the true power of sport to unite communities, build strategic relationships and create lasting legacies of partnership and friendship with all those we work with.

We are grateful for the National Lottery and Exchequer funding provided during the year, and for the exceptional additional funding provided by DCMS to meet the needs in this Cycle. Challenges around funding continue to be a key consideration when planning ahead through Tokyo 2020 and in the 2024 Paris Cycle.

In addition, the Government provided unique funding which allowed the creation of an Aspiration Fund for sports who currently do not receive full World Class Programme funding, in their attempts to qualify for the Tokyo Games. These sports have also committed to delivering a social impact plan in communities around the UK as a condition of funding. We will learn from this innovative fund and apply these lessons to our performance investment for future cycles.

As always, our thanks are due to those who enable us to support athletes to deliver their dreams and create those inspiring moments which make us and the rest of our nation proud. With just over one year to Tokyo as the excitement and anticipation builds, I am confident that everyone at UK Sport will ensure that our athletes are as best prepared as possible to achieve success.



Dame Katherine Grainger DBE
Chair
The United Kingdom Sports Council

15 July 2019

Performance Report

Legislative Background

UK Sport was established by Royal Charter on 19 September 1996 and became fully operational on 1 January 1997. UK Sport is a National Lottery distributing body under Section 23(2) of the National Lottery etc. Act 1993.

Purpose and Structure

UK Sport provides strategic investment to enable Great Britain's Olympic and Paralympic sports and athletes to achieve their full medal winning potential. We have a very clear remit at the 'top end' of Britain's sporting pathway supporting athletes and sports to compete and win medals at the Olympic and Paralympic Games. UK Sport also leads the UK's major sporting events programme.

We receive funding from the National Lottery Distribution Fund together with Grant-in-Aid from the Department for Digital, Culture, Media and Sport (DCMS). A small amount of commercial income is also generated mainly from sponsorships.

Funding is distributed through the UK Sport Group which comprises UK Sport, the English Institute of Sport (EIS) and Yorkshire 2019 Limited. While UK Sport primarily provides strategic investment to National Governing Bodies (NGBs) and elite athletes, EIS provides sport science, medicine, technology and engineering services to elite athletes predominantly in World Class Programme (WCP) funded sports. Yorkshire 2019 Limited was created in November 2016 to deliver the 2019 UCI World Road Cycling Championships to be based in Yorkshire.

Strategy and Performance

Whilst 2018/19 was not a year of Paralympic or Olympic competition, it has nonetheless been a seminal year for the future of high-performance sport in the UK.

The delivery of UK Sport's 2017 to 2021 Strategic Plan reached the mid-way point, with six-monthly reviews ensuring formal tracking of progress across the organisation and reporting of progress to the Board. These tracking processes were independently audited during 2018, achieving a rating of 'green/substantial assurance'. All seven organisational objectives remain on-track, keeping us focused on our mission and vision of a '*nation inspired by Olympic and Paralympic success*'.

UK Sport's strategic activity continues to involve ever-closer collaboration with key partners across the UK high performance landscape, including the Home Country Sports Councils and Institutes of England, Scotland, Wales and Northern Ireland. 2018 marked an important year for the Home Nations with a Commonwealth Games in Australia in April. Success at the Commonwealth Games is of high significance, and for UK Sport, having the Home Nations compete at this level provides additional and valuable competitive opportunities for current and emerging talent. The event is an excellent developmental opportunity for many athletes at earlier stages on the talent pathway, often competing at a multi-sport Games for the first time.

In total the Home Nations won 229 medals in Australia. This was down by 47 medals from the high point of 276 at the Home Games in Glasgow 2014, but up from 199 at the previous away Games in New Delhi in 2010. Unsurprisingly, the host nation Australia topped the medal table with 198 medals from 275 medal events. England was second with 136 and India third with 66. Wales finished in a record position of 7th, Scotland's 8th was its best-ever away Games, Northern Ireland finished 20th and were delighted that this result included a gold, Isle of Man finished 34th, but neither Jersey nor Guernsey won a medal. The total number of UK Sport-funded athletes that competed was 247 out of 923 (27%) across the Home Nations. World Class Programme athletes were responsible for 56% of the 212 medals in Olympic and Paralympic sports, with a further 5% coming in team or relay events where one or more athletes were not funded. Therefore, World Class Programme athletes played a

part in 61% of the Home Nations' medals won.

Following the historic Winter Games for Team GB and ParalympicsGB in early 2018, UK Sport's investment process for winter sports for Beijing 2022 concluded in June, with UK Sport investing around £24 million in the pursuit of further success. World Class Programme investments were made in Skeleton, Curling, Ski & Snowboard and Para Ski & Snowboard, and a tailored Medal Support Plan investment was also made in Short Track Speed Skating.

The application of UK Sport's investment principles meant that the World Class Programmes of Bobsleigh, Figure Skating, Wheelchair Curling and Short Track Speed Skating will not receive investment in the Beijing cycle (with a significant £1.5 million fund established to manage the transition away from World Class Programme investment in these sports), but the annual opportunity to make a case for support based on world-class level results remains. Any new or enhanced medal opportunities will always be identified through the formal Annual Review process.

Aligned to these investments, the current medal ranges for Beijing sit at between 5-12 Olympic and 7-11 Paralympic medals, reflecting the fact that the impact of winter sports continues to grow as part of our 'Inspiring the Nation' vision.

The track to Tokyo 2020 continues to provide opportunities for sports to showcase the depth and breadth of exceptional British athletes aiming for success in Japan next summer. In total 30 Olympic and 20 Paralympic events contributed to the performance outcomes of the 34 UK Sport funded summer sport World Class Programmes (16 Olympic and 18 Paralympic) in the last full season ahead of Tokyo. The performances of the four new Olympic Medal Support Plan sports have also been monitored.

Across the summer Olympic programme 87 medals (26 Gold, 25 Silver, 36 Bronze) were recorded, delivering against the 71-115 milestone target range. The 2018 season produced both stand out performances, along with some more challenging results. Across the summer Paralympic programme 116 medals (46 Gold, 42 Silver and 28 Bronze) were won, comfortably delivering the 78-122 milestone target range. As was the case in 2017, no World Class Programmes failed to achieve their target, in a season again featuring strong performances from proven performers and debutants.

Following the summer sports' Annual Review process, the UK Sport Board confirmed that fencing would receive a Medal Support Plan of up to £87,000 for Olympic foil fencer Richard Kruse, after he became Britain's first-ever world number one in the sport by claiming gold at the Tokyo World Cup in Japan in January 2019. Wheelchair Fencing and Boccia also received an uplift in funding for their Tokyo preparations.

In a further boost on the journey towards the Tokyo 2020 Games, October 2018 saw UK Sport launch a new initiative called the Aspiration Fund. An additional £3 million of funding was awarded by DCMS with the aim of supporting sports that do not currently receive full UK Sport funding. The project aims to help up and coming athletes inspire the nation through developing plans with sports to realise ambitions for the Tokyo Games while also looking to capitalise on the qualification journey, by engaging communities through the activation of a social impact plan aligned with the outcomes set out in the Government's Sporting Future strategy. The project is supporting 18 sports, approximately 90 athletes and 32 social impact initiatives.

The UK's impressive major and mega events strategy continues to progress, with the list of potential hosting opportunities featuring over 50 events. 10 mega events are included on this list, of which the 2030 FIFA World Cup is a candidate.

This year, UK Sport supported three World Championships, one European Championship and six World Circuit events. The UK also secured three significant World Championships; the 2022 World Gymnastics Championships in Liverpool, 2023 World Canoe Slalom Championships in London and 2023 World Cycling Championships in Scotland. The latter event is a brand-new concept and will bring

together 13 world championships; a huge innovation for the sport. This is alongside securing the UEFA Women's EURO 2021 Championship.

2018/19 saw the delivery of the second year of the culture health check which provided an opportunity to monitor the cultural health of the system and to consider progress from the 2017 baseline. Encouragingly, evidence suggested that 70% of sports had demonstrated improvement in relation to World Class Programme culture and at a system level there were statistically significant improvements in relation to key cultural indicators, such as athletes and staff feeling cared for as people, as well as performers, and opportunities to give feedback without fear of negative consequences.

An area of focus going forward is mental health and wellbeing. In 2018, UK Sport, in partnership with the English Institute of Sport (EIS), appointed a Head of Mental Health and recruited an expert mental health panel. The Mental Health strategy was launched with the aim of promoting a more sustainable high-performance environment, with fostering positive mental health at its core, as well as ensuring support for those experiencing mental health problems.

The year culminated in UK Sport setting out an exciting blueprint for the future of Olympic and Paralympic sport with its new strategy. The strategy, which will come into effect post Tokyo, has been created following an extensive year's work that included an independent Public Consultation and a series of evidence gathering sessions with key stakeholders. The Consultation, which included staff and athletes across the system, revealed that 61% of people agreed that the current medal winning strategy is the right approach to investment in Olympic and Paralympic sport in the UK, with only 10% disagreeing. The strategy will see three tiers of funding that will channel investment into different stages of the performance pathway to enable the pursuit of medal success, while also reaching deeper to develop the next generation of athletes and allow more sports to realise their Olympic and Paralympic ambitions.

Performance Analysis

UK Sport is held to account by DCMS against a set of key performance indicators (KPIs). At the beginning of the year formal KPIs between UK Sport and DCMS are agreed with results of previous years published on UK Sport's website. UK Sport attends formal quarterly meetings with DCMS where progress against KPIs is discussed, monitored and agreed.

The following table sets out our performance against the 2018/19 targets agreed for the year:

Objective	Performance Target	Milestone Event Indicator	Milestone Event Result
Performance Success – Summer Olympic	Achieve within the medal range	71-115	87
Performance Success – Summer Paralympic	Achieve within the medal range	78-122	116
Performance Success – Winter Olympic	Achieve within the medal range	1-4	3
Performance Success – Winter Paralympic	Achieve within the medal range	3-5	9

Objective	Performance Target	Milestone Event Indicator	Milestone Event Result
Drive a culture of integrity, professionalism, and organisational excellence throughout the HPS	Percentage of UK Sport-funded athletes who feel cared about as a person as well as a performer in their World Class Programme	>%76 of athletes agree	80%
Drive a culture of integrity, professionalism, and organisational excellence throughout the HPS	Percentage of UK Sport-funded staff who feel cared about as a person as well as a performer in their World Class Programme	>%76 of staff agree	81%
Support successful bids to host strategically targeted international sporting events	The number of pinnacle international sporting events secured for the UK	3-5 pinnacle events added this year.	4
To drive number of spectators at and direct economic impact in host communities from supported international sporting events in 2018/19	Achieve within the total attendance range and achieve within the economic impact range	200,000-250,000 spectators at funded events, generating £10m-£15m of direct economic impact.	Confirmed: spectators 229,021 and economic impact £10.4m Anticipate: spectators 250,000 and economic impact £12.2m
Successfully operationalise a long-term mega event hosting programme which identifies, sequences and costs high-value-targets	Identify provisional hosting targets with home country event agencies	Agreed list of mega event hosting targets for the 2020's is established with the home country event agencies	Long-term mega event opportunities list agreed and published.
Funded organisations exhibit the highest standards of governance	Assess all organisations receiving public funding, to ensure that all maintain compliance with the Code for Sports Governance	100%.	<i>Summer WCPs/funded organisations:</i> 100% of funded Summer NGBs have been assessed as compliant with the Code. <i>Winter NGBs:</i> The Governance Team continued to support the Winter NGBs in their efforts to attain compliance with the Code.

Objective	Performance Target	Milestone Event Indicator	Milestone Event Result
Funded organisations exhibit the highest standards of governance (cont.)			<p><i>Major events:</i> Rugby League World Cup 2021, Yorkshire 2019 and Netball World Cup have all been assessed as compliant with Tier 2 of the Code. Work is ongoing with the event companies of British Cycling and British Canoeing to achieve compliance.</p> <p><i>Aspiration fund:</i> All four previously non-compliant NGBs in receipt of Aspiration funding have agreed Governance Action Plans and are working towards a compliance date of 31 August 2019.</p>
To inspire the next generation through school and community sport	% of athletes on UK Sport's World Class Programme completing at least one appearance per annum	85%	87.42%
	% of athletes on UK Sport's World Class Programme completing five or more appearances per annum	50%	49.42%
	Total number of days completed by the whole athlete cohort in year	6000	5,514 ¹
To develop a more sustainable mixed funding model aimed at reducing dependency on public funding	To increase the levels of non-public investment in World Class Programmes for the 2017-2021 period	Co-funding contributions from NGBs for 2018/19 exceed £3m cash.	£4.0m

¹ Despite total number of appearances being lower than in previous years, athletes are on average completing more appearances.

Principal Risks and Uncertainties

Our appetite to risk flexes according to individual circumstance and situation, and by operational team depending on both the nature and type of their work. By nature, as an Arm's Length Body (ALB) operating within the wider governmental control framework, we are required to be more risk averse. However, to maintain our competitive advantage we often need to explore innovative and creative solutions, often at short notice, to complex problems and opportunities – this requires a degree of acceptance of risk. When required this is done in a calculated and informed way, with implications and benefits considered, prior to decisions being taken.

Where significant risks are identified and accepted then potential impacts are identified and corresponding scenario plans, with mitigating actions, developed. Further details about the significant risks managed during 2018/19 are provided in the Governance Statement.

Social responsibility

UK Sport has appropriate operational policies and procedures in place to meet its legal requirements. Those on whistleblowing, anti-corruption and anti-bribery matters were updated during the year.

No significant Human Rights, environmental or social issues have arisen during the course of the financial year. UK Sport is an equal opportunity employer which has taken positive action to ensure it meets its legal duties under the Disability Discrimination Act (1995), Disability Equality Duty (2006) and the Equality Act (2010).

Sustainability Reporting

UK Sport falls below the threshold for mandatory inclusion of a Sustainability Report.

Triennial Review

UK Sport continues to review and act upon the recommendations made from both the 2015 Triennial Review and Sporting Future Strategy. UK Sport hold regular formal oversight meetings with DCMS (six times a year, two of which are a combined meeting with Sport England) to discuss the progress being made towards implementing both the specific recommendations aimed solely at UK Sport and joint recommendations covering both UK Sport and Sport England.

Financial Statements

The Accounts section of this report is separated into two distinct areas in line with statutory requirements, namely Grant-in-Aid and National Lottery Distribution Fund accounts.

They include accounts for UK Sport as well as a consolidated Group position including EIS and Yorkshire 2019 Limited. Accounts for the two subsidiaries are also published separately.

Policy on Lottery Additionality

With funding derived from two primary sources, Grant-in-Aid and Lottery, UK Sport is required to have a policy on "additionality" that sets out what is funded through each source.

Historically, UK Sport has funded major events and Athlete Performance Awards exclusively through Lottery funding. This approach is expected to continue. The World Class Programmes have been funded by a mix of Lottery and Exchequer funding in a proportion determined at the start of each Olympic Cycle. Our approach has been that once a grant commitment for World Class Programmes has been recorded through the Grants Management System as a proportion of Lottery and Exchequer funding then these allocations will remain in place for the duration of the programme. However, having the ability to replace Lottery grant commitments with Exchequer funding has been necessary to manage fluctuations in income and re-profiling of expenditure within some programmes.

The 'additionality' policy agreed with the Lottery team at DCMS and the National Audit Office (NAO) provides a clear set of guidelines under which funding can be reallocated:

Lottery funding is distinct from Government funding and adds value. Although it does not substitute for Exchequer expenditure, where appropriate it complements Government and other programmes, policies and funding.

UK Sport has regard to the principles of additionality and this definition when progressing its investment strategies and programmes. Where appropriate, Lottery funding complements investment strategies such as the World Class Performance Programmes, which are geared to achieving long-term Olympic and Paralympic success.

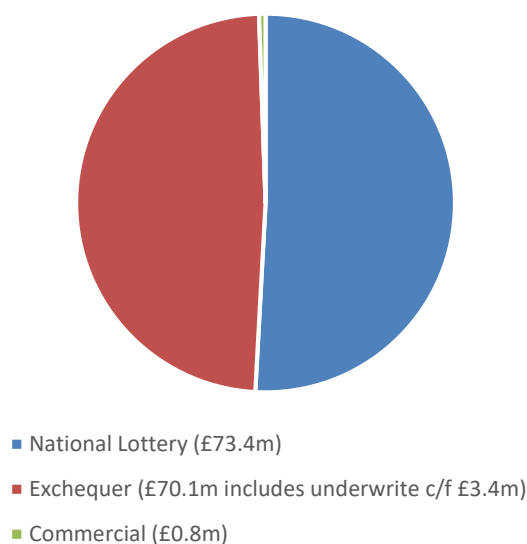
Awards for the World Class Performance Programmes are committed at the start of each Olympic and Paralympic cycle using a combination of Exchequer and Lottery funding. In the event that additional Exchequer funding is made available to UK Sport or there is a reduction in planned Exchequer financed activity elsewhere in the business, the awards may be adjusted to reflect a greater proportion of Exchequer funding.

The Major Events Programme and funding of Athlete Performance Awards are solely Lottery funded. These are prime examples of Lottery funded programmes that are not provided as a statutory responsibility or funded by Government, but add real value to the UK's sporting ambitions.

Financial Performance

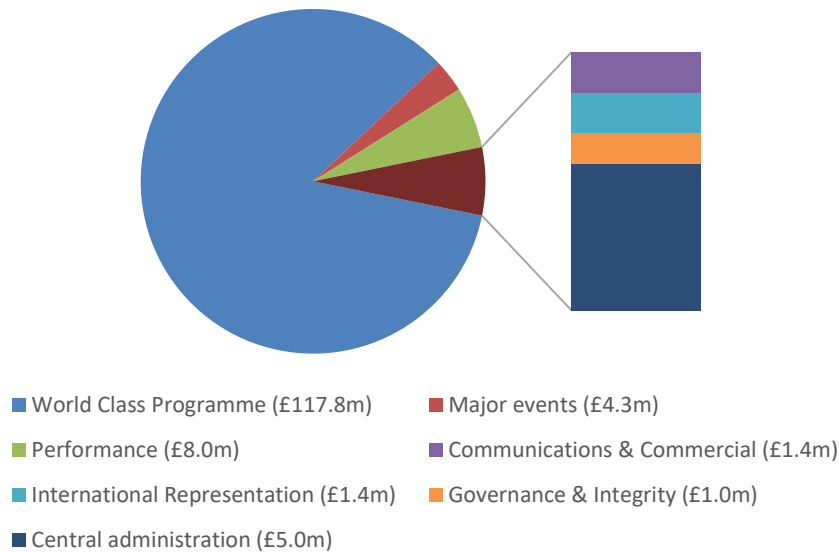
Total income of £144.3 million (£137.7 million in 2017/18) was received by UK Sport which included £8.21m from DCMS in respect of the underwrite against shortfalls in Lottery income. UK Sport received £73.4 million from the National Lottery Distribution Fund (£74.9 million in 2017/18) and £70.1 million from Exchequer (£62.0 million in 2017/18). The Exchequer increase of £8.1 million on the previous year represents additional resources for the Aspiration Fund (£3.0 million), Basketball (£0.5 million) and feasibility work on a potential bid for the 2030 World Cup (£0.25 million). The balance of £4.3 million mainly arose from the profiling of grants and other cash payments over the cycle. Commercial income of £0.8 million was in line with the level generated in 2017/18.

UK Sport Income 2018/19



Total expenditure of £138.9 million (£152.9 million in 2017/18) broadly matched the planned income received, after taking account of the Lottery underwrite carry forward, and annual notional pension liability adjustments and other accrual adjustments giving a balanced budget overall.

UK Sport Expenditure 2018/19



Grants and other payments towards the World Class Programmes made up the greatest part of the expenditure incurred. These payments are not equally phased over the cycle giving rise to fluctuations in the level of expenditure year on year. Such movements are managed through the Lottery Reserve. The balance on the Reserve is forecast to be £15.1 million at the end of 2020/21 which is in line with the agreement to carry forward £15 million into the next cycle.

Administration and operating costs have continued to be monitored closely. The Exchequer resource outturn was within 0.16% (£0.104 million) of budget, meeting the DCMS target of 1%. The DCMS Lottery performance target of 8% for administrative spend was also met with a result of 7.48%.

The Statement of Financial Position on the Exchequer Account at 31 March 2019 shows negative overall Taxpayer's Equity of £28.0 million (£29.4 million in 2017/18). This is offset by a surplus on the Lottery account of £34.7 million (£30.8 million in 2017/18) to give a total group position of £6.7 million (£1.4 million in 2017/18). These liabilities include pension provisions of £20.4 million.

Expenditure on Consultancy

During 2018/19 expenditure on consultancy at UK Sport was £331,941 (2017/18: £138,225). The expenditure on consultancy relates to various projects, including legal advice in preparation for the implementation of GDPR. In addition, the increase on the prior year includes consultancy on UK Sport's commercial strategy as well as the 2018 Public consultation to inform UK Sport's future performance investment approach.

Funded Athlete Demographics

UK Sport funded 1,111 athletes as at 31 March 2019 (1,125 athletes at 31 March 2018) with the following demographic breakdown:

Gender	31/3/19	31/3/18
Female	46%	45%
Male	54%	55%

Disability	31/3/19	31/3/18
No	77%	75%
Yes	23%	25%

Age range	31/3/19	31/3/18
<16	1%	1%
16 - 25	60%	62%
26 - 44	36%	34%
45 - 68	3%	3%

Ethnicity	31/3/19	31/3/18
Asian	1%	1%
Black	3%	4%
Mixed/Other	5%	5%
Not disclosed	1%	1%
Not specified	4%	1%
White	86%	88%

Going Concern

The financial statements have been prepared on a going concern basis. Grant commitments and other obligations have been entered into on the basis of the continuing receipt of financial provision in the following ways:

- UK Sport has a statutory entitlement to a set percentage of the National Lottery Distribution Fund in accordance with the National Lottery Act 1993 as amended.
- Grant-in-Aid financing from DCMS. A four year settlement to 2019/20 has been agreed. Further discussions with DCMS are being taken forward for the period up 2023/24.
- The liabilities shown in the Statement of Financial Position mainly arise from staff membership of the public sector pension scheme (LPFA). These fall within the scope of Section 39 of the Public Service Pensions Act 2013 which allows all future liabilities to be met from the Consolidated Fund.

Liz Nicholl CBE

Chief Executive and Accounting Officer (until 5th July 2019)

The United Kingdom Sports Council



Simon Morton

Acting Chief Executive and Interim Accounting Officer

The United Kingdom Sports Council

15 July 2019

Accountability Report

Corporate Governance Report

The Chair and Board members are appointed by the Secretary of State in compliance with the Code of Practice of the Commission for Public Appointments. The Board currently consists of the Chair and nine members, seven independent and two representatives of the Home Nation Sports Councils (Sports England and Sport Scotland). Approval is awaited from the Secretary of State on the appointment of representatives of the other two Home Nation Sports Councils (Sport Wales and Sport NI). Additionally, there are two Observers, the Chair of the English Institute of Sport (EIS) and the Head of Sport at DCMS.

Independent Board members are appointed for a fixed term of three years and may be re-appointed for one further term of three years as agreed by the Secretary of State for DCMS. The Board Chair has been appointed for four years. The appointment process set by Government permits representatives (usually the Chair) of the Home Country Sports Councils to automatically sit on the UK Sport Board for the duration of their term.

Board membership during 2018/19 was:

Name	Position	Start Date	Term duration
Dame Katherine Grainger DBE	Chair	July 2017	4 year appointment to 30 June 2021
Nicholas Bitel	Member (Chair, Sports Council England)	April 2013	Appointed to April 2017 Re-appointed to 21 April 2021
Mel Young MBE	Member (Chair, Sport Scotland)	June 2016	4 year appointment to 1 May 2020
Vacant	Member (Chair, Sport Wales)	n/a	Awaiting appointment by Secretary of State
Vacant	Member (Chair, Sport Northern Ireland)	n/a	Awaiting appointment by Secretary of State
Lis Astall	Member (Senior Independent Director)	October 2013	3 year appointment to 28 October 2016 Re-appointed to 27 October 2019
Sally Bolton OBE	Member	March 2018	3 year appointment to 14 March 2021
John Dowson	Member	March 2015	3 year appointment to 15 March 2018 Re-appointed to 15 March 2021
Annie Panter	Member	January 2018	3 year appointment to 30 January 2021
Nicola Roche CBE	Member	December 2014	3 year appointment to 14 December 2017 Re-appointed to 14 December 2020

Name	Position	Start Date	Term duration
Professor Sarah Springman CBE	Member	October 2013	3 year appointment to 27 October 2016 Re-appointed to 27 October 2019
Martyn Worsley	Member	March 2018	3 year appointment to 11 March 2021

The Board normally meets six times each year to provide strategic direction to the organisation, as well as considering and making decisions on those recommendations put forward by UK Sport's officers, panels and internal committees. The minutes of UK Sport Board meetings are made available on the UK Sport website.

The Board has an established Group Audit and Risk Committee (GARC) to support them in their responsibilities for issues of risk, control and governance. Its membership comprised:

- Chair, a UK Sport Board member appointed by the UK Sport Board;
- Not less than two other non-executive UK Sport Board members appointed by the UK Sport Board;
- One external member nominated by the EIS Board and approved by the UK Sport Board who may be a non-executive member of the EIS Board; and
- Up to two other external members nominated by the GARC and approved by the UK Sport Board.

At least one member has significant recent accounting experience. This Committee has oversight of both UK Sport and EIS and normally meets four times during the year to advise the Board and Accounting Officers on the:

- Strategic processes for risk, control and governance (and the Governance Statement);
- Accounting policies, Annual Report and Accounts;
- Both internal and external audit planned activity, results and effectiveness;
- Adequacy of management response to issues identified by audit activity;
- Level of assurance provided on the management of corporate governance obligations.

Further to this arrangement the Board is advised by a number of additional standing sub-committees:

- Remuneration Panel – ensuring employment matters in UK Sport are dealt with professionally. The Panel, consisting of the UK Sport Board Chair and two other members, met once during the year.
- Major Events Panel – makes recommendations to UK Sport Board on National Lottery investment into major events. The panel, currently consisting of two UK Sport Board Members (one of whom acts as the Panel Chair) and four independent members, met four times during the year.

A third sub-committee, the Eligibility Sub-Committee, only meets when necessary and met once during 2018/19.

Director Team

Liz Nicholl took up the post of Chief Executive at UK Sport on 23 September 2010 and leads the Executive team that oversees 120 full time equivalent permanent staff and 10 fixed term contract staff across the business at 31 March 2019. Sophie du Sautoy returned from maternity leave in the

middle of September 2018, Jonathan Bennetts was Interim Director up until that time to cover her absence.

Name	Position
Liz Nicholl CBE	Chief Executive
Simon Morton	Chief Operating Officer
Sophie du Sautoy	Director of Business Services (on maternity leave until 10 September 2018)
Jonathan Bennetts	Interim Director of Business Services - formerly known as the Director of Finance, Investment and Business Services (until 10 September 2018 to cover maternity leave)
Jaqui Perryer	Group Director of HR for UK Sport and English Institute of Sport
Chelsea Warr	Director of Performance
Vanessa Wilson	Director of Commercial and Communications

Liz Nicholl, CEO, announced in November 2018 that she would be stepping down from her role and will leave in July 2019. This comes after a 20 year career at UK Sport, with the last 8 years as CEO. UK Sport partnered with Moloney Search to conduct an international search for a new CEO. Key stakeholders, both internal and external, were engaged to identify the core and future requirements of the position. Shortlisting took place on 25 February 2019 and included members of the Board, Remuneration Committee and Human Resources with DCMS also represented. Sally Munday, currently CEO of England and GB Hockey, has been appointed to take up duty in autumn 2019. Simon Morton will act as Interim CEO in the intervening period.

Vanessa Wilson announced in January 2019 that she would be stepping down from her role in March 2019 to take up the post of the CEO of University Alliance. The recruitment process for a new Director of Commercial and Communications is being conducted following the conclusion of the CEO recruitment process.

Subsidiary bodies

(i) English Institute of Sport (EIS)

UK Sport has held sole responsibility for the English Institute of Sport (EIS) since April 2006. Its accounts are approved separately by the Board of the EIS and are subject to external audit by the National Audit Office.

UK Sport is entitled to appoint three Directors to the Board of EIS, one of whom is appointed as the Chair. John Steele is currently the Chair of the EIS. In addition, UK Sport has agreed that a Board Member and its Director of Performance should be the remaining two appointments to the EIS Board.

At the heart of the EIS four-year 2020 Tokyo cycle strategy is the drive to ensure that its service provision is specifically tailored to achieve maximum performance impact for each World Class Programme (WCP) and is delivered as effectively and efficiently as possible. Eight strategic priorities have been identified each with supporting actions to drive delivery and key performance indicators (KPIs) to monitor performance. These KPIs are agreed by both the UK Sport and the EIS Boards.

The EIS is bound by funding agreements which are applied alongside a separate Financial Memorandum. The Group Audit and Risk Committee advises both the EIS and UK Sport Boards through an annual programme of audit reviews agreed by the Boards.

(ii) Yorkshire 2019 Limited

In October 2016, the UK was awarded the right to host the 2019 UCI World Road Cycling Championships in Yorkshire. The event will be funded principally through DCMS and UK Sport, with the balance coming from local authorities and commercial income. DCMS is channelling its funding through UK Sport, and relies on UK Sport to provide assurance of that investment and of the event more generally. DCMS is underwriting the event. For these reasons, it was agreed during the business planning and bidding phase that a special purpose vehicle (SPV) be established by UK Sport as the organisation to oversee and coordinate the delivery of the event. As such Yorkshire 2019 Limited is a wholly-owned subsidiary with the financial results of the company appearing within the Group financial statements.

Yorkshire 2019 Limited has a Board of 12 directors, with 7 of these independent (including the Chair) and 5 nominated by stakeholders. The five stakeholders with the right to nominate a director are British Cycling, DCMS, UK Sport, Welcome to Yorkshire and a Host Local Authority. Chris Pilling is currently the Chair of Yorkshire 2019 Limited.

At the 31 March 2019 the organisation employed 12 paid staff with a further 4 to be appointed in the next few months.

The tour routes were announced in September 2018 and a volunteer programme launched in January 2019. The Yorkshire 2019 Para-cycling International, is confirmed and being integrated into the event plans.

From an operational point of view the significant contracts have been, or are being, secured including G4S as the stewarding provider for the Harrogate Event Site and traffic management contractors for all routes, with good progress on planning for the road closures.

Harrogate Borough Council asked the Secretary of State for the Ministry of Housing, Communities and Local Government (MHCLG) to make an Order to allow the eleven race finishes for the UCI Road World Championships 2019 to be held on the Stray. The Stray is protected by statutory provisions found in the Harrogate Stray Act 1985, a private Act of Parliament. Following a public consultation an Order was laid in Parliament on 16 March 2019.

UK Sport have considered the approach to winding the company up after the conclusion of the Championships and are now making plans to work with Yorkshire 2019 Limited to ensure an efficient and timely process.

Reporting of Personal Data Related Incidents

UK Sport holds personal information relating to employees, athletes, athlete support personnel and others relating to activities arising out of its operating environment within the high performance sport system. There are robust and specific measures in place to ensure information security applies to such information.

In accordance with the General Data Protection Regulations 2016 (GDPR), guidance from the Information Commissioner's Office and the Cabinet Office Guidance under the HMG Security Policy Framework (SPF), UK Sport enhanced its information and data security policy and procedures. As part of the implementation of the new requirements all staff were required to undertake additional online training (on information security and the GDPR) and have been subject to a wider security education and awareness campaign.

UK Sport recorded no personal data security incidents in 2018/19. As such, nothing fell within the criteria for reporting to the Information Commissioner's Office.

Table 1: Summary of Protected Personal Data Related Incidents Formally Reported to the Information Commissioner's Office in 2018/2019

Date of Incident	Nature of Incident	Nature of data involved	Number of people potentially affected	Notification steps
None	n/a	n/a	n/a	n/a

Incidents deemed by the Data Controller not to fall within the criteria for reporting to the Information Commissioner's Office, but are considered breaches or 'near misses', are recorded centrally within UK Sport and set out in the table below.

Table 2: Summary of Other Protected Personal Data Related Incidents in 2018/19

Category	Nature of Incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	0
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	0
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	0
V	Other ¹	2

Complaints Summary

UK Sport has a published complaints procedure on its website.

In 2018/19 there were no complaints about staff (none in 2017/18) and 10 complaints in relation to various types of sporting issues (19 in 2017/18). Where relevant UK Sport refers complaints directly to the sports organisation involved for resolution or, if appropriate, to UK Sport's Head of Integrity.

It should be noted UK Sport is not a regulator of sport or prescribed regulator for whistleblowing purposes under the Public Interest Disclosure Act 1998, nor does UK Sport have legal powers of investigation into internal sporting disputes or the affairs of sport Governing bodies.

¹ The two 'other' incidents shown above involved damage to an encrypted device with unlikely loss of data, and notification of malicious code from a supplier which was remedied. Both incidents were logged without any known adverse impact to UK Sport.

Statement of Accounting Officer's Responsibilities

The Royal Charter and section 35(2) and (3) of the National Lottery etc. Act 1993 require UK Sport to prepare a statement of accounts for both UK Sport and its consolidated Group for each financial year in the form and on the basis determined by the Secretary of State for DCMS with consent of HM Treasury. In addition, the Exchequer accounts are prepared in conjunction with the Government Resources and Accounts Act 2000. The accounts are prepared on an accruals basis and must show a true and fair view of UK Sport's state of affairs at the year end and of its income, expenditure and cash flows for the financial year.

In preparing the accounts UK Sport is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by the Secretary of State for DCMS, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Ensure that UK Sport has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- Make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by subsidiary organisations;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- Prepare the financial statements on a going concern basis.

The Accounting Officer for DCMS has designated the Chief Executive Officer of UK Sport as the Accounting Officer for UK Sport. The relevant responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable and for keeping of proper records and for safeguarding UK Sport's assets are set out in "Managing Public Money" published by HM Treasury and in the Financial Directions issued by the Secretary of State for Digital, Culture, Media and Sport under section 26(3) of the National Lottery etc. Act 1993.

In my role as Accounting Officer I am supported by the National Director of EIS and Chief Executive Officer of Yorkshire 2019 Limited, both of whom have been appointed as the Accounting Officer for their organisation with reporting responsibilities to myself. They are required to prepare an annual assurance report as well meeting the requirements of their respective governance and financial frameworks.

As Accounting Officer, as far as I am aware there is no relevant audit information of which UK Sport's auditors are unaware. I have taken all of the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that UK Sport's auditors are aware of that information.

As Accounting Officer, I confirm that the annual report and accounts as a whole are fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgements required for determining that they are fair, balanced and understandable.

Liz Nicholl CBE

Chief Executive and Accounting Officer (until 5th July 2019)

The United Kingdom Sports Council



15/07/2019

Simon Morton

Acting Chief Executive and Interim Accounting Officer

The United Kingdom Sports Council

Governance Statement

Introduction

As Accounting Officer, I am required to prepare an annual governance statement which records the stewardship of UK Sport, drawing together evidence on governance and risk management. The statement is intended to give a clear overview of the dynamics of the organisation and its control structure, providing a sense of potential vulnerabilities and how successful it has been in coping with the challenges faced during the year.

Governance Framework

UK Sport was established in 1996 by Royal Charter as an Arm's Length Body (ALB) of DCMS. The formal relationship between DCMS and UK Sport is encapsulated in a number of framework documents, most recently the *UK Sport Management Agreement 2016-2020* dated 8 March 2017. Copies of relevant documents and any subsequent amendments are placed in the libraries of both Houses of Parliament and made available to members of the public on the UK Sport website.

UK Sport's constitution is set out in Article 1 of the Royal Charter, with the Secretary of State (and other members of DCMS ministerial team) accounting for the organisation in Parliament. My respective responsibilities as Accounting Officer are set out in Chapter 3 of *Managing Public Money*. UK Sport is also compliant with the Corporate Governance Code as applied to an ALB via the relevant principles set out in *Corporate Governance in Central Government Departments: Code of Good Practice 2017* and Lottery Financial Directions issued under *Sections 26(3), (3a) and (4) of the National Lottery etc. Act 1993* (as amended by the *National Lottery Act 1998*, and the *National Lottery Act 2006*).

A *Code for Sports Governance* sets out the governance requirements that all organisations funded by Sport England and UK Sport are required to meet. It provides for three tiers of compliance with Tier 3 representing the highest level of compliance. UK Sport are classified as a Tier 3 organisation.

UK Sport Board and Committee Effectiveness

The Board met 9 times in 2018/19 based around business priorities and the annual calendar of Board activity. In addition to six main Board meetings, further meetings took place in July 2018 and January 2019 dedicated to the development of the strategy for the Paris cycle (2020 to 2024). A further joint UK Sport and English Institute of Sport Board meeting was held in March 2019 at Bisham Abbey National Sport Centre. This followed an 'immersion session' at both Caversham (i.e. British Rowing) and Bisham Abbey which provided both Boards with a practical insight into the World Class Programme and the services provided by the Institute as part of the High Performance System.

The Board was quorate for all meetings in the year. Attendance of Board members was as follows:

Main Board Attendance	May 2018	June 2018	Sept 2018	Dec 2018	Feb 2019	Mar 2019	Overall
Dame Katherine Grainger DBE (Chair)	Y	Y	Y	Y	Y	Y	6/6
Nick Bitel (Sport England)	Y	Y	Y	Y	Y	Y	6/6
Mel Young MBE (Sport Scotland)	Y	Y	Y	Y	Y	Y	6/6
Vacant (Sport Wales)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Vacant (Sport NI)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lis Astall	Y	Y	N	Y	Y	Y	5/6
Sally Bolton OBE	Y	N	Y	Y	Y	Y	5/6
John Dowson	Y	Y	Y	Y	N	Y	5/6
Annie Panter	Y	Y	Y	Y	Y	Y	6/6

Main Board Attendance	May 2018	June 2018	Sept 2018	Dec 2018	Feb 2019	Mar 2019	Overall
Nicky Roche CBE	Y	Y	Y	Y	Y	Y	6/6
Sarah Springman CBE	Y	Y	N	Y	Y	Y	5/6
Martyn Worsley	N	Y	Y	Y	Y	Y	5/6

Strategy Board Attendance	July 2018 Strategy Day	Jan 2019 Strategy Day	Mar 2019 Joint Board Meeting	Overall
Dame Katherine Grainger DBE (Chair)	Y	Y	Y	3/3
Nick Bitel (Sport England)	Y (part)	Y	N	2/3
Mel Young MBE (Sport Scotland)	Y	Y	Y	3/3
Vacant (Sport Wales)	n/a	n/a	n/a	n/a
Vacant (Sport NI)	n/a	n/a	n/a	n/a
Lis Astall	N	Y	Y	2/3
Sally Bolton OBE	N	Y	N	1/3
John Dowson	N	Y	Y	2/3
Annie Panter	Y	N	N	1/3
Nicky Roche CBE	Y	Y	Y	3/3
Sarah Springman CBE	N	Y	Y	2/3
Martyn Worsley	Y	N	Y	2/3

Dame Katherine Grainger was appointed as the Chair of UK Sport from 1 July 2017. The Terms and Conditions of the Chair were updated by DCMS in May 2018 to reflect an agreed change to the expected time commitment of up to three days per week.

There were no changes to the Board membership during 2018/19.

The two Home Nation Sports Council nominated posts again remained vacant for the whole of the year, awaiting the formal appointment by the respective Secretaries of State. Meanwhile regular dialogue and relevant papers continue to be shared with senior management at these two Home Country Sport Councils to maintain effective working relationships. The UK Sport CEO meets quarterly with Home Country Sport Council CEOs and there are plans to do the same going forward with regards the respective Chairs.

One-to-one review meetings between the Chair and individual Board Members were conducted in August/September 2018, in addition to the Board undertaking a review of its effectiveness - in line with the requirements of the Code for Sports Governance. The Board's skills matrix has been reviewed and the outcome was discussed at the March 2019 Board meeting. An externally-facilitated Board Effectiveness Review is planned for the summer of 2019.

Indemnity cover for UK Sport is provided through the existing UK Sports insurance arrangements to cover liabilities arising from travel, public and product claims, and sports governance claims.

The Board is supported by advisory bodies including the Group Audit and Risk Committee (GARC) for UK Sport and EIS, the Audit Committee for Yorkshire 2019 Limited, the Remuneration Panel, Major Events Panel and the Eligibility Panel. Reports of appropriate quality to meet the information needs of

both the GARC who advise the Board, and the Board themselves have been provided. These have comprised regular updates as well as individual papers on specific issues.

The GARC met four times during the year. Regular agenda items included agreement of the Internal Audit work plan for 2018/19 followed by the outcome of reviews and progress on responding to the recommendations made, management of risk, and the review of financial and legal policies and procedures. In addition, the Committee reviewed the 2017/18 Annual Reports and Accounts, received deep dive presentations on a number of risk areas covering; the operational progress of Yorkshire 2019 Limited, the direct risks of Brexit for UKS and EIS, Information and Cyber Security, and succession planning across both UKS and EIS.

In line with best practice, a review of the GARC Terms of Reference (TOR) was conducted in June 2018. This review was carried out in line with guidance provided for public bodies, provided in the *Audit and Risk Assurance Committee Handbook* issued by HM Treasury (March 2016). Whilst there have been no substantive changes to the TOR a summary of the most notable revisions includes:

- Recognition of the establishment of Yorkshire 2019 Limited as a time limited subsidiary;
- Recognition of the adoption of the VMOST methodology as a corporate approach for strategic and operational planning;
- Formal specification for the GARC membership to include at least one member who is CCAB qualified (shorthand for full membership of a UK accountancy body that was formed by Royal Charter); and
- Updating the title of the group from the Group Audit Committee (GAC) to the Group Audit and Risk Committee (GARC).

The revised Committee TOR were approved by UK Sport Board at the June 2018 meeting.

The attendance profile for the Committee in 2018/19 was:

	June 2018	Sept 2018	Nov 2018	Mar 2019	Overall
John Dowson (Chair)	Y	Y	Y	Y	4/4
Anwar Ahmed	Y	N	Y	Y	3/4
Lis Astall	Y	Y	Y	Y	4/4
Craig Hunter	Y	n/a	n/a	n/a	1/1
Vic Luck	n/a	N	Y	Y	2/3
Martyn Worsley	Y	Y	Y	Y	4/4

There were some changes to the composition of the GARC in 2018/19.

- John Dowson was reappointed as the GARC Chair in April 2018 until March 2021 following the confirmation of his second term as UK Sport Board member in March 2018;
- Craig Hunter stepped down from his role on both the EIS Board and the GARC as a result of restrictions on his time commitment following his appointment as the Vice Chairman of the Technical Swimming Committee for the European Swimming Federation. His last GARC meeting was in June 2018.
- Vic Luck was nominated onto the GARC as the EIS representative from June 2018, following Craig Hunter's departure.
- Martyn Worsley (UK Sport Board member) was appointed to the GARC from June 2018 to take up the fifth Committee position, which was previously vacant.

The remaining bodies meet as required. During 2018/19 the Remuneration Panel met once, and the Major Events Panel met eight times. The Eligibility Panel also met once in this financial year.

UK Sport Board considers that all the organisation's advisory bodies have been operating effectively during the year.

Executive Responsibilities

My responsibilities as Accounting Officer for UK Sport are set out in full in the DCMS Permanent Secretary's appointment letter. As such, I am personally responsible for safeguarding the public funds for which I have charge; for ensuring propriety and regularity in the handling of those funds; and for reporting to the Board of UK Sport for the day-to-day operations and management of the organisation and the achievement of its strategic aims. I am also responsible for ensuring that UK Sport is run on the basis of the standards set out in Box 3.1 of *Managing Public Money*. A clear scheme of delegation (and supporting policies and procedures) exists within the organisation to assist with my management of this.

In my role as Accounting Officer I attend both Board and Group Audit and Risk Committee meetings to ensure any significant risks or issues of control are brought to their attention and discussed. I am therefore able to provide the assurances necessary within this statement for the period from April 2018 to the date of approval of the annual report and accounts.

For any periods of absence during the year I have delegated my Accounting Officer responsibilities to the Chief Operating Officer (COO). I have further been supported in my role as Accounting Officer by the National Director of EIS and Chief Executive Officer of Yorkshire 2019 Limited, who have both been appointed as Accounting Officer for their organisations.

Individually named directors have responsibility for all policies and procedures pertaining to the internal governance of the organisation with the Director of Business Services (formerly known as the Director of Finance, Investment and Business Services) having operational responsibility for the over-arching control environment (including our risk management processes) within which we operate.

In November 2018, I announced I would be stepping down from the role of CEO in the summer of 2019. Following a comprehensive recruitment campaign, it was announced that Sally Munday would be appointed as the new CEO from the autumn 2019 with Simon Morton acting as Interim CEO during the intervening period.

System of Internal Control

The system of internal control within UK Sport seeks to mitigate rather than eliminate risk. The decision as to which risks are mitigated or accepted relates both to the organisation's capacity to influence them and/or absorb their potential impact. The methodology used to evaluate risk in terms of likelihood and potential impact (through a Risk Heat Map) helps promote focus on the most significant risks facing the organisation and its subsidiaries. EIS has adopted an equivalent approach. The system of internal control for Yorkshire 2019 Limited is overseen by its own Board and Audit Committee with a UK Sport nominee on both. This presence, together with formal reporting arrangements set out in a Governance and Finance Memorandum, ensures appropriate oversight of their governance arrangements, including the effective management of risk and their system of internal control.

In order to provide evidence-based assurances on the management of risks that threaten the achievement of UK Sport's objectives a Risk Assurance Framework has been adopted. An assurance mapping exercise takes place every six months. As set out in HM Treasury's *'Assurance Frameworks'* document (December 2012) the three lines of defence model has been used to identify and understand our assurance arrangements. The first line of defence deals with the front-line or business operational areas such as performance data and policies. The second line of defence is associated with oversight of management activity, for example, Directors Team. Finally, the third line of defence relates to independent assurance such as internal audit.

In June 2018, UK Sport's Directors' Team undertook a dedicated 'blank paper' strategic review exercise of the corporate risk register to ensure that all the current and key strategic risks have been identified and captured. The strategic review from Directors Team resulted in a number of existing risks being modified or removed and a number of new risks being added.

The development of the Risk Assurance template that was previously discussed at the November 2017 GARC was revisited following the Directors' Team exercise in June 2018. This led to the development of a new risk assurance template that provides a more detailed assurance summary for each risk, examples of which were provided to the GARC in September 2018.

UK Sport operates a wide-ranging System of Internal Control. Independent to UK Sport, assurance is provided by both internal and external audit functions. Key to the control environment is our:

- Attitude and approach to managing risk; and
- Policy/procedure framework (including scheme of delegated authority).

UK Sport's Board is provided with an update of the Corporate Risk register on a quarterly basis and a facilitated review of UK Sport's risk appetite is scheduled to take place during 2019/20.

For 2018/19 Budget Allocation Letters, which are required to be signed by budget holders, have been introduced to provide further transparency on budgetary controls and the responsibilities attached to managing a budget.

Policies and Procedures

Beneath our overarching Policy on Internal Control sits a number of critical policies and procedures, which effectively describe to staff the detail of their responsibilities. The policies include:

- Adoption Policy
- Anti-Fraud, Anti-Corruption and Anti-Bribery
- Budgetary Control
- Business Continuity
- Cash Management
- Delegated Authority
- Document Retention
- Fixed Asset
- Gifts and Hospitality
- Health and Safety
- Healthy Lifestyle
- Home Based Working Policy
- Maternity Policy
- Parental Leave Policy
- Personal Information
- Probation Period
- Procurement Policy and Procedure
- Recruitment Procedures
- Travel and Expenses
- Whistleblowing

These policies and procedures are regularly reviewed and updated to ensure they are current with both statutory and legislative requirements and recognised best practice. In 2018/19 particular emphasis has been given to updating policies in relation to GDPR readiness.

Staff Engagement

Following the last UK Sport Culture Health Check (in November 2017), employee-led working groups have been identifying actions around the core areas of Leadership, Healthy Working Practices and Working Together. The work of these groups is fully supported by the Directors' Team with further initiatives planned for 2019. A follow up pulse survey which focuses on the development areas of the previous survey was launched in March 2019. This included a stress survey developed by the Healthy Working Practices Group.

Workforce planning

The GARC received two detailed reports on UK Sport and the EIS on workforce statistics and characteristics as part of the deep dive to establish whether the organisation should be concerned about ongoing high turnover of on average 20% in UK Sport. The analysis clearly showed that the turnover, when reviewed in detail, did not create a talent drain and was normal for an organisation of this size in this industry. Nevertheless, a robust succession planning process has now been instigated and is underway for directors and other key critical roles in the organisation.

Attempted/Suspected Fraud

During 2018/19 UK Sport were subject to five attempted credit card frauds. All monies have been recovered or are in the process of being recovered by the bank. Two other instances of attempted or suspected fraud occurred.

In August 2018, UK Sport were alerted to fraudulent activity that had taken place in connection with the 2018 Boccia World Championships (an event that UK Sport invested into). The attempted fraud was carried out via a successful cyber-related phishing attack relating to a £58k payment of a hotel invoice. The funds were returned in full to the event bank account after the recipient bank intercepted the fraudulent transaction. This was the second fraudulent activity that occurred in relation to the 2018 Boccia World Championships following a separate and unrelated fraud the prior year (where once again all funds were recovered by the event).

UK Sport make means-tested grant awards to around 1100 athletes on the World Class Programme. As a result of the checks that UK Sport make, they became aware of an instance where an athlete may have mis-declared the income that would have been taken into account for the means testing of this award. At the time of this report, this case is under investigation, with progress being reported to the GARC.

DCMS, UK Sport Board and GARC have all been informed of both incidents.

Risk Profile

Where significant risks are recognised the potential impacts are identified and corresponding scenario plans with mitigating actions developed. A number of risks have been accepted/managed through 2018/19. Further background on key risks is set out below.

(i) GDPR

As a registered data controller, UK Sport is still monitoring, and seeking to enhance, its compliance with the applicable legislation. The new laws were implemented in May 2018 and compliance is an ongoing matter, overseen in the main by the Data Protection Officer (DPO) and Legal team, but with all staff taking responsibility for data protection.

Prior to the new legislation being effective significant work was undertaken to review our practices and develop new processes and procedures, revise or create policies, and increase staff awareness. After prioritising the most significant risks UK Sport's focus has been on embedding the new processes and procedures, with the DPO attending team meetings at UK Sport to deliver, discuss and inform staff. Following the implementation date, UK Sport underwent an internal audit and scored 'adequate', the recommendations from this audit were prioritised. UK Sport have therefore implemented new practices, including data protection impact assessments, data sharing agreements and information sharing logs which are embedded on a dedicated data protection page within the intranet.

UK Sport aim to continually improve on this front and as new projects, systems and activities are undertaken, data protection remains a key priority. The project group established prior to the implementation date remains in place, with an increased remit to focus on information governance and how this will benefit the organisation. This project group has representatives from various directorates to ensure UK Sport remains a responsible data controller.

(ii) Integrity and Culture of World Class Programmes

During 2018/19, UK Sport has continued to develop and invest in its Sport Integrity function that was set up in May 2017 to provide central resource and expertise for the high-performance system to strengthen efforts to identify, investigate and learn from issue that threaten its integrity. The Integrity Team continues to work with National Governing Bodies (NGBs) to improve the handling of integrity issues within their World Class Programmes (WCPs), as well as working in conjunction with the British

Athletes' Commission (BAC) and Sport Resolutions UK (SRUK) to help resolve issues in a constructive and timely manner.

The Sport Integrity Team has begun working with the Ann Craft Trust to develop better 'adults at risk' safeguarding procedures for the NGBs that UK Sport funds. In addition to facilitating Integrity Briefings to WCPs, the Integrity Team has run 'out-reach' briefings to Home Country Sports Council (HCSC) Performance Pathway athletes to support effective induction on to WCPs. The Integrity Team continues to develop and disseminate new guidance for the NGBs on such matters as competition selection and athlete representation. The Team has also reviewed and enhanced the UK Sport Eligibility Policy to provide an independent element in the decision-making process.

In 2018/19 the Culture Health Check (CHC) - which is an independently administered survey launched in 2017/18 to provide athletes, staff and stakeholders an opportunity to give feedback about their experiences of their WCP - was updated to gather insights into WCP culture in a more flexible and bespoke manner. Three options were designed that offered the opportunity to either replicate the 2017/18 methodology, conduct a shorter survey based on the most predictive questions from the full CHC, or conduct a 'walk the floor exercise' whereby an independent panel of experts spend time in situ with the WCP to gather cultural insights and provide recommendations.

In a further development every WCP has also received a Culture Development Meeting (CDM) that was chaired by a member of the UK Sport Culture Team and was attended by the UK Sport Performance Advisor plus the NGB CEO and WCP Performance Director (plus other members of the Senior Leadership Team as deemed appropriate).

As of February 2019, 33 funded summer Olympic and Paralympic World Class Programmes have completed the second iteration of the Culture Health Check, with 12 sports undertaking the Full CHC, 14 sports undertaking the CHC lite and 9 sports undertaking a 'Walk the Floor'. Results from the funded summer WCPs have seen 70% of sports demonstrate an improvement in cultural health which exceeded expectations. Global improvements (i.e. across all sports) have also been seen in *opportunities to feedback without fear of negative consequences and staff and athletes working effectively together as a team*. The funded winter sports undertook the full Culture Health Check in March 2019, in line with the process followed by funded summer sports in 2017.

(iii) Employment Tribunal

UK Sport and British Cycling Federation (BCF) were the respondents to a claim from Ms. Jess Varnish.

The Preliminary Hearing took place at Manchester Employment Tribunal from 10-17 December 2018 and heard from a number of witnesses, including Liz Nicholl. The UK Sport Legal Team led the response to the claims, with support from external lawyers and counsel. Given the high profile of the claims, the Communications Team also worked extensively during this period to support UK Sport.

The Judgment was received on 16 January 2019 and found that Ms. Varnish was neither a worker or employee of UK Sport and/or BCF. In response to this decision, UK Sport issued the following statement:

We would like to thank Judge Ross for her consideration of this matter.

The verdict provides reassurance that the relationship between UK Sport, National Governing Bodies and athletes is, as it has always intended to be, which is to provide the means and support for talented athletes to achieve their dreams of realising success at the Olympic/Paralympic Games.

Whilst this verdict did not find Jessica Varnish to be an employee or worker of UK Sport or British Cycling, we have already taken action to strengthen the duty of care and welfare provided to athletes and are ensuring that avenues for raising any concerns are effective and appropriate. It also gives us confidence that the structure of the relationship between other National Governing Bodies, their athletes and UK Sport can continue in a similar way but we will reflect on the concerns that were raised through this case when finalising our future strategy for post Tokyo.

We regret for Jessica Varnish, her partner and her family that pursuing this case was considered the best course of action she had to address the concerns she felt she experienced as an athlete on the British Cycling World Class Programme. We hope Jess feels proud of the success she achieved through cycling and we wish her all the very best for the future.

Ms. Varnish has made an application to appeal the decision against British Cycling only. UK Sport will continue to monitor the status of the appeal.

(iv) Income

UKS has two main sources of income derived from Grant-in-Aid and National Lottery proceeds with planned activity in the Tokyo cycle heavily reliant upon proceeds meeting projected levels.

By its nature, Lottery income is inherently volatile, and this has lent itself to a long-standing risk on the corporate risk register. UK Sport holds reserves to manage short term fluctuations in Lottery income together with peaks and troughs in expenditure profiles.

DCMS understand the importance of maintaining the planned levels of investment and agreed in December 2016 to provide from its available funds, an annual underwrite facility of up to £25 million per annum for three years, should National Lottery income fall below the level expected at the time of the Spending Review in 2015. This agreement concludes in 2019/20 leaving a potential funding gap in 2020/21 when the Olympic and Paralympic Games will be held in Tokyo. The underwrite facility is currently paid through Exchequer funding.

The level of Exchequer funding available from 2020/21 is dependent on the next Spending Review, the timing and duration of which remains uncertain. Further clarity may not emerge until the terms of Brexit have been agreed.

As expected, Lottery proceeds were below previously forecast levels during 2018/19. As a consequence a Grant-in-Aid adjustment of £8.21 million was agreed with DCMS (down from £13.86 million the prior year).

Future planning will remain dependent upon the forecast of Lottery proceeds being met and UK Sport securing the resources it needs in the forthcoming 2019 Spending Review settlement.

(v) Cyber Security

Cyber security is and will remain a constant ever-changing threat, and an area that requires continuous improvement and constant vigilance. A stark reminder of this was highlighted by a successful attack on UK Sport's subsidiary (EIS) during the summer of 2018 that is discussed below.

During the past year to help tackle the ongoing threat, UK Sport has increased organisational awareness considerably, which is evident by the reduction of phish prone staff from 10% down to 3%. UK Sport has also successfully renewed its Cyber Essentials Plus assurance and rolled out new technologies like Multi-Factor Authentication to further mitigate the risk of data exfiltration. We have also improved detection and response capabilities through the implementation of technologies like User & Entity Behaviour Analytics (UEBA) and Endpoint Detection & Response (EDR). During 2018/19 UK Sport can report zero percentage breaches but it is important to ensure this success does not create a false sense of security or complacency. We will therefore continue to invest in our people, processes and technology with the aim of further improving our information governance and security posture.

(vi) EU Exit

Over the course of the year there has been and remains, significant uncertainty around the UK's exit from the European Union. It is likely the High-Performance system would be more directly impacted in the short term by a 'no deal' scenario than UK Sport as an individual organisation.

Subsidiary Companies

A number of measures are in place to provide assurance on both EIS and Yorkshire 2019 Limited's activities and operations.

EIS

The EIS Risk Register is aligned to strategic objectives and is reviewed and updated by the EIS Senior Leadership Team (SLT) on at least a quarterly basis. This is reported to both the GARC and EIS Board.

Their primary risks during the year were:

(i) Staff recruitment and retention

The recruitment of staff of a sufficient quality and retaining quality staff is of paramount importance to deliver services of a high standard to athletes. To this end, the EIS has invested in recruitment training for staff, continues to review its benefits structure, undertakes an annual staff survey and acts on the priority messages, and continues to invest in learning and development opportunities.

(ii) Cyber Security

Ensuring appropriate controls are in place to manage the increasing cyber risks. These include introducing multi-factor authentication across the whole organisation, raising awareness of all staff to cyber risk and working toward cyber essentials accreditation. During In 2018 the EIS experienced a data incident that was reportable to the Information Commissioner's Office (ICO). Nine email accounts were compromised and a small amount of personal data was exfiltrated. The ICO was informed within 72 hours of the EIS becoming aware of the incident. External cyber experts and legal advice was engaged to ensure the incident was fully investigated and responded to appropriately. All affected individuals and sports were notified without undue delay. The ICO closed the case with some recommendations but no formal action. The EIS has taken further steps to protect against such an incident occurring again in the future.

(iii) Managing financial position across the cycle

Ensuring maximum funding is available to deliver world class services to sports whilst remaining within overall funding constraints is constantly monitored by the Senior Leadership Team, GARC and EIS board.

(iv) Duty of care, ethical practice and anti-doping

The EIS has processes in place to ensure practitioners work within the boundaries of ethical practice, ensure compliance with anti-doping regulations and maintain a duty of care to athletes and each other. These include a professional code, training, technical support, minimum standards on recruitment and ongoing monitoring.

Yorkshire 2019 Limited

The UK Sport Board has established a 'line of sight' to Yorkshire 2019 Limited through its Major Events Assurance Group, chaired by the Major Events Panel Chair. The Yorkshire 2019 Board is supported by an Audit Committee, Remuneration Committee, Tender Approvals Committee and the Yorkshire 2019 Management Team. Governance and financial arrangements for Yorkshire 2019 Limited were set out in the DCMS letters of 11 August 2016 and 23 November 2016, with additional requirements contained in my letter to Andy Hindley, the Chief Executive Officer, of 11 December 2017.

UK Sport has a nominated member on the Yorkshire 2019 Limited Board (Simon Morton) and an observer (Head of Events: Esther Britten), who also attends the Audit Committee. A UK Sport Major Events Consultant (MEC) works with Yorkshire 2019 Limited (c.2 days a week) including attending working groups such as:

- Local Authority Delivery Groups
- Multi Agency Working Group
- Highways Group
- Strategic and Local Authority Communications
- Operational Readiness sessions

Risks attached to delivering the 2019 World Road Cycling Championship have been captured by Yorkshire 2019 Limited and are updated to the UK Major Events Assurance Group on a quarterly basis. Monthly meetings are held between the Yorkshire 2019 Limited CEO, UK Sport Head of Events and MEC to monitor progress and address key issues.

Code for Sports Governance

(i) Group compliance

UK Sport and EIS follow the same process as funded organisations to assess and maintain compliance with Tier 3 of *A Code for Sports Governance* ("the Code"). Both organisations were confirmed as compliant with the Code in 2017. Since then, the UK Sport Governance Team have worked with the organisations' boards and senior leadership to action areas for further development and ensure continued compliance. UK Sport's Governance Action Plan, detailing the analysis of its compliance with the requirements of the Code, has been published on the UK Sport website.

Yorkshire 2019 Limited has been assessed against Tier 2 of the Code, in line with UK Sport's approach to other major event investments. Not all of the Tier 3 requirements are deemed to be appropriate for major event delivery companies, as these organisations tend to be time-bound. Accordingly, some of the requirements usually applicable to Tier 3 are not considered relevant and have not been included in the Tier 2 compliance assessment for Yorkshire 2019 Limited. These include requirements related to long-term planning or policy review which are beyond the intended term of the organisation.

Yorkshire 2019 Limited's compliance with Tier 2 of the Code was confirmed by UK Sport in February 2019. As with UK Sport and EIS, UK Sport Governance Managers will continue to work with Yorkshire 2019 Limited's Board and senior leadership to action areas for further development, maintain an up-to-date Governance Action Plan and ensure continued compliance.

UK Sport continues to implement its Diversity Action Plan (DAP) for Board and Senior Leadership, developed pursuant to the Code requirements and published on the UK Sport website. The plan has been utilised during the recruitment for the CEO and Director of Commercial and Communications positions, and UK Sport also works closely with DCMS and the Home Nation Sports Councils to encourage recruitment and appointment of directors who can contribute to the diversity of the UK Sport Board.

UK Sport have appointed a Board Diversity Champion and have established an internal Diversity and Inclusion Working Group. A bespoke recruitment package has been developed for internal staff which includes a focus on unconscious bias and equality legislation, and work is also progressing on diversifying our methods of attracting new talent into UK Sport and the system. The UK Sport DAP is updated annually and published on the UK Sport website.

As part of the Board's responsibility to maintain compliance with *A Code for Sports Governance*, an internal Board evaluation, including individual director appraisals and a review of the Board's skills matrix has been led the Chair of UK Sport over the year. An externally facilitated Board evaluation is being planned to take place in the 2019/20 financial year. Reviews of the organisation's risk management and internal control systems and organisational policies are covered elsewhere in this governance statement, but also contribute to continued Code compliance.

(ii) Funded Organisation compliance

The UK Sport Governance Team has developed a three-stage approach to seeking assurance about the continued compliance of funded organisations. Firstly, UK Sport has allocated a dedicated Governance Manager to support each organisation with governance issues and monitor continued Code compliance through an up-to-date Governance Action Plan.

Secondly, an annual thematic code compliance review allows UK Sport to seek assurance on key themes of Code compliance whilst also carrying out a qualitative assessment of relevant policies and procedures. Through this process UK Sport can identify best practice, then develop guidance and template documentation to share this best practice with all funded organisations. The first thematic compliance review began in September 2018 and was focused on Code requirements related to board appointments. Succession planning was identified as a theme where particular support was needed, so additional guidance and templates for this process are being developed, along with similar guidance and templates for Board recruitment and skills audit.

Finally, UK Sport has partnered with Sport England to design and commission an independent external

audit programme for the remainder of the cycle. Following a joint tender, BDO were appointed to deliver both finance and governance audits for UK Sport and Sport England. UK Sport now has the ability to seek independent external assurance of Code Compliance for all of our funded organisations.

In December 2018 Mazars, UK Sport's internal auditors at the time, undertook an internal audit of the Governance Team's practices and processes for assessing and monitoring code compliance in funded organisations. They delivered an audit opinion of 'Substantial Assurance', the highest rating possible. The report also made two housekeeping recommendations, which have been agreed and will be addressed.

Throughout the year, in addition to our regular monitoring and support of governance in UK Sport funded organisations, UK Sport has made several more substantial governance interventions in funded organisations in order to support continued Code compliance, protect our investment and ensure the effective delivery of World Class Programmes. Additional support (including board and chair recruitment consultancy, organisational review and board restructuring) has been provided to a number of sports.

A major addition to our governance work followed the awarding of Aspiration Fund investment to seventeen sports. The Governance Team has worked closely with the Aspiration Fund project lead to support the governance needs of the project. This has included working with six currently non-compliant organisations to develop Governance Action Plans and work towards compliance. UK Sport has taken the approach that all Aspiration Fund recipients should become compliant with Tier 2 of the Code as a minimum. This reflects the nature and duration of investments through the Fund.

A key theme emerging from our work with funded organisations during the year has been the significant volume of board recruitment carried out by funded organisations, and the support required to enable this. This is, in part, driven by the Code's requirement for board appointments to follow more rigorous and transparent procedures, and to take account of both the skills required by the board and the board's commitment to achieving gender parity and greater diversity generally. Whilst these goals are important for driving the improvement of governance across the sector, we recognise that it has posed a challenge for funded organisations. UK Sport will continue to explore ways to support the recruitment of diverse and high-calibre boards within funded organisations.

Over the course of the year, UK Sport and Sport England commissioned Inclusive Boards to help with the continued support for funded organisations and the further development of their Diversity Action Plans (DAPs). This support focused on three main areas: DAP support and feedback, training focused on attracting diverse talent (BAME, LGBT, disability and gender) from different sectors and communities and in conducting an independent Leadership Diversity Audit across all funded bodies.

Independent Assurance

The Internal Audit Plan for 2018/19 was considered and approved by the GARC at its March 2018 meeting. The plan was for a total of 60 days (2017/18, 60 days). All planned audits from the Plan were completed during the year.

On the basis of their audit work, Mazars considered that UK Sport's governance, risk management and internal control arrangements are generally adequate and effective. Certain weaknesses and exceptions were highlighted by their audit work and were discussed with management. All recommendations have now been resolved or are in the process of being addressed.

The reviews conducted during 2018/19 included a review of UK Sports and EIS's compliance with the Code for Sports Governance and both organisations' retention and succession planning. These reviews resulted in a substantial assurance rating as did a review into the project management of the Road World Championships 2019. Two other joint reviews were conducted during the year covering both organisations' Business Continuity Plans and readiness for the General Data Protection Regulations that came into force in May 2018. These reports received adequate assurance ratings. Individual reviews were also carried out covering Credit Cards and Government Procurement Cards usage and EIS purchasing process which both received adequate assurance ratings. An advisory report covering the case management of UKS Culture Health Check process was also conducted.

A comprehensive joint tender process was undertaken with Sport England (SE) and the Heritage

Lottery Fund (HLF) to appoint an Internal Audit Provider from April 2019. The aim of the joint procurement was to optimise the opportunity of each organisation benefiting from the added value that should be delivered through an increased sharing of best practice across the organisation and the wider client pool of the successful internal audit provider.

The procurement process was conducted using the Crown Commercial Service framework to ensure a robust, transparent and fair process. The procurement concluded in February 2019 with BDO appointed as Internal Auditors for all three organisations (and UK Sport's subsidiaries) for a three-year period, with an option for up to two single year extensions. BDO will take over as UK Sport's Internal Auditor from Mazars who had been the provider for UK Sport since 2012 following their re-appointment in February 2015. A transition plan for the change of Internal Auditors was put in place to ensure a smooth transition between providers, which included Mazars providing an annual assurance report to cover 2018/19 and their attendance at the June 2019 GARC.

As previously mentioned, earlier in the year (under a separate process), BDO were also successful in securing the joint contract for the audit and assurance programme (jointly procured with Sport England) to provide governance and finance reviews against our grant funding bodies. During the Internal Audit procurement UK Sport and Sport England sought assurance from BDO as to how any potential conflict of assurance would be managed if they were successful. BDO were able to demonstrate substantial and sufficient assurance including:

- the provision of a different audit manager for both contracts; and
- in the event there is an internal audit covering grant award assurance then a different partner will oversee the work and if necessary, an independent review of the work will be conducted.

BDO also identified the advantage managing both contracts would offer in providing UK Sport with a wider, more informed, holistic and integrated assurance programme.

Organisational Health

UK Sport's governance framework and the risk management and internal control systems reported on above are not an end in themselves. Instead, they contribute to UK Sport's overall organisational health and set a foundation from which UK Sport can act to achieve its strategic aims, fulfil its stated purpose and ensure future success. By considering governance, control and risk across the whole high-performance system UK Sport gathers better insight into how delivery of its strategy can be improved both now and in the future.

By taking a whole-system view UK Sport has been able to encourage development of robust governance frameworks around each of its World Class Programmes leading to improved capability and capacity in the organisations in which it invests. This has been achieved in part through the roll-out of *A Code for Sports Governance* along with significant support from UK Sport to allow funded organisations to update their governance frameworks, and to recruit and retain the skills and experience they require in executive and non-executive roles.

UK Sport is already looking ahead to consider its future investment strategy for the Paris cycle and beyond. Led by the Board, the process has included wide-ranging engagement with stakeholders from across and beyond the high-performance system, including an extensive independent public consultation. This type of stakeholder engagement is a core part of UK Sport's Stakeholder Engagement strategy, established as part of its responsibilities under *A Code for Sports Governance*.

Overall, the governance, risk and internal control systems outlined above have contributed to UK Sport's position as a robust and healthy organisation with a clear handle on the operational delivery of its strategic aims and a well-handled approach to considering and mitigating risk.

Prompt Payment

UK Sport measures the time taken to pay suppliers to ensure that we continue to meet prompt payment best practice. We record the date on which an invoice is posted on the system as appropriate for payment by the Finance team and then measure the number of days that it takes to make payment from that date. In 2018/19 our performance was that 95% of invoices were paid within 30 days.

Remuneration and Staff Report

Directors' Remuneration

Director recruitment, remuneration and employment terms and conditions are overseen by the Remuneration Panel. Remuneration of the CEO and any higher earners is subject to DCMS approval. The remuneration policy adopted follows recommendations of the Senior Salaries Review Body. The Remuneration package comprises three elements:

(i) Salaries

Salaries are consistent with public sector standards whilst being comparable in the market. Salary bands are determined by job evaluation based on the job factor analysis, internal relativities and external market indicators.

(ii) Performance Related-Pay

Performance related-pay depends on the outcome of annual performance review of objectives and competences, and on still being in post at 31 March 2019. In 2018/19 the maximum performance related pay available was 10% of basic salary for the CEO and Director of Performance, and 15% for the other Directors. These payments are pensionable.

(iii) Pension Arrangements

Employees who were previously members of the Local Government Pension Scheme (LGPS) were automatically enrolled into the London Pensions Fund Authority (LPFA) Superannuation Scheme on 1 April 2014. A further collaboration between the LPFA and Lancashire County Pension Fund (LCPF) led to the setting up of the Local Pensions Partnership (LPP) in April 2016 to administer the day to day running of the fund, although the LPFA remains the administering authority. The arrangement is registered as a public service pension scheme under the Finance Act 2014 and complies with the relevant provisions of the Pension Schemes Act 1993, Pensions Act 1995 and the Pensions Act 2014. As such it is a tax approved defined benefit occupational pension scheme.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out at 31 March 2019 and will inform contributions for the period from 1 April 2020 to 31 March 2023.

Members currently have contribution rates which vary between 5.5% and 12.5% depending on the level of pay band. Members can opt to contribute at 50% of the normal contribution rate reducing their accrued benefits by half.

Benefits are based on pensionable salary and duration of membership. Members accrue pension entitlement at an annual rate of 1/49th of pensionable pay. Pensionable pay is a career average. Members prior to 31 March 2008 accrued benefits of 1/80th of final pay up to that date with an automatic lump sum of three times pension on retirement, while membership between 1 April 2008 and 31 March 2014 accrued benefits of 1/60th of final pay with no automatic lump sum although there was the facility to exchange some of the pension entitlement for lump sum.

A lump sum worth three times the assumed pensionable pay is paid if death occurs whilst still in service together with a spouse, civil partner or eligible cohabiting partner entitlement equal to half the member's accrued pension benefits.

The pension arrangements available to staff comply with the Government's new workplace pension scheme requirements. At 31 March 2019 all Directors, but not the Chair, were members of the LPFA pension scheme.

Directors' Contracts

Directors are on permanent employment contracts and are required to give three months' notice of their intention to leave. Should their posts become redundant they are entitled to a redundancy package which provides a top-up from statutory entitlement to actual pay.

Emoluments of the Chair and Directors, including performance related pay and pension benefits, for the year ended 31 March 2019 are provided in the following sections.

Remuneration (salary, benefits in kind and pensions)

Audited information	Single total figure of remuneration											
	Official	Position	Salary (£000)		Bonus payments (£000)		Benefits in kind (to nearest £100)		Pension benefits ¹ (£000)		Total (£000)	
			2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
	K Grainger DBE ²	Chair	55 - 60	25 - 30	-	-	-	-	-	-	55 - 60	25 - 30
	L Nicholl CBE	CEO	135 - 140	135 - 140	10 - 15	10 - 15	-	-	32	145	180 - 185	295 - 300
	S Morton	Director	105 - 110	100 - 105	15 - 20	10 - 15	-	-	40	79	160 - 165	195 - 200
	S du Sautoy ³	Director	60 - 65	80 - 85	0 - 5	10 - 15	-	-	22	45	85 - 90	135 - 140
	J Bennetts ⁴	Interim Director	75 - 80	70 - 75	5 - 10	0 - 5	-	-	61	32	145 - 150	105 - 110
	J Perryer ⁵	Group Director	95 - 100	15 - 20	-	-	-	-	(4)	5	90 - 95	20 - 25
	C Warr	Director	130 - 135	130 - 135	5 - 10	10 - 15	4,200	34,200	30	95	175 - 180	270 - 275
	V Wilson ⁶	Director	80 - 85	80 - 85	10 - 15	10 - 15	-	-	31	37	125 - 130	130 - 135

¹ The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 plus the real increase in lump sum, less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights. The real increase in pension may have increased in any one year as a result of a real pay increase in that year, and when that increase is multiplied by a factor of 20 it may cause significant fluctuations between the value of pension benefits accrued between financial years.

² The salary increase reflects an increase in working hours from 2017/18 to 2018/19.

³ On maternity leave until September 2018. The figures shown reflect remuneration for the full year, including maternity and other related pay.

⁴ Appointed Interim Director to cover Sophie du Sautoy maternity leave until September 2018. The figures shown reflect remuneration for the full year.

⁵ In post from 1 February 2018.

⁶ Left UK Sport 31 March 2019.

All UK Sport staff are entitled to claim up to £40 each month as a healthy lifestyle allowance. This allowance has been included in the salary where applicable. Staff may sell up to five days of unused annual leave allowance per year; salary is also inclusive of any monies paid in lieu of this.

Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions (CETV).

Pension Entitlement

Audited Information	Accrued pension at pension age as at 31/3/19 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/19 £000	CETV at 31/03/18 £000	Real Increase in CETV £000
L Nicholl CBE	75 - 80 plus lump sum of 135 - 140	0 - 5 plus lump sum of (0 - 5)	1,502	1,463	9
S Morton	25 - 30 plus lump sum of 10 - 15	0 - 5 plus lump sum of (0 - 5)	282	249	30
S du Sautoy	10 - 15 plus lump sum of 0 - 5	0 - 5 plus lump sum of 0 - 5	105	94	10
J Bennetts	10 - 15 plus lump sum of 0 - 5	0 - 5 plus lump sum of 0 - 5	82	63	18
J Perryer	0 - 5 plus lump sum of 0 - 5	0 - 5 plus lump sum of 0 - 5	27	4	4
C Warr	30 - 35 plus lump sum of 25 - 30	0 - 5 plus lump sum of (0 - 5)	407	332	28
V Wilson	10 - 15 plus lump sum of 0 - 5	0 - 5 plus lump sum of 0 - 5	132	107	22

Accrued pension represents the amount payable if a Director leaves at the stated date. CETV are not payable directly to Directors but represent the potential liability if a Director should leave the scheme and wish to transfer accrued benefits to another scheme. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries, and don't take account of any reduction in benefits arising from Lifetime Allowance Tax that may be due when pension benefits are taken.

Board Members' Remuneration

Members' remuneration for attending meetings was £218 per day (2017/18, £218) and half that amount for half-day meetings, up to 36 days each year. Travel expenses are paid as appropriate. Those who have received remuneration are as follows:

Audited Information	2018/19 £	2017/18 £
Lis Astall	2,834	1,090
Nicholas Bitel ¹	-	-
Sally Bolton OBE ²	1,199	436
Neil Chugani ³	-	436
John Dowson	2,943	2,834
Annie Panter ⁴	1,635	654
Nicola Roche CBE	3,379	2,834
Sarah Springman CBE	1,744	1,308
Martyn Worsley ⁵	3,052	-
Mel Young MBE	1,744	1,962

Figures shown may include late payments from earlier years not claimed before the previous year accounts were signed off.

Staff Report

(i) Staff Costs

Costs	UK Sport		Group	
	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000
Wages and Salaries (including performance related pay)	6,856	6,427	20,993	20,128
Other staff costs	339	302	340	302
Social Security costs	827	810	2,393	2,322
Pension Service costs	2,146	2,247	7,950	7,644
Administration expense relating to pension scheme	34	32	83	76
Yorkshire 2019 Pension costs	-	-	48	8
Total staff cost	10,202	9,819	31,807	30,429

Further details of the split of costs between both the Exchequer and Lottery accounts can be found at Note 4.1 of the Exchequer Accounts and Note 6 of the Lottery accounts.

¹ Has elected not to take fees

² Appointed from 15 March 2018

³ Resigned 31 January 2018

⁴ Appointed from 31 January 2018

⁵ Appointed from 12 March 2018

(ii) Compensation for Loss of Office

Redundancy and other departure costs, where paid, are in accordance with statutory requirements. Exit costs are accounted for in full in the year of departure. Where DCMS has agreed early retirements, the additional costs are met by UK Sport and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

No members of staff left under compulsory redundancy terms in 2018/19.

(iii) Payments to Past Directors

There were no payments to past directors in 2018/19.

(vi) Fair Pay Disclosure

The relationship between the remuneration of the highest paid director in UK Sport and the median remuneration of staff, and the range of remuneration paid, based on annualised full-time equivalent figures at 31 March 2019 is shown below.

	2018/19	2017/18
Band of the highest paid Director's salary, bonus and benefits in kind (£000)	150-155	150 - 155
Median equivalent of workforce (£)	54,105	54,645
Remuneration ratio	2.8	2.8

	2018/19	2017/18
Highest remuneration paid (£000)	150-155	150 - 155
Lowest remuneration paid (£000)	20-25	20 - 25

UK Sport has a small number of employees. This can give rise to shifts in the median remuneration figure year on year depending on the number of staff in post at 31 March.

(v) Off Payroll Engagements

As at 31 March 2019 there was one off-payroll engagements for more than £245 a day that had been in place for longer than six months. This off-payroll arrangement did not exceed one year. The reduction of three engagements previously reported at 31 March 2018 to one at 31 March 2019 reflects staff changes as well as an increase in the daily threshold from £220 to £245. This engagement was risk assessed under IR35 and appropriate tax was deducted.

(vi) Apprenticeship Levy

UK Sport contributed £23,242 in 2018/19 and claimed a total of £889 from the digital fund to support training costs for an apprenticeship position.

(vii) UK Sport Staff Composition

As at March 2019 UK Sport employed 133 members of staff with a full time equivalent (FTE) of 120. This comprised 123 permanent and 10 temporary staff.

Gender	UK Sport Staff
Male	45%
Female	55%

The United Kingdom Sports Council Grant-in-Aid and National Lottery Distribution Fund
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Ethnicity	UK Sport Staff
Black, Minority, Ethnic	13%
White	87%
Not Specified	0%
Not Disclosed	0%

Age	UK Sport Staff
<16	0%
16-24	4%
25-34	37%
35-44	39%
45-55	12%
55- 64	8%
65+	0%

Disability disclosure has historically not been specifically requested from staff. Further consideration is being given to undertake an appropriate staff survey.

(viii) Average Number of Staff during the Year (FTE)

UK Sport Staff	2018/19	2017/18
Employees ¹	121	114
Other staff (includes agency/seconded staff)	6	5
Total	127	119

Increase in staff numbers reflects additional requirements arising from culture activity and the new Aspiration Fund.

UK Sport does not recognise any Trade Union and no facility time has therefore been claimed by Union officials.

(ix) Sickness Absence

UK Sport has policies and procedures in place to monitor sickness absence, (both long and short term) and this information is regularly reviewed by the Senior Management Team. During 2018/19, sickness absence averaged 1.2 days (2017/18 - 1.5 days) per person.

(x) Staff Policies Applied During the Financial Year

UK Sport is committed to the fair recruitment and development of all staff regardless of age, disability, gender reassignment, marriage and civil partnership, sexual orientation, pregnancy and maternity, race, religion, belief and gender. HR Policies are reviewed regularly by members of the team. Processes around HR management including career management and employability are embedded across the organisation.

¹ The total UK Sport staff in the table above incorporates both Exchequer and Lottery funded positions. The split of staff numbers between the two sets of accounts is set out in Note 4.2 of the Exchequer Accounts and Note 7 of the Lottery Accounts.

Parliamentary Accountability and Audit Report

Regularity of expenditure

UK Sport is required to report on the regularity of expenditure including losses and special payments in line with managing public money requirements.

For 2018/19 UK Sport has no matters to report in relation to irregular expenditure or special payments.

Liz Nicholl CBE
Chief Executive and Accounting
Officer (until 5th July 2019)
The United Kingdom Sports Council



15/07/2018

Simon Morton
Acting Chief Executive and Interim
Accounting Officer
The United Kingdom Sports Council



15/7/19

Dame Katherine Grainger DBE
Chair
The United Kingdom Sports Council



**The United Kingdom Sports Council
Grant-in-Aid
Entity and Group Accounts
for the Year Ended
31 March 2019**

The United Kingdom Sports Council Grant-in-Aid Entity and the United Kingdom Sports Council Group Accounts

THE AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE UNITED KINGDOM SPORTS COUNCIL

Opinion on financial statements

I have audited the financial statements of The United Kingdom Sports Council Grant-in-Aid for the year ended 31 March 2019. The financial statements comprise: the Group and Parent Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of The United Kingdom Sport Council Grant-in-Aid's affairs as at 31 March 2019 and of the group's and the parent's total comprehensive net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Royal Charter of The United Kingdom Sports Council and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of The United Kingdom Sports Council Grant-in-Aid in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the UK Sport Council Group or the UK Sport Council's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting

Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements of The United Kingdom Sports Council Grant in Aid.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and The United Kingdom Sports Council Grant-in-Aid's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that

there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Royal Charter of The United Kingdom Sports Council;
- in the light of the knowledge and understanding of the group and the parent and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Annual Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies Comptroller and Auditor General

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

19 July 2019

Statement of Comprehensive Net Expenditure for the Year Ended 31/03/19

	Note	UK Sport		Group	
		2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
INCOME					
Other Operating Income	3	2,970	3,047	10,766	9,601
Total		2,970	3,047	10,766	9,601
EXPENDITURE					
Staff Costs	4.1	7,297	7,067	28,902	27,729
Grants and Other Operating Costs	5	64,816	75,025	56,599	60,839
Total		72,113	82,092	85,501	88,568
NET EXPENDITURE BEFORE TAXATION AND INTEREST		(69,143)	(79,045)	(74,735)	(78,967)
Net Interest on the Pension Liability	17.3/19	(390)	(452)	(1,167)	(1,331)
Interest Receivable	7	5	1	13	5
Taxation	8	-	-	1	(1)
Interest Payable		-	-	-	-
NET EXPENDITURE FOR THE PERIOD		(69,528)	(79,496)	(75,888)	(80,294)
Other Comprehensive Expenditure					
Unrealised foreign exchange (loss)/gain		-	-	6	(22)
Pension Scheme Re-measurements	17.4/19	851	2,580	2,702	8,696
TOTAL COMPREHENSIVE NET EXPENDITURE FOR THE FINANCIAL YEAR		(68,677)	(76,916)	(73,180)	(71,620)

All activities relate to continuing activities.

The notes on pages 47 to 70 form part of these accounts.

Grant-in-Aid income received from DCMS is credited directly to the Statement of Changes in Taxpayers' Equity and is not shown above as income. The value received in the year was £70.091m.

Statement of Changes in Taxpayers' Equity for the Year Ended 31/03/19

	Note	UK Sport				Group			
		2018/19		2017/18		2018/19		2017/18	
		Revenue Reserve £'000	Pension Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000
Balance Brought Forward		(14,066)	(15,347)	2,053	(16,465)	(7,160)	(46,025)	5,019	(48,618)
Retained Deficit for Year		(69,528)	-	(79,496)	-	(75,888)	-	(80,294)	-
Transfer from the Pension Reserve		1,296	(1,296)	1,420	(1,420)	6,322	(6,322)	6,180	(6,180)
Grant-in-Aid Income Received	2	70,091	-	61,957	-	70,091	-	61,957	-
Pension Scheme Re-measurements	17.4/19	-	851	-	2,580	-	2,702	-	8,696
Unrealised foreign exchange movements		-	-	-	-	6	-	(22)	-
Other Movements		-	(3)	-	(42)	-	38	-	77
Balance at 31 March		(12,207)	(15,795)	(14,066)	(15,347)	(6,629)	(49,607)	(7,160)	(46,025)

The notes on pages 47 to 70 form part of these accounts.

Statement of Financial Position as at 31/03/19

	Note	UK Sport		Group	
		31/03/19 £'000	31/03/18 £'000	31/03/19 £'000	31/03/18 £'000
NON-CURRENT ASSETS					
Property Plant and Equipment	9	530	555	2,218	2,225
Intangible Assets	10	814	1,007	1,774	2,032
Restricted Cash	12	-	-	-	187
Total Non-Current Assets		1,344	1,562	3,992	4,444
CURRENT ASSETS					
Trade and Other Receivables	11	1,010	2,537	2,913	3,530
Cash and Cash Equivalents	12	2,943	2,021	4,178	4,257
Restricted Cash	12	-	-	193	-
Total Current Assets		3,953	4,558	7,284	7,787
Total Assets		5,297	6,120	11,276	12,231
CURRENT LIABILITIES					
Trade and Other Payables	13.1	(10,570)	(6,752)	(10,971)	(6,957)
Net Current Assets		(6,617)	(2,194)	(3,687)	830
Non-Current Assets plus Net Current Assets		(5,273)	(632)	305	5,273
NON-CURRENT LIABILITIES					
Provisions	14	(234)	(234)	(234)	(234)
Trade and Other Payables	13.2	(6,700)	(13,200)	(6,700)	(12,200)
Pension Liabilities	17.2/19	(15,795)	(15,347)	(49,607)	(46,025)
Total Non-Current Liabilities		(22,729)	(28,781)	(56,541)	(58,459)
Assets less Liabilities		(28,002)	(29,413)	(56,236)	(53,185)
TAXPAYERS' EQUITY					
Pension Reserve	17.2/19	(15,795)	(15,347)	(49,607)	(46,025)
Revenue Reserve		(12,207)	(14,066)	(6,629)	(7,160)
Total Taxpayers' Equity		(28,002)	(29,413)	(56,236)	(53,185)

The notes on pages 47 to 70 form part of these accounts.

Liz Nicholl CBE
Chief Executive and Accounting Officer
(until 5th July 2019)

The United Kingdom Sports Council



Simon Morton
Acting Chief Executive and Interim
Accounting Officer
The United Kingdom Sports Council



Dame Katherine Grainger DBE
Chair
The United Kingdom Sports Council

Statement of Cash Flows for the Year Ended 31/03/19

	No	UK Sport		Group	
		2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Generated from Operations	15	(68,785)	(59,963)	(68,709)	(60,977)
Interest Received	7	5	1	13	5
Corporation Tax Paid		-	-	-	-
Interest Paid		-	-	-	-
Net Cash Flow from Operating Activities		(68,780)	(59,962)	(68,696)	(60,972)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments to Acquire Property Plant and Equipment	9	(179)	(56)	(912)	(483)
Payments to Acquire Intangible Assets	10	(210)	(387)	(562)	(739)
Receipts from Sale of Fixed Assets		-	-		3
Net Cash Flow from Investing Activities		(389)	(443)	(1,474)	(1,219)
CASH FLOWS FROM FINANCING ACTIVITIES					
Grant-in-Aid	2	70,091	61,957	70,091	61,957
Financing Lease		-	-	-	-
Net Cash Flow from Financing Activities		70,091	61,957	70,091	61,957
Net Increase/(Decrease) in Cash and Cash Equivalents in the Period		922	1,552	(79)	(234)
Cash and Cash Equivalents at 1 April		2,021	469	4,444	4,700
Change in cash and cash equivalents due to exchange rate movements	12	-	-	6	(22)
Cash and Cash Equivalents at 31 March	12	2,943	2,021	4,371	4,444

The notes on pages 47 to 70 form part of these accounts.

NOTES TO THE ACCOUNTS

1. Statement of Accounting Policies

1.1 Accounting Policies

These financial statements have been prepared in accordance with the 2018/19 Government Financial Reporting Manual (FReM) issued by HM Treasury and on the basis of the Accounts Direction issued by the Secretary of State for Digital, Culture, Media and Sport, with the approval of the Treasury, in accordance with article 14 of the Royal Charter of 26 March 2002, a copy of which can be obtained from UK Sport at 21 Bloomsbury Street, London, WC1B 3HF.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to UK Sport for the purpose of giving a true and fair view has been selected. The policies adopted by UK Sport are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The financial statements have been prepared on a going concern basis. Grant commitments and other obligations have been agreed on the basis of continuing receipt of Grant-in-Aid financing from DCMS. A four-year settlement to 2019/20 has been agreed with DCMS with a further settlement for the period to 2023/24 planned to be agreed in 2019. The liabilities shown in the Statement of Financial Position mainly arise from staff membership of the public sector pension scheme (LPFA). These fall within the scope of Section 39 of the Public Service Pensions Act 2013 which allows all future liabilities to be met from the Consolidated Fund.

1.2 Accounting Convention

The Accounts Direction requires that, when material, accounts are prepared on a modified historical cost (MHCA) basis in which the Statement of Comprehensive Net Expenditure reflects the consumption of resources at their current value and the Statement of Financial Position shows the value of non-current assets, current asset investments and (if material) inventories at their value to the business by reference to current costs. No entries have been made in the current period as adoption of MHCA would not have a material impact on the accounts.

Without limiting the information given, the accounts meet the requirements of the Companies Act 2006, the International Accounting Standards issued or adopted by the International Accounting Standards Board and HM Treasury guidance on accounts of Non-Departmental Public bodies in so far as those requirements are appropriate.

1.3 Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make key judgements, assumptions and estimates that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Pension costs recognised within UK Sport's accounts are subject to estimation. The key assumptions applied by the actuary are set out in Notes 17 and 18.

1.4 Basis of Consolidation

The English Institute of Sport (EIS) and Yorkshire 2019 Limited have been accounted for as subsidiary entities during the current and prior year within the consolidated accounts. This treatment is in accordance with the guidance set out in the Financial Reporting Manual (FReM) issued by HM Treasury. Yorkshire 2019 Limited became a subsidiary of UK Sport on its incorporation on 24 November 2016 and will be in existence for a limited period to stage the 2019 World Road Cycling Championships.

1.5 Income Recognition

Grant-in-Aid Received

Grant-in-Aid received towards resource expenditure is regarded as a contribution from a controlling party. It is therefore treated as financing and credited to Taxpayers' Equity.

Fundraising Income

Income from fundraising activities is recognised in the Statement of Comprehensive Net Expenditure on a receivable basis at the point when UK Sport has legal entitlement; there is a reasonable certainty of receipt; the amount can be quantified with reasonable accuracy and any conditions for receipt have been met.

Investment Income

Investment income comprises interest receivable on cash balances and short-term deposits. Interest receivable is credited to the Statement of Comprehensive Net Expenditure on an accruals basis.

Other Operating Income

Other operating income comprises the recharge of services provided from the UK Sport Exchequer Account to the Lottery Account, income received for the funding of International Development activities, and sponsorship income. The recharge of services and International Development income are recognised on a receivable basis at the point when UK Sport has legal entitlement; there is a reasonable certainty of receipt; the amount can be quantified with reasonable accuracy and once any conditions for receipt have been met. Sponsorship income is recognised on an accruals basis over the period to which it relates.

1.6 Property Plant and Equipment

The assets of UK Sport are computers, leasehold improvements and other office equipment. All property occupied by UK Sport is leased. All assets are stated in the Statement of Financial Position at depreciated historical cost as proxy to current value in existing use, as the useful economic lives are short and are a realistic reflection of the consumption of the assets. Yorkshire 2019 Limited do not hold any property plant and equipment and given the short-term nature of their operations are not likely to do so in the future.

The minimum capitalisation threshold is £2,500 for UK Sport whilst for EIS it is £500. Where staff work on capital projects, attributable salary costs are capitalised.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales value and the carrying amount of the asset and is recognised in the Statement of Comprehensive Net Expenditure for the year.

Depreciation is provided on all property plant and equipment at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life as follows:

Computer Equipment	2-5 years
Office Refurbishment	5-9 years
Office Equipment	2-5 years
Other Equipment	2-5 years

Leasehold improvements and fixtures and fittings at 21 Bloomsbury Street WC1B 3HF will be depreciated until the end of the lease term.

A full year of depreciation is charged in the year of acquisition and none in the year of disposal.

1.7 Intangible Assets

The intangible assets of UK Sport are computer software and software licences. Intangible assets are initially measured at cost and amortised on a straight-line basis over their useful lives. Amortisation of intangible assets is charged over their useful economic life, on the following basis:

Computer Software	2-5 years
Software Licences	Over the life of the licence

A full year of depreciation is charged in the year of acquisition and none in the year of disposal.

Yorkshire 2019 Limited do not hold any intangible assets for the reason already stated above.

1.8 Research and Development

Research and development costs are written off as incurred and not carried forward as an asset as the recognition criteria of IAS 38 are not met.

1.9 Grants and Loans Awarded

Grants payable are charged to the Statement of Comprehensive Net Expenditure on an accruals basis. UK Sport may give financial assistance by way of grants and loans to any person or organisation in furtherance of its objectives.

1.10 Pension Costs

The pension liabilities and assets are recorded in line with IAS 19, with a valuation undertaken by an independent actuary. IAS 19 measures the value of pension assets and liabilities at the end of each reporting period, determines the benefits accrued in the year and the interest on scheme assets and liabilities. The value of benefits accrued is used to determine the pension charge which is shown in the Statement of Comprehensive Net Expenditure together with the interest on scheme assets and liabilities. The change in the value of the assets and liabilities arising from asset valuations, changes in benefits, actuarial assumptions or change in the level of deficit attributable to members is recognised in the Statement of Changes in Taxpayers' Equity. The resulting pension liability or asset is shown on the Statement of Financial Position.

Further information on the pension scheme is available in Notes 17-19 to the accounts.

1.11 Leases and Provisions

A lease was signed for 9 years and 3 months at 21 Bloomsbury Street WC1B 3HF with DCMS with effect from 1 September 2013.

Payments for existing and new arrangements are made under operating leases (rental agreements) and are recognised in the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense, over the term of the lease.

Provision was made in the accounts for the estimated cost of dilapidations at lease expiry.

1.12 Charges to and from UK Sport

UK Sport is required to apportion between its Grant-in-Aid and National Lottery distribution activities the costs of services provided from its Grant-in-Aid budget that are directly and demonstrably attributable to the National Lottery distribution functions and vice versa. The costs apportioned to the National Lottery distribution activities are paid from the UK Sport Lottery Fund to the Grant-in-Aid account. The apportionment of the costs has been determined in the manner most appropriate to the particular service, for example staff numbers, staff time or floor space. In all cases the charges to the Lottery distribution activity have been calculated on a full cost recovery basis in accordance with HM Treasury's "Managing Public Money".

1.13 Investment

There are no fixed asset or trade investments. Bank interest is included in the Statement of Comprehensive Net Expenditure.

1.14 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

1.15 Restricted Cash Asset

In 2017/18 Yorkshire 2019 Limited placed CHF 3,550,000 into an Escrow account established and operated by Pinsent Masons LLP on behalf of Yorkshire 2019 Limited and the Union Cycliste Internationale (UCI).

This is in line with the agreement between the UCI and Yorkshire 2019 Limited to host the 2019 World Road Cycling Championships. As at 31 March 2019, a balance of CHF 250,000 (£193,000) remains.

The cash held in the Escrow account is not immediately accessible to Yorkshire 2019 Limited due to contractual restrictions and therefore it has been separated from the Cash and Cash Equivalent balance on the Statement of Financial Position.

Further information on the asset is available in Note 12 to the accounts.

1.16 Value Added Tax

UK Sport is registered for VAT and makes supplies for both business and non-business purposes. Business supplies are subject to VAT at the standard rate. Recovery of input VAT is restricted by non-business activities and a suitable methodology has been agreed with HMRC.

EIS is part of the same VAT group as UK Sport and makes supplies for both business and non-business purposes. Supplies made in the course of business are both standard rated and exempt. Recovery of input VAT is therefore subject both to a partial exemption calculation and business/non-business apportionment in accordance with the methodologies agreed with HMRC.

Yorkshire 2019 Limited is also registered for VAT but is not part of the UK Sport/EIS VAT group. All costs incurred by Yorkshire 2019 Limited are fully recoverable for VAT.

1.17 Standards Issued but not yet Effective

IFRS 16 Leases will be adopted from 1 April 2019 and will have a material impact on the UK Sport Exchequer accounts. This standard will result in the majority of the Group's operating leases being recognised on the balance sheet as a right of use asset, balanced by a corresponding lease liability, with the exception of low value and short-term leases.

As at 31 March 2019, the Group had operating lease commitments of £3.740m (UK Sport £1.578m) as shown in Note 19. Of these commitments, approximately £0.029m (UK Sport: £nil) relate to low-value leases which will continue to be recognised on a straight-line basis as expenses in the Statement of Comprehensive Net Expenditure.

A cumulative catch up adjustment will be applied at 1st April 2019 to transition to the new standard, which will be shown in the accounts for the year ended 31 March 2020. This cumulative catch up adjustment will result in the recognition of right of use assets of approximately £2.819m (UK Sport: £1.183m), and a corresponding lease liability of £3.162m (UK Sport: £1.526m), the difference relating to lease accruals and prepayments existing at 1 April 2019.

As a result of the transition, additional costs of £1.146m (UK Sport: £0.328m) depreciation and £0.048m (UK Sport: £0.025m) finance costs are anticipated, replacing the annual operating lease expenditure of £1.169m (UK Sport: £0.345m) under IAS 17. The net impact on the overall net expenditure of the Group

in 2019/20 will therefore be very small, increasing net expenditure by approximately £0.025m (UK Sport: £0.008m). In addition, from 1st April 2019, any new or renewed leases will be accounted for as new right-of-use assets unless they fall under the short-term or low-value exemptions mandated by the FReM.

Further, transition to IFRS 16 will cause operating cash flows to increase and financing cash flows to decrease by approximately £0.874m (UK Sport: £0.547m), as the payments made will be considered as repayment of the lease liabilities and therefore cash flows from financing activities.

2. Grant-in-Aid

	UK Sport		Group	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Received from DCMS-Revenue	64,491	57,623	64,491	57,623
Received from DCMS-Capital	5,600	4,334	5,600	4,334
Total	70,091	61,957	70,091	61,957

A total of £70.091m (2017/18, £61.957m) Grant-in-Aid was made available and drawn down during the year.

3. Other Operating Income

	UK Sport		Group	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Costs Apportioned to UK Sport Lottery Account	2,212	2,205	2,212	2,205
Other	758	842	745	835
EIS	-	-	7,482	6,561
Yorkshire 2019 Limited	-	-	327	-
Total	2,970	3,047	10,766	9,601

UK Sport is required to apportion between its Grant-in-Aid and National Lottery distribution activities, the costs of services provided from its Grant-in-Aid budget that are directly and demonstrably attributable to the National Lottery distribution functions and vice versa. The costs apportioned to the National Lottery distribution activities are paid from the UK Sport Lottery Fund to the Grant-in-Aid account.

4. Staffing and Management

4.1 Staff Costs

	UK Sport		Group	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Wages and Salaries (including performance related pay)	4,759	4,486	18,896	18,187
Other Staff Costs	293	302	294	302
Social Security Costs	580	571	2,146	2,083
Pension Service Costs ¹	1,639	1,684	7,443	7,081
Administration Expense Relating to Pension Scheme	26	24	75	68
Yorkshire 2019 Pension costs ²	-	-	48	8
Total Staff Costs	7,297	7,067	28,902	27,729

4.2 Average Number of Staff during the Year (Full Time Equivalent Values)

	2018/19	2017/18
Employees		
UK Sport	85	80
English Institute of Sport	381	359
Yorkshire 2019 Limited	12	3
Total	478	442
Other Staff (Full Time Equivalent Values)		
UK Sport	6	5
English Institute of Sport	-	-
Yorkshire 2019 Limited	5	-
Total	11	5

Other staff numbers include agency and seconded staff.

4.3 Report of Civil Service and Other Compensation Schemes – Exit Packages

EXIT PACKAGE COST BAND	Number of Compulsory Redundancies			
	UK Sport		Group	
	2018/19	2017/18	2018/19	2017/18
< £10,000	-	2	4	5
£10,001 - £20,000	-	-	-	2
£20,001 - £30,000	-	-	-	1
> £30,001	-	-	-	-
Total Number of Exit Packages	-	2	4	8
Total Value of Exit Packages	-	£6,087	£17,396	£70,070

¹ The pension current service cost represents the increase in the present value of a defined benefit obligation resulting from employee service in the period, as calculated by the actuary. The employer contributions to the scheme in 2018/19 are shown in Notes 17.6 and 18.6.

² Staff employed by Yorkshire 2019 Limited are not members of the LPFA.

5. Grants and Other Operating Costs

	UK Sport		Group	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
National Support – Grants				
Sports Bodies ¹	54,846	61,139	34,420	40,680
Performance	110	85	110	85
International Representation	391	414	391	414
Yorkshire 2019 Limited	-	4,559	-	-
	55,347	66,197	34,921	41,179
National Support – Other Costs				
Performance	5,730	5,147	5,706	5,148
Communications	582	548	582	548
International Representation	61	14	61	14
English Institute of Sport	-	-	10,116	9,558
Yorkshire 2019 Limited	-	-	999	157
	6,373	5,709	17,464	15,425
Finance and Management Services				
HQ Office Costs	2,484	2,552	2,484	2,552
Depreciation/Amortisation	612	567	1,730	1,683
	3,096	3,119	4,214	4,235
Total	64,816	75,025	56,599	60,839

¹ The decrease from 2017/18 reflects accruals for the 2021 Rugby League World Cup (£13.4m) and Yorkshire 2019 Limited (£4.06m) mega events that were originally recognised in 2017/18.

6. Further Disclosure

Additional detail on figures already included in Notes 4 and 5 is given below.

The operating result is stated after charging:

	UK Sport		Group	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Travel, Subsistence and Hospitality:				
Chair and Members	21	13	28	17
Employees	766	615	2,246	2,235
Consultants' Fees and Legal Fees	332	138	952	1,024
Contingent Labour	291	299	292	299
Performance Programme Delivery – Specialist Services	1,727	1,225	1,703	1,224
International Programme Delivery – Specialist Services	27	85	27	85
Operating Lease – 21 Bloomsbury	559	553	559	553
Other operating leases	10	9	36	12
Provisions (Released)/Provided for in Year	–	–	–	(5)
Operating Lease: EIS Property	–	–	1,700	1,584
Depreciation	229	172	935	920
Amortisation	384	395	795	762
Loss on Disposal of Tangible Assets	–	–	14	14
Loss on Disposal of Intangible Assets	–	10	–	10
Auditor's Remuneration for Audit Work ¹	34	34	56	57

7. Investment Income

	UK Sport		Group	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Interest Receivable	5	1	13	5

8. Taxation

	UK Sport		Group	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Corporation Tax Payable	–	–	(1)	1

UK Sport has reached agreement with HMRC that payments to charitable entities may be treated as a charge on income under S.330 ICTA 1988 and offset in full against taxable investment income. No corporation tax liability arose for UK Sport in 2018/19.

¹ No amounts are due to external auditors for non-current work.

9.1 UK Sport – Property Plant and Equipment

	Leasehold Improvement £'000	Fixtures & Fittings £'000	IT Equipment £'000	Office Equipment £'000	Other Equipment £'000	Total £'000
At Cost						
At 01/04/18	940	153	526	95	49	1,763
Additions	-	-	196	7	-	203
Disposals	-	-	(91)	(17)	(20)	(128)
At 31/03/19	940	153	631	85	29	1,838
Depreciation						
At 01/04/18	509	70	490	90	49	1,208
Charge for Year	103	21	100	5	-	229
Depreciation on Disposal	-	-	(91)	(17)	(20)	(128)
At 31/03/19	612	91	499	78	29	1,308
Net Book Value						
At 31/03/18	431	83	36	5	-	555
At 31/03/19	328	63	132	7	-	530

9.2 Group – Property Plant and Equipment

	Leasehold Improvement £'000	Fixtures & Fittings £'000	IT Equipment £'000	Office Equipment £'000	Other Equipment £'000	Assets Held Under Finance Leases £'000	Total £'000
At Cost							
At 01/04/18	1,096	5,700	1,715	94	49	70	8,724
Additions	-	577	352	7	-	-	936
Disposals	(11)	(24)	(208)	(17)	(20)	-	(280)
At 31/03/19	1,085	6,252	1,859	85	29	70	9,380
Depreciation							
At 01/04/18	649	4,185	1,455	91	49	70	6,499
Charge for Year	109	587	234	3	-	-	934
Depreciation on Disposal	(10)	(18)	(206)	(17)	(20)	-	(270)
At 31/03/19	748	4,754	1,483	79	29	70	7,162
Net Book Value							
At 31/03/18	447	1,515	260	3	-	-	2,225
At 31/03/19	337	1,498	376	6	-	-	2,218

10.1 UK Sport – Intangible Assets

	Information Technology £'000
At Cost	
At 01/04/18	2,658
Additions	191
Disposals	(270)
At 31/03/19	2,579
Amortisation	
At 01/04/18	1,651
Charge for Year	384
Amortisation on Disposal	(270)
At 31/03/19	1,765
Net Book Value	
At 31/03/18	1,007
At 31/03/19	814

Within the closing net book value there are £0.041m (2017/18, £nil) assets under the course of construction which are yet to be depreciated.

10.2 Group – Intangible Assets

	Information Technology £'000
At Cost	
At 01/04/18	4,743
Additions	545
Disposals	(338)
At 31/03/19	4,950
Amortisation	
At 01/04/18	2,711
Charge for Year	795
Amortisation on Disposal	(330)
At 31/03/19	3,176
Net Book Value	
At 31/03/18	2,032
At 31/03/19	1,774

Within the closing net book value there are £0.041m (2017/18, £nil) assets under the course of construction which are yet to be depreciated.

11. Trade and Other Receivables

	UK Sport		Group	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Trade Receivables	106	160	1,230	738
Other Receivables	404	759	293	552
VAT	-	-	-	43
Prepayments and Accrued Income	500	1,618	1,390	2,197
Total	1,010	2,537	2,913	3,530

All amounts fall due within one year.

The Other Receivables balance at 31 March 2019 includes the intercompany receivable of £0.2m with the UK Sport Lottery account

12. Cash and Cash Equivalents

	UK Sport		Group	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Balance at 1 April	2,021	469	4,444	4,700
Net Change in Cash and Cash Equivalents	922	1,552	(79)	(234)
Foreign exchange gain on Cash and Cash Equivalents	-	-	6	(22)
Balance at 31 March	2,943	2,021	4,371	4,444
Government Banking Services				
Balances Held with Government Banking Services	1,732	449	1,732	449
Balances Held with Restricted Escrow Account	-	-	-	-
- Current Assets	-	-	193	-
- Non-Current Assets	-	-	-	187
Balances Held with Commercial Banks	1,211	1,572	2,446	3,808
Total	2,943	2,021	4,371	4,444

Yorkshire 2019 Limited holds a balance of £0.193m in a restricted Escrow account to cover any eventual liabilities that arise to Yorkshire 2019 Limited post the hosting of the 2019 World Road Cycling championships.

13.1 Trade and Other Payables

	UK Sport		Group	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Trade Payables	734	794	1,939	2,258
Other Payables	-	(3)	39	39
VAT	84	146	84	-
Corporation Tax	-	-	-	1
Other Taxation and Social Security	212	221	847	-
Accruals and Deferred Income	9,540	5,594	8,062	3,499
Total	10,570	6,752	10,971	6,957

Within the UK Sport accruals balance, £5.5m relates to funding committed to Rugby League World Cup 2021 Limited due for payment in 2019/20. A further £2.8m relates to funding committed to Yorkshire 2019 Limited to support the UCI 2019 Road World Championships, due for payment in 2019/20.

13.2 Non-Current Trade and Other Payables	UK Sport		Group	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Accruals and Deferred Income	6,700	13,200	6,700	12,200
Total	6,700	13,200	6,700	12,200

The UK Sport balance of £6.7m relates to funding committed to Rugby League World Cup 2021 Limited due for payment from 2020/21 to 2021/22.

14. Provision for Liabilities

	UK Sport		Group	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Opening Balance	234	234	234	303
Provision Made in Year	-	-	-	-
Provision Paid in Year	-	-	-	(64)
Provision Released in Year	-	-	-	(5)
Closing Balance	234	234	234	234

Provision was made in the accounts in a prior year for the anticipated cost of making good any dilapidations at 21 Bloomsbury at the end of the tenancy agreement.

15. Reconciliation of Operating Deficit to Cash Generated from Operations

	UK Sport		Group	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Net Expenditure Before Taxation and Interest	(69,143)	(79,045)	(74,735)	(78,967)
Depreciation/Amortisation of Property Plant and Equipment	613	567	1,730	1,682
Loss on Disposal of Property Plant and Equipment	-	10	14	24
(Increase)/Decrease in Receivables	1,527	(420)	617	(317)
(Decrease)/Increase in Payables	(2,688)	17,957	(1,490)	11,821
(Decrease)/Increase in Provisions	-	-	-	(69)
Pension Scheme: Non-Cash Movement	906	968	5,155	4,849
Net Cash Outflow from Operations	(68,785)	(59,963)	(68,709)	(60,977)

16. Financial Instruments

UK Sport has adopted IFRS 7 and IFRS 9 Financial Instruments and has undertaken a review of major contracts to identify transactions that require disclosure. Most financial instruments relate to contracts for non-financial items in line with UK Sport's expected purchase and usage requirements and UK Sport therefore is exposed to limited credit, liquidity or market risk.

Liquidity Risks

In the year £70.091m or 87% (2017/18, £61.957m or 87%) of the Group's income derived from DCMS Grant-in-Aid. The remaining balance of £10.766m or 13% (2017/18, £9.601m or 13%) is derived from other operating activities. UK Sport is satisfied that it has sufficient liquid resources to cover amounts due within one year.

Interest Rate Risks

Cash balances, which are drawn down as Grant-in-Aid to pay grant commitments and operating costs, are held in a Government Banking Service account and drawn down into UK Sport's current account as necessary. The Group's unrestricted cash balance at 31 March 2019 was £4.178m (2017/18, £4.257m).

Foreign Currency Risk

During the year ended 31 March 2017 cash was placed into an Escrow account in Swiss Francs, in line with contractual obligations for the 2019 World Road Cycling Championships. This balance is subject to exchange rate variances. Any further calls on these funds will be in Swiss Francs, and the balance remaining after the event has been held is expected to be small.

17. Superannuation Scheme – UK Sport

Staff at UK Sport (Grant-in-Aid and Lottery) are entitled to become members of the London Pension Fund Authority (LPFA) Superannuation Scheme. UK Sport is one of several employers whose staff are scheme participants, and data given in this note refers to the whole scheme and to the identified UK Sport portion of it whilst Note 18 provides equivalent details for EIS. There is a generic scheme for staff covered by the accounting policy Note 1.10. Staff employed by Yorkshire 2019 Limited are not members of the LPFA but instead hold personal pension plans into which pension contributions are paid.

The amounts disclosed in these accounts are the portion deemed to be apportioned to the Grant-in-Aid funded part of the scheme. As all scheme members are or were employees of UK Sport, the pension deficit recorded in the Lottery Accounts would become part of the Grant-in-Aid pension deficit in the event of the Lottery Fund being wound up.

The Pension Scheme is of the defined benefit type and is funded by employees and employers at actuarially determined rates. The employer's contribution for the year amounted to £0.588m or 12.0% of pensionable pay (2017/18, £0.551m or 12.0%). An additional pension contribution of £0.171m (2017/18, £0.167m) was also made to reduce the pension liability in respect of prior years.

The scheme is subject to triennial valuations by the consulting actuaries to the LPFA and the latest valuation was at 31 March 2016, with the next formal valuation due at 31 March 2019, with results expected in late 2019. The actuarial method used is market related, based on average yields and market values in the 12 months leading up to the valuation date.

International Accounting Standard IAS 19 issued by the International Accounting Standards Board requires that the following information, which has been prepared for us by Barnett Waddingham (the consulting actuaries to the LPFA) for this purpose, be disclosed in these accounts with respect to the scheme.

17.1 Pension Commitments

Financial Assumptions

	2018/19	2017/18
	%	%
Price Increases	3.4	3.3
Salary Increases	3.9	3.8
Pension Increases	2.4	2.3
Discount Rate	2.5	2.6

Average Future Life Expectancies at Age 65:

	Males	Females
	(years)	(years)
Current Pensioners	21.3	23.6
Future Pensioners	23.1	25.2

17.2 Fair Value of Employers Assets

	31/03/19	31/03/18
	£'000	£'000
Equities	12,723	12,513
Target Return Funds	6,236	4,592
Infrastructure	1,409	896
Property	2,199	1,474
Cash	818	998
Total Fair Value of Assets	23,385	20,473
Present Value of Scheme Liabilities	(39,180)	(35,820)
Net Pension Liability	(15,795)	(15,347)

The major categories of plan assets as a percentage of total assets are as follows:

	31/03/19	31/03/18
	%	%
Equities	54	61
Target Return Funds	27	23
Infrastructure	6	4
Property	9	7
Cash	4	5

17.3 Amounts recognised in the Statement of Comprehensive Net Expenditure are as follows:

	2018/19	2017/18
	£'000	£'000
Current Service Cost	1,639	1,684
Net Interest on the Defined Liability	390	452
Administration Expenses	26	24
Total	2,055	2,160

17.4 Re-measurements in Other Comprehensive Income:

	2018/19	2017/18
	£'000	£'000
Return on plan assets in excess of interest	1,679	258
Other actuarial gains	-	-
Change in financial assumptions	(2,865)	2,322
Change in demographic assumptions	2,037	-
Experience gain on defined benefit obligation	-	-
Re-measurements	851	2,580

17.5 Changes in the present value of the defined benefit obligation:

	2018/19	2017/18
	£'000	£'000
Opening defined benefit obligation	35,820	35,562
Current service cost	1,639	1,684
Interest cost	932	995
Change in financial assumptions	2,865	(2,322)
Change in demographic assumptions	(2,037)	-
Experience (gain) on defined benefit obligation	-	-
Estimated benefits paid net of transfers in	(433)	(464)
Contributions by scheme participants	419	390
Unfunded pension payments	(25)	(25)
Closing defined benefit obligation	39,180	35,820

17.6 Changes in the fair value of plan assets are as follows:

	2018/19	2017/18
	£'000	£'000
Opening fair value of employers' assets	20,473	19,097
Interest on assets	542	543
Return on assets less interest	1,679	258
Other actuarial gains	-	-
Administration expenses	(26)	(24)
Contributions by employer including unfunded	756	698
Contributions by scheme participants	419	390
Estimated benefits paid net of transfers in including unfunded	(458)	(489)
Closing fair value of employer assets	23,385	20,473

17.7 A History of Experience Gains and Losses is shown below:

	2018/19	2017/18	2016/17	2015/16	2014/15
	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	23,385	20,473	19,097	15,111	14,738
Present Value of Defined Benefit Obligation	(39,180)	(35,820)	(35,562)	(25,856)	(26,539)
Deficit	(15,795)	(15,347)	(16,465)	(10,745)	(11,801)
Experience Losses on Assets	-	-	-	-	-
Experience Gains/(Losses) on Liabilities	-	-	634	51	(6)

In order to assess the actuarial value of the LPFA's liabilities as at 31 March 2019, Barnett Waddingham have rolled forward the actuarial value of the liabilities reported as at the latest formal valuation, allowing for the different financial assumptions required under IAS 19. In addition, they have also considered the effect of contributions paid into, and estimated benefits paid from, the Fund by UK Sport and its employees.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2019 without completing a full valuation. The actuary is satisfied that the approach of rolling forward the previous valuation to 31 March 2019 should not introduce any material distortions in the results provided that the actual experience of UK Sport and the Fund has been broadly in line with the underlying assumptions and the structure of the liabilities is substantially the same as the latest formal valuation.

To calculate the asset share Barnett Waddingham have rolled forward the assets allowing for contributions paid into and estimated benefits paid from, the Fund by and in respect of the employer investment returns, and its employees.

The actuarial valuation for IAS 19 purposes has been allocated between the Lottery and Exchequer accounts in accordance with accounting policy Note 1.10.

In December 2018 there was a Court of Appeal judgement in relation to the McCloud and Sargeant cases which relate to age discrimination in the Judicial and Fire Service pension schemes respectively. In June 2019 the Government was refused leave to appeal and the Government Actuary Department developed a methodology to estimate the impact of this judgement on those bodies that are part of the Local Government Pension Scheme.

For UK Sport, Barnett Waddingham have estimated that the impact on the total liabilities at 31 March 2019 would be an increase 0.9% of liabilities (which equates to £364,000) and the impact on the projected service cost for the year to 31 March 2020 would be an increase of 3.2% in the service cost (which equates to £54,000). Given the immateriality of these figures in the context of the UK Sport pension scheme, an adjustment has not been made to reflect this.

17.8 Sensitivity

The sensitivity of the UK Sport pension liability to changes in assumptions is as follows:

	£'000	£'000	£'000
Adjustment to discount rate	+0.10%	0%	-0.10%
Present value of total obligation	38,249	39,180	40,134
Adjustment to long term salary increase	+0.10%	0%	-0.10%
Present value of total obligation	39,268	39,180	39,093
Adjustment to pension increases and deferred revaluation	+0.10%	0%	-0.10%
Present value of total obligation	40,046	39,180	38,335
Adjustment to mortality age rising assumption	+1 Year	None	-1 Year
Present value of total obligation	40,541	39,180	37,864

18. Superannuation Scheme – EIS

EIS participates in the LPFA Superannuation Scheme (LPFA). It is one of a large number of employers whose staff participate in the scheme, but the data given in this note relates just to EIS. The majority of EIS's staff are members of the scheme.

The Pension Scheme is of the defined benefit type and it is funded by employees and employers at actuarially determined rates. Employer contributions charged for members of the scheme amounted to £1.604m (2017/18, £1.560m).

A Triennial Actuarial Valuation was carried out as at 31 March 2016 for funding purposes. As a result of this, employer contributions remained at 12%.

In December 2018 there was a Court of Appeal judgement in relation to the McCloud and Sargeant cases which relate to age discrimination in the Judicial and Fire Service pension schemes respectively. In June 2019 the Government was refused leave to appeal and the Government Actuary Department developed a methodology to estimate the impact of this judgement on those bodies that are part of the Local Government Pension Scheme.

For the English Institute of Sport, Barnett Waddingham have estimated that the impact on the total liabilities at 31 March 2019 would be 1.5% of liabilities (which equates to £1,121,000) and the impact on the projected service cost for the year to 31 March 2020 would be 3.3% of the service cost (which equates to 158,000). Given the significance of the impact on the EIS Pension Scheme on the EIS accounts, an adjustment has been made by the EIS to reflect this which is captured in Note 18.5 and within the Group position in Note 19.

A valuation for IAS 19 purposes as at 31 March 2019 was carried out by a qualified independent actuary. The assumptions used by the actuary for IAS 19 valuation purposes were:

18.1 Pension Commitments

Financial Assumptions:	2018/19	2017/18
	%	%
Price Increases	3.4	3.3
Salary Increases	3.9	3.8
Pension Increases	2.4	2.3
Discount Rate	2.5	2.6

Average Future Life Expectancies at Age 65:	Males	Females
	(years)	(years)
Current Pensioners	21.4	23.8
Future Pensioners	23.2	25.5

18.2 Fair Value of Employer Assets

	31/03/19	31/03/18
	£'000	£'000
Equities	24,123	23,023
Target Return Portfolio	11,825	8,438
Infrastructure	2,672	1,647
Property	4,170	2,709
Cash	1,551	1,834
Total Market Value of Assets	44,341	37,651
Present Value of Scheme Liabilities	(78,153)	(68,329)
Net Pension Liability	(33,812)	(30,678)

The overall expected rate of return on scheme assets is projected by the scheme actuaries using modelling techniques, with reference to key assumptions and the relative weighting of scheme assets.

The major categories of plan assets as a percentage of total assets are as follows:

	31/03/19	31/03/18
	%	%
Equities	54	61
Target Return Portfolio	27	23
Infrastructure	6	4
Property	9	7
Cash	4	5

18.3 Amounts recognised in the Statement of Comprehensive Net Expenditure account:

	2018/19	2017/18
	£'000	£'000
Service Cost	5,804	5,397
Net Interest on the Defined Liability	777	879
Administration Expenses	49	44
Total	6,630	6,320

18.4 Re-measurements recognised in Other Comprehensive Income:

	2018/19	2017/18
	£'000	£'000
Return on plan assets in excess of interest	3,138	461
Other actuarial gains on assets	-	-
Change in financial assumptions	(5,883)	5,655
Change in demographic assumptions	4,596	-
Experience gain/(loss) on defined benefit obligation	-	-
Re-measurements	1,851	6,116

18.5 Changes in the present value of the defined benefit obligation are as follows:

	2018/19	2017/18
	£'000	£'000
Opening defined benefit obligation	68,329	65,757
Current service cost	4,683	5,285
Interest cost	1,789	1,857
Change in financial assumptions	5,883	(5,655)
Change in demographic assumptions	(4,596)	-
Experience loss on defined benefit obligation	-	-
Estimated benefits paid in excess of transfers in	(103)	(97)
Past service costs, including curtailments	1,121	112
Contributions by scheme participants	1,047	1,070
Closing defined benefit obligation	78,153	68,329

18.6 Changes in the fair value of plan assets are as follows:

	2018/19	2017/18
	£'000	£'000
Opening fair value of employer's assets	37,651	33,604
Interest on assets	1,012	978
Return on assets less interest	3,138	461
Other actuarial gains/(losses)	-	-
Administration expenses	(49)	(44)
Contributions by employer including unfunded	1,645	1,679
Contributions by participants	1,047	1,070
Estimated benefits paid plus unfunded net of transfers in	(103)	(97)
Closing fair value of employer's assets	44,341	37,651

18.7 History of Experience Gains and Losses

	2018/19	2017/18	2016/17	2015/16	2014/15
	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	44,341	37,651	33,604	25,216	23,005
Present Value of Defined Benefit Obligation	(78,153)	(68,329)	(65,757)	(38,782)	(37,102)
Deficit	(33,812)	(30,678)	(32,153)	(13,566)	(4,827)
Experience Losses on Assets	-	-	-	-	-
Experience Losses on Liabilities	-	-	(1,195)	-	-

18.8 Sensitivity:

The sensitivity of the EIS pension liability to changes in assumptions is as follows:

	£'000	£'000	£'000
Adjustment to discount rate	+0.10%	0%	-0.10%
Present value of total obligation	75,707	78,153	80,680
Adjustment to long term salary increase	+0.10%	0%	-0.10%
Present value of total obligation	78,471	78,153	77,839
Adjustment to pension increases and deferred revaluation	0.10%	0%	-0.10%
Present value of total obligation	80,363	78,153	76,016
Adjustment to mortality age rising assumption	+1 Year	None	-1 Year
Present value of total obligation	80,840	78,153	75,556

19. Group Pension Amounts

	Note	2018/19 £'000	2017/18 £'000
Pension Liabilities UK Sport	17.2	(15,795)	(15,347)
Pension Liabilities EIS	18.2	(33,812)	(30,678)
Total Group Pension Liabilities		(49,607)	(46,025)
Pension Scheme Re-measurements UK Sport	17.4	851	2,580
Pension Scheme Re-measurements EIS	18.4	1,851	6,116
Total Group Pension Re-measurements		2,702	8,696
Net Interest on the Defined Liability UK Sport	17.3	(390)	(452)
Net Interest on the Defined Liability EIS	18.3	(777)	(879)
Total Net Interest on the Group Defined Liability		(1,167)	(1,331)

20. Commitments Under Leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	UK Sport		Group	
	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	Restated £'000
Obligations under operating leases comprise:				
Buildings				
Not later than one year	438	438	1,504	1,487
Later than one year not later than five years	1,140	1,579	2,206	3,676
Later than five years	-	-	-	-
Other				
Not later than one year	-	-	15	1
Later than one year not later than five years	-	-	15	1
Total	1,578	2,017	3,740	5,165

The 2018 group comparative has been restated as one lease commitment for the English Institute of Sport was omitted in error last year. The minimum lease rentals payable in respect of this lease amount to £0.975m.

21. Grant Commitments

On the undertaking that funds are to be provided by DCMS, UK Sport at 31/03/19 had entered into commitments to pay grants to governing bodies in respect of their approved programmes in the following years (these commitments at 31/03/19 have not yet been recognised in the Statement of Comprehensive Net Expenditure Account nor Statement of Financial Position).

	UK Sport		Group	
	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000
2018/19	-	52,375	-	33,287
2019/20	33,956	26,377	14,787	8,563
2020/21	32,670	25,576	14,983	7,358
2021/22	205	-	-	-
	66,831	104,328	29,770	49,208

Grant commitments are based on the assumption that Exchequer funding will continue at the planned rate to 2021/2022.

22. Contingent liabilities

During the year ended 31 March 2017 Yorkshire 2019 Limited (a subsidiary of UK Sport) entered into a contract entitling a third party to a Performance Security in the event of debts or liabilities caused by Yorkshire 2019 Limited. This security amounted to £193,000 as at 31 March 2019.

23. Capital Commitments

As at 31 March 2019 UK Sport had made commitments of £63,486 (31/03/2019 £nil) to purchase further capital equipment.

24. Events After the Reporting Period

The accounts were authorised for issue on the date the Comptroller and Auditor General certified the accounts.

In December 2018 there was a Court of Appeal judgement in relation to the McCloud and Sargeant cases which related to age discrimination in the Judicial and Fire Service pension schemes respectively. After the balance sheet date, in June 2019, the Government was refused leave to appeal and the Government Actuary Department developed a methodology to estimate the impact of this judgement on those bodies that are part of the Local Government Pension Scheme. Further details on the impact of this judgement on the UK Sport and Group pension disclosures are given in Notes 17 and 18.

There are no other post balance sheet events requiring disclosure.

25. Related Party Transactions

UK Sport is an Arm's Length Body sponsored by DCMS, who are regarded as a related party. During 2018/19 UK Sport had various material transactions with DCMS and with the Sports Councils for the Home Countries. It further provided grants to two subsidiaries EIS and Yorkshire 2019 Limited.

As a matter of policy and procedure the Board, and Committee members, Award Panel members and staff maintain registers of interest which are available to the public. In these they are required to declare any interests, both direct and indirect, of commercial interests with the UK Sport together with interests associated with grant applications. Where a member has an interest, they are required to declare it and exclude themselves from relevant grant appraisal discussions and other commercial decisions.

The following table details those related party transactions that arose during the year:

Person	Other related appointments	Transaction (e.g. grant)	Amounts (£)
English Institute of Sport	Subsidiary	Grant paid	20,426,247
		Recharged income	553,330
		Recharged costs	142,074
Yorkshire 2019 Limited	Subsidiary	Grant paid (expenditure accrued in 2017/18)	1,279,000
DCMS	Parent department	Grant-in-Aid received	70,091,000
Lis Astall	British Equestrian Federation (member)	Grant	2,072,655
UK Sport Board (member)		Income	3,700
		Paragon Identity (Non-Executive)	Service provision

The United Kingdom Sports Council Grant-in-Aid and National Lottery Distribution Fund
Annual Report and Accounts for the Year Ended 31 March 2019

Person	Other related appointments	Transaction (e.g. grant)	Amounts (£)
Group Audit & Risk Committee (member)			
Nicholas Bitel	Sport England (Chair)	Grant	40,000
UK Sport Board (member)		Delegate fees income	1,200
		Recharged costs	96,134
John Dowson	UK Boccia Federation Ltd (Chair)	Grant	340,373
UK Sport Board (member)	British Paralympic Association (National Paralympic Committee Member)	Service provision	14,203
Group Audit & Risk Committee (Chair)		Grant	40,000
Dame Katherine Grainger DBE	British Rowing (Member working panel for Internal Culture Review).	Grant	2,713,165
UK Sport Board (Chair)		Recharged costs	2,979
	British Olympic Association (Member of Athlete's Commission)	Service provision	73,072
		Other income	14,286
Craig Hunter	English Institute of Sport (Director)	Grant and recharges	See above
Group Audit & Risk Committee (until June 2018)			
Vic Luck	English Institute of Sport (Director)	Grant and recharges	See above
Group Audit & Risk Committee (from June 2018)			
Simon Morton	Yorkshire 2019 Limited (Director)	Grant	See above
UK Sport (Chief Operating Officer)			
Annie Panter	English Institute of Sport (Non-Executive Director)	Grant and recharges	See above
UK Sport Board (member)	England Hockey (Member of Athlete's Commission)	Grant	1,481,677
		Service provision	12,000
		Other income	5,700

The United Kingdom Sports Council Grant-in-Aid and National Lottery Distribution Fund
Annual Report and Accounts for the Year Ended 31 March 2019

Person	Other related appointments	Transaction (e.g. grant)	Amounts (£)
Sarah Springman CBE	British Rowing (member)	Grant and other costs	See above
UK Sport Board (member)	British Triathlon (Patron)	Grant	1,092,075
		Other income	13,550
		Other costs	266
John Steele UK Sport Board (observer)	English Institute of Sport (Chair)	Grant and recharges	See above
	British Rowing (Consultant)	Grant and other costs	See above
	England Hockey (Consultant)	Grant and other transactions	See above
	England Athletics (Consultant)	Other income	1,698
	Sport Wales (Consultant)	Grant	40,000
		Other income	1,800
		Service provision	10,000
	Sports Council for Northern Ireland (Consultant)	Grant	40,000
		Other income	1,500
		Service provision	1,727
Unforgiving Minute Ltd (Director)	Service provision	4,217	
Loughborough University (Executive Director)	Service provision	30,824	
Chelsea Warr Director of Performance	English Institute of Sport (Non-Executive Director)	Grant and recharges	See above
Mel Young MBE UK Sport Board (member)	Sport Scotland (Chair)	Grant	40,000
		Other charges	30,735
		Other income	2,100
Natalie Dunman Head of Pathways	Seconded as Performance Director to British Skeleton	Recharged costs	3,099
		Recharged income	35,600

26.1 Subsidiary Undertakings

English Institute of Sport

UK Sport was given responsibility for the EIS in April 2006

The following results of EIS have been included in the consolidated results:

	2018/19	2017/18
	£'000	£'000
Statement of Comprehensive Net Expenditure		
Income	28,004	27,306
Administrative Expenses	(32,178)	(30,998)
Operating Surplus/(Deficit) before Interest and Taxation	(4,174)	(3,692)
Interest Receivable	9	5
Interest Payable and Similar Charges	(763)	(879)
Deficit on Ordinary Activities Before Taxation	(4,928)	(4,566)
Tax on Surplus on Ordinary Activities	1	(1)
Deficit for the Financial Year	(4,927)	(4,567)
Re-measurement of the Net Defined Benefit Liability	1,332	6,622
Total Comprehensive Net Income/(Expenditure) for the Year	(3,595)	2,055
	2018/19	2017/18
	£'000	£'000
Statement of Financial Position		
Property Plant and Equipment	1,688	1,669
Intangible Assets	960	1,024
Current Assets	2,915	3,375
Payables: Falling Due Within One Year	(2,825)	(3,302)
Total Assets less Current Liabilities	2,738	2,766
Deferred Income	(2,746)	(2,819)
Net Liabilities Excluding Pension Liability	(8)	(53)
Defined Benefit Pension Scheme Liability	(33,812)	(30,172)
Net Liabilities Including Pension Liability	(33,820)	(30,225)
Reserves		
Revenue Reserve	(33,820)	(30,225)

The above figures have been presented on a gross basis as per the EIS annual accounts prior to intercompany eliminations and alignment adjustments. The pension figures contained in the 2018/19 accounts produced by EIS were prepared on the basis of FRS 102. A separate actuarial valuation based on IAS 19 was commissioned to provide the pension figures in line with the accounting policy adopted for the UK Sport accounts which are presented in Note 18.

26.2 Subsidiary Undertakings

Yorkshire 2019 Limited

The following results of Yorkshire 2019 Limited have been included in the consolidated results:

	2018/19	2017/18
	£'000	£'000
Statement of Comprehensive Net Expenditure		
Income	1,637	357
Operating and Administrative Expenses	(1,637)	(357)
Deficit for the period	–	–
Unrealised foreign exchange (loss)/gain	6	(48)
Total Comprehensive Net Expenditure for the period	6	(48)
	2018/19	2017/18
	£'000	£'000
Statement of Financial Position		
Restricted cash	193	187
Current assets and other receivables	461	132
Current Liabilities	(660)	(331)
Total Assets less Liabilities	(6)	(12)
Reserves		
Revenue Reserve	(6)	(12)

The above summary has been presented on a gross basis prior to inter-company eliminations and alignment adjustments taking place within the Group accounts.



**The United Kingdom Sports Council
National Lottery Distribution Fund
Accounts for the Year Ended
31 March 2019**

The United Kingdom Sports Council Lottery Distribution Fund

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

Opinion on financial statements

I certify that I have audited the financial statements of the United Kingdom Sports Council Lottery Distribution Fund for the year ended 31 March 2019 under the National Lottery etc. Act 1993. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the United Kingdom Sport Council Lottery Distribution Fund's affairs as at 31 March 2019 and of total comprehensive net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the United Kingdom Sports Council Lottery Distribution Fund in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the UK Sport Council Group or the UK Sport Council's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the National Lottery etc. Act 1993.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the United Kingdom Sports Council Lottery Distribution Fund's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the National Lottery etc. Act 1993;
- in light of the knowledge and understanding of the UK Sports Council Lottery Distribution Fund and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Gareth Davies Comptroller and Auditor General

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

19 July 2019

Statement of Comprehensive Net Expenditure for the Year Ended 31/03/19

	Note	2018/19 £'000	2017/18 £'000
INCOME			
National Lottery Share of Proceeds	2	72,961	74,560
Investment Returns from NLDF	2	374	215
Interest Receivable		7	2
Other Operating Income		83	100
Total		73,425	74,877
EXPENDITURE			
Accrued Grant Commitments	3	3,714	4,397
Accrued Grant De-commitments	3	(15)	(74)
Grant Clawbacks		(963)	-
Other Grant Payments	5	61,060	66,072
Staff Costs	6	2,905	2,751
Amortisation	9	2	22
Other Operating Costs		690	340
Costs Apportioned from UK Sport Grant-in-Aid Account		2,212	2,205
Total		69,605	75,713
INCREASE/(DECREASE) IN LOTTERY FUNDS BEFORE TAXATION		3,820	(836)
Net Interest on the Pension Liability	12.3	(111)	(128)
INCREASE/(DECREASE) IN LOTTERY FUNDS		3,709	(964)
Other Comprehensive Expenditure			
Pension Scheme Re-measurements	12.4	242	738
Total Comprehensive Net Income/(Expenditure)		3,951	(226)

All activities relate to continuing activities.

The notes on pages 79 to 91 form part of these accounts.

Statement of Changes in Equity for the Year Ended 31/03/19

	Note	2018/19		2017/18	
		Revenue Reserve £'000	Pension Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000
Balance Brought Forward		35,211	(4,416)	35,718	(4,688)
Retained (Deficit)/Surplus for the Year		3,709	-	(964)	-
Pension Scheme Re-measurements	12.4	-	242	-	738
Transfer from the Pension Fund		392	(392)	457	(457)
Other Movements		-	-	-	(9)
Balance at 31 March		39,312	(4,566)	35,211	(4,416)

The notes on pages 79 to 91 form part of these accounts.

Statement of Financial Position as at 31/03/19

	Note	31/03/19 £'000	31/03/18 £'000
NON-CURRENT ASSETS			
Intangible Assets	9	8	10
Total Non-Current Assets		8	10
CURRENT ASSETS			
Investments – Balance at NLDF	2	47,331	43,412
Trade and Other Receivables	10	51	23
Cash and Cash Equivalents	14	1,158	887
Total Current Assets		48,540	44,322
CURRENT LIABILITIES			
Trade and Other Payables	11	(365)	(713)
Grant Commitments Falling Due Within One Year	3	(6,969)	(7,199)
Total Current Liabilities		(7,334)	(7,912)
Net Current Assets		41,206	36,410
Non-Current Assets plus Net Current Assets		41,214	36,420
NON-CURRENT LIABILITIES			
Grant Commitments Falling Due After One Year	3	(1,902)	(1,209)
Pension Liability	12.2	(4,566)	(4,416)
Total Non-Current Liabilities		(6,468)	(5,625)
Total Assets less Liabilities		34,746	30,795
EQUITY			
Pension Reserve	12.2	(4,566)	(4,416)
Revenue Reserve		39,312	35,211
Total Equity		34,746	30,795

The notes on pages 79 to 91 form part of these accounts.

Liz Nicholl CBE
Chief Executive and Accounting Officer
(until 5th July 2019)

The United Kingdom Sports Council



15/07/2019

Simon Morton
Acting Chief Executive and Interim Accounting Officer

The United Kingdom Sports Council



15/7/19

Dame Katherine Grainger DBE
Chair

The United Kingdom Sports Council

Statement of Cash Flows for the Year Ended 31/03/19

	Note	2018/19 £'000	2017/18 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Cash Generated from Operations	13	264	(1,438)
Interest Received		7	2
Net Cash Flow from Operating Activities		271	(1,436)
Net Increase/(Decrease) in Cash and Cash Equivalents in the Year		271	(1,436)
Cash and Cash Equivalents at 1 April		887	2,323
Cash and Cash Equivalents at 31 March	14	1,158	887

The notes on pages 79 to 91 form part of these accounts.

NOTES TO THE ACCOUNTS

1. Accounting Policies

1.1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2018/19 Government Financial Reporting Manual (FReM) and in a form directed by the Secretary of State with consent of Treasury in accordance with section 35(3) of the National Lottery etc. Act 1993.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to UK Sport for the purpose of giving a true and fair view has been selected. The particular policies adopted by UK Sport Lottery are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Without limiting the information given, the accounts meet the requirements of the Companies Act 2006, the International Accounting Standards issued or adopted by the International Accounting Standards Board (except in relation to the recognition of commitments as detailed below), the Treasury guidance on the accounts of Non-Departmental Public Bodies and the National Lottery etc. Act 1993 insofar as those requirements are appropriate to the UK Sport Lottery Fund.

The accounts have been prepared under the accruals convention and, as such, all income and expenditure is taken into account in the financial period to which it relates (except in relation to the recognition of commitments as detailed below).

The accounts cover the year to 31 March 2019, in compliance with section 35 of the National Lottery etc. Act 1993.

Separate accounts have been prepared for the UK Sport operations funded from Grant-in-Aid, in accordance with the Accounts Direction and other instructions issued by the Secretary of State. Consolidated accounts have not been prepared because The English Institute of Sport Limited and Yorkshire 2019 Limited are subsidiaries of UK Sport Exchequer only.

There are no standards in issue but not yet adopted that will have a material effect on the reported income or net assets of the group.

The financial statements have been prepared on a going concern basis. UK Sport has a statutory entitlement to a set percentage of the Lottery Distribution Fund in accordance with the National Lottery Act 1993 as amended. Grant commitments reflect the forecast distribution expected from the Fund.

1.2 Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make key judgements, assumptions and estimates that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Pension costs recognised within UK Sport's accounts are subject to estimation. The key assumptions applied by the actuary are set out in Note 12.

1.3 Grant Commitments

Grants payable are charged to the Statement of Comprehensive Net Expenditure on an accruals basis. The reporting of grants has been aligned with the FReM. Where the recognition criteria are met, commitments are reflected in the Statement of Financial Position as a liability (see Note 3). Otherwise, they are disclosed as other grant commitments (see Note 4).

1.4 Intangible Assets

The intangible assets of UK Sport are computer software and software licences. Intangible assets are initially measured at cost and amortised on a straight-line basis over their useful lives.

Amortisation of intangible assets is charged over their useful economic life on the following basis:

Computer Software 2-5 years
Software Licences over the life of the licence

A full year of amortisation is charged in the year of acquisition and none in the year of disposal.

1.5 Pension Costs

The pension liabilities and assets are recorded in line with IAS 19, with a valuation undertaken by an independent actuary. IAS 19 measures the value of pension assets and liabilities at the end of each reporting period, determines the benefits accrued in the year and the interest on scheme assets and liabilities. The value of benefits accrued is used to determine the pension charge, which is shown in the Statement of Comprehensive Net Expenditure together with the net interest on the pension liability. The change in the value of the assets and liabilities arising from asset valuations, changes in benefits, actuarial assumptions or change in the level of deficit attributable to members is recognised in the Statement of Changes in Equity. The resulting pension liability or asset is shown on the Statement of Financial Position.

Further information on the pension scheme including the valuation of the pension funds and recharges is provided in Note 12 to the accounts.

1.6 Charges to and from UK Sport

UK Sport is required to apportion between its Grant-in-Aid and National Lottery distribution activities the costs of services provided from its Grant-in-Aid budget that are directly and demonstrably used on UK Sport Lottery Fund functions and vice versa. The costs apportioned to the National Lottery distribution activities are paid from the UK Sport Lottery Fund to the Grant-in-Aid account. The apportionment of the costs has been determined in the manner most appropriate to the particular service, for example staff numbers, staff time or floor space. In all cases the charges to the National Lottery distribution activity have been calculated on a full cost recovery basis in accordance with HM Treasury's *"Managing Public Money"*.

1.7 Value Added Tax

The making of Lottery awards is deemed to be a non-business activity. VAT is therefore not charged on grants made and input tax is not recovered but treated as an additional expense of the item to which it relates.

1.8 Investments

The funds attributable to the Lottery Fund, whilst they are within the National Lottery Distribution Fund, are invested by the National Debt Commissioners, and interest accrued is credited to the balance available for distribution.

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

1.9 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and demand deposits and other short-term high liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

1.10 Standards Issued but not yet Effective

IFRS 16 Leases will be adopted from 1 April 2019. There will be no material impact to the UK Sport Lottery Fund from adopting this new standard, as all UK Sport's affected operating leases sit within the Grant-in-Aid account.

2. National Lottery Distribution Fund

During the year under review the UK Sport Lottery Fund has received and drawn down the following sums:

	2018/19	2017/18
	£'000	£'000
Balance Brought Forward	43,412	41,586
Share of Net Operator Proceeds	72,961	74,560
Investment Returns from NLDF	374	215
Available for Distribution	116,747	116,361
Funds Drawn Down	(69,416)	(72,949)
Balance Carried Forward	47,331	43,412

Balances held in the National Lottery Distribution Fund (NLDF) remain under the stewardship of the Secretary of State for Digital, Culture, Media and Sport. However, the share of these balances attributable to UK Sport is shown in the Accounts and, at the Statement of Financial Position date, has been certified by the Secretary of State as being available for distribution by UK Sport in respect of current and future commitments.

The market value carried forward at 31 March 2019 is £47.331m (31 March 2018, £43.412m) representing 31% of outstanding commitments made at that point. The balance of outstanding commitments will be met by anticipated future NLDF revenue receipts.

Funds are drawn down from the NLDF into the bank account of the UK Sport Lottery Fund in order to meet payments falling due from suppliers and awards to recipients on a monthly basis.

3. Accrued Grant Commitments

	2018/19	2017/18
	£'000	£'000
Accrued Commitments Brought Forward	8,408	8,072
Commitments Made in the Year	3,714	4,397
De-commitments Made in the Year	(15)	(74)
Total Accrued Grant Commitments	12,107	12,395
Accrued Grant Commitments Met in the Year	(3,236)	(3,987)
Accrued Grant Commitments Carried Forward	8,871	8,408

Accrued Grant Commitments by Year

	2018/19	2017/18
	£'000	£'000
Amounts Falling Due During 2018/19	-	7,199
Amounts Falling Due During 2019/20	6,969	859
Amounts Falling Due During 2020/21	1,262	350
Amounts Falling Due During 2021/22	100	-
Amounts Falling Due During 2022/23	440	-
Amounts Falling Due During 2023/24	100	-
Total	<u>8,871</u>	<u>8,408</u>

Accrued commitments made in the year are shown as expenditure, but during the year some commitments will be made and paid in the same year, or de-committed, which accounts for the difference between outstanding accrued commitments at 31 March 2018 and actual amounts paid in 2018/19.

In addition to the amounts shown as committed above, the Board approved funding totalling £0.791m for two further Major Events in March 2019. Funding agreements for these events were not yet prepared as at 31 March 2019.

4. Other Grant Commitments

	2018/19	2017/18
	£'000	£'000
Amounts Falling Due During 2018/19	-	47,468
Amounts Falling Due During 2019/20	73,820	64,217
Amounts Falling Due During 2020/21	63,876	67,030
Amounts Falling Due During 2021/22	6,320	-
Amounts Falling Due During 2022/23	105	-
	<u>144,121</u>	<u>178,715</u>

The accounting policies applied for National Lottery funding require commitments to be accrued in the accounts when an offer has been made and are free of performance related conditions and are free from conditions under the control of UK Sport. Other grant commitments do not meet this requirement and have therefore not been accrued. Revenue can only be recognised when funds are made available within the National Lottery Distribution Fund. To provide appropriate financial security for grantees, UK Sport commits funds for a period of up to four years with the expectation that actual funds will be available from future National Lottery revenue to meet future years' expenditure.

The risk of sufficient funding being available up to the end of 2019/20 is mitigated by the DCMS Exchequer underwrite facility. The final year (i.e. 2020/21) of the Tokyo cycle is subject to the 2019 Spending Review settlement.

5. Lottery Grant Payments

	2018/19	2017/18
	£'000	£'000
Accrued Grant Payments		
Major Events	3,236	3,987
	3,236	3,987
Other Grant Payments		
Athletes	17,265	16,218
National Governing Bodies and Partners	43,496	49,608
International Relations	299	246
	61,060	66,072
Total Grant Payments	64,296	70,059

6. Staff Costs

		2018/19	2017/18
		£'000	£'000
Wages and Salaries		2,097	1,941
Other Staff Costs		46	-
Social Security Costs		247	239
Current Service Costs	12.3	507	563
Administration Expense Relating to Pension Scheme	12.3	8	8
Total Employee Costs		2,905	2,751

7. Average Number of Staff During the Year (Full Time Equivalent Values)

The average number of staff employed on a full-time equivalent basis during the year were as follows:

	2018/19	2017/18
UK Sport	36	34
Average Staff Numbers	36	34

8. Lottery Funds

	2018/19	2017/18
	£'000	£'000
The Lottery Fund is stated after charging for:		
External Auditors' Remuneration for Audit Work	29	28

No amounts are due to external auditors for non-current work.

9. Intangible Assets

All intangible fixed assets are computer software.

	£'000
Cost	
At 01/04/18	657
Additions	-
At 31/03/19	657
Amortisation	
At 01/04/18	647
Charge for Year	2
At 31/03/19	649
Net Book Value	
At 31/03/18	10
At 31/03/19	8

10. Trade Receivables

	2018/19	2017/18
	£'000	£'000
Trade Receivables	32	8
Prepayments	19	15
Total	51	23

All amounts fall due within one year.

11. Trade Payables

	2018/19	2017/18
	£'000	£'000
Trade Payables	17	29
VAT	3	9
Accruals and Deferred Income	345	675
Total	365	713

The accruals and deferred income balance includes a £0.2m intercompany balance with the UK Sport Exchequer account.

12. Superannuation Scheme

Staff at UK Sport (Grant-in-Aid and Lottery) are entitled to become members of the London Pension Fund Authority (LPFA) Superannuation Scheme. UK Sport is one of several employers whose staff are scheme participants, and data given in this note refers to the whole scheme and to the identified UK Sport portion of it. There is a generic scheme for staff covered by the accounting policy Note 1.5 above.

All staff are contractually employed by UK Sport. Whether they work on Lottery related matters or not does not affect the terms and conditions of their employment or of their pension entitlement. If in the long term they were still employed by UK Sport but the Lottery accounts continued with pension fund deficits, then the employees, regardless of the Lottery nature of their employment, would still be entitled to look to the Grant-in-Aid accounts to ensure their pension entitlement was met. Under IAS 19 it is the economic entity which suffers the charge to its Statement of Comprehensive Net Expenditure that must make disclosure of that relevant portion of the shared fund.

The pension is of the defined benefit type and is funded by employees and employers at actuarially determined rates.

Employer's contribution for the period amounted to £0.234m or 12% of pensionable pay (2017/18: £0.242m or 12%).

The share charged to these accounts is a proportion of the amount paid by UK Sport in total.

The scheme is subject to triennial valuations by the consulting actuaries to the LPFA and the latest valuation was at 31 March 2016. A revaluation will be undertaken at 31 March 2019, with results in late 2019. The actuarial method used is market related, based on average yields and market values in the 12 months leading up to the valuation date.

International Accounting Standard (IAS 19) requires that the following information, which has been prepared by Barnett Waddingham (the Consulting Actuaries to the LPFA) for this purpose, be disclosed in these accounts with respect to the scheme.

12.1 Pension Commitments

Financial Assumptions	2018/19	2017/18
	%	%
Price Increases	3.4	3.3
Salary Increases	3.9	3.8
Pension Increases	2.4	2.3
Discount Rate	2.5	2.6

Average Future Life Expectancies at Age 65:	Males	Females
	(years)	(years)
Current Pensioners	21.3	23.6
Future Pensioners	23.1	25.2

12.2 Fair Value of Employer's Assets

	Fund	Fund
	Value at	Value at
	31/03/19	31/03/18
	£'000	£'000
Equities	3,634	3,573
Target Return Portfolio	1,782	1,304
Infrastructure	403	255
Property	628	419
Cash	234	284
Total Fair Value of Assets	6,681	5,835
Present Value of Scheme Liabilities	(11,247)	(10,251)
Net Pension Liability	(4,566)	(4,416)

The major categories of plan assets as a percentage of total assets are as follows:

	31/03/19	31/03/18
	%	%
Equities	54	61
Target Return Portfolio	27	23
Infrastructure	6	4
Property	9	7
Cash	4	5

12.3 Amounts recognised in the Statement of Comprehensive Net Expenditure are as follows:

	2018/19	2017/18
	£'000	£'000
Service Cost	507	563
Net Interest on the Defined Liability	111	128
Administration Expenses	8	8
Total	626	699

12.4 Re-measurements in Other Comprehensive Income

	2018/19	2017/18
	£'000	£'000
Return on plan assets in excess of interest	479	73
Other actuarial gains	-	-
Change in financial assumptions	(822)	665
Change in demographic assumptions	585	-
Experience gain/(loss) on defined benefit obligation	-	-
Re-measurements	242	738

12.5 Changes in the present value of the defined benefit obligation:

	2018/19	2017/18
	£'000	£'000
Opening defined benefit obligation	10,251	10,104
Current service cost	507	563
Interest cost	265	282
Change in financial assumptions	822	(665)
Change in demographic assumptions	(585)	-
Experience loss/(gain) on defined benefit obligation	-	-
Estimated benefits paid net of transfer in	(134)	(155)
Contributions by scheme participants	129	130
Unfunded pension payments	(8)	(8)
Closing defined benefit obligation	11,247	10,251

12.6 Changes in the fair value of plan assets are as follows:

	2018/19	2017/18
	£'000	£'000
Opening fair value of employer's assets	5,835	5,416
Interest on assets	154	154
Return on assets less interest	479	73
Other actuarial gains	-	-
Administration expenses	(8)	(8)
Contributions by employer including unfunded	234	233
Contributions by scheme participants	129	130
Estimated benefits paid net of transfers in including unfunded	(142)	(163)
Closing fair value of employer's assets	6,681	5,835

12.7 History of Experience Gains and Losses

	2018/19	2017/18	2016/17	2015/16	2014/15
	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	6,681	5,835	5,416	4,271	4,171
Present Value of Defined Benefit Obligation	(11,247)	(10,251)	(10,104)	(7,322)	(7,497)
Deficit	(4,566)	(4,416)	(4,688)	(3,051)	(3,326)
Experience Losses on Assets	-	-	-	-	-
Experience Gains/(Losses) on Liabilities	-	-	180	14	(2)

In order to assess the actuarial value of the LPFA's liabilities as at 31 March 2019, Barnett Waddingham have rolled forward the actuarial value of the liabilities reported as at the latest formal valuation, allowing for the different financial assumptions required under IAS 19. In addition, they have also considered the effect of contributions paid into, and estimated benefits paid from, the Fund by UK Sport and its employees.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2019 without completing a full valuation. The actuary is satisfied that the approach of rolling forward the previous valuation to 31 March 2019 should not introduce any material distortions in the results provided that the actual experience of UK Sport and the Fund has been broadly in line with the underlying assumptions and the structure of the liabilities is substantially the same as the latest formal valuation. A valuation as at 31 March 2019 is due, with results expected to be available in late 2019.

To calculate the asset share Barnett Waddingham have rolled forward the assets allowing for investment returns, contributions paid into and estimated benefits paid from the Fund by and in respect of the employer and its employees. The Actuarial Valuation for IAS 19 purposes has been allocated between the Lottery and Exchequer accounts in accordance with accounting policy Note 1.5.

In December 2018 there was a Court of Appeal judgement in relation to the McCloud and Sargeant cases which relate to age discrimination in the Judicial and Fire Service pension schemes respectively. In June 2019 the Government was refused leave to appeal and the Government Actuary Department developed a methodology to estimate the impact of this judgement on those bodies that are part of the Local Government Pension Scheme. Barnett Waddingham have estimated that the impact on the UK Sport Lottery accounts at 31 March 2019 would be an increase of 0.9% of the scheme liabilities (which equates to £104,000) and the impact on the projected service cost for the year to 31 March 2020 would be an increase of 3.2% to the service cost (which equates to £17,000). Given the immateriality of these figures in the context of the pension scheme, an adjustment has not been made to reflect this.

12.8 Sensitivity

The sensitivity of the pension liability to changes in assumptions is as follows:

	£'000	£'000	£'000
Adjustment to discount rate	+0.10%	0%	-0.10%
Present value of total obligation	10,980	11,247	11,521
Adjustment to long term salary increase	+0.10%	0%	-0.10%
Present value of total obligation	11,272	11,247	11,222
Adjustment to pension increases and deferred revaluation	+0.10%	0%	-0.10%
Present value of total obligation	11,495	11,247	11,004
Adjustment to mortality age rising assumption	+1 Year	None	-1 Year
Present value of total obligation	11,638	11,547	10,869

13. Reconciliation of Increase in Lottery Funds Before Taxation to Net Cash Inflow/ (Outflow) from Operating Activities

	2018/19	2017/18
	£'000	£'000
Increase/(Decrease) in Lottery Funds Before Taxation	3,820	(836)
(Increase)/Decrease in Receivables	(28)	8
Increase in Payables	115	873
Amortisation of Intangible Assets	2	22
Interest Receivable	(7)	(2)
(Increase) in NLDF	(3,919)	(1,826)
Pension Scheme: Non Cash Movement	281	329
Purchase of Fixed Assets	-	(6)
Net Cash Inflow/(Outflow) from Operating Activities	264	(1,438)

14. Change in Cash and Cash Equivalents

	2018/19	2017/18
	£'000	£'000
Opening Cash Balance	887	2,323
Net Cash Inflow/(Outflow)	271	(1,436)
Cash and Bank Balances at Year End	1,158	887

15. Financial Instruments

UK Sport Lottery Fund has adopted IFRS 7 and IFRS 9 Financial Instruments and has undertaken a review of major contracts to identify transactions that require disclosure. Most financial instruments relate to contracts for non-financial items in line with DCMS's expected purchase and usage requirements. UK Sport is therefore exposed to limited credit, liquidity or market risk.

Liquidity Risks

In the year £73.33m or 99.88 % (2017/18, £74.78m or 99.86%) of the UK Sport Lottery Fund's income was derived from the National Lottery. The remaining income is derived from interest on deposits and sundry income. In previous reports, UK Sport considered that the Lottery Fund's ability to meet the grant commitments and other liabilities in the short and longer term is dependent on adequate sales revenue from the National Lottery and on the contingency arrangements in place with the DCMS should the National Lottery revenue fall short of the amounts required.

Interest Rate Risks

The financial assets of the Fund are invested in the National Lottery Distribution Fund (NLDF), which invests in a narrow band of low risk assets such as government bonds and cash. UK Sport has no control over the investment of Funds in the NLDF.

At the balance sheet date the market value of UK Sport's share of investment in the NLDF was £47.331m (2017/18, £43.412m). In the year the average return on these investments was 0.82% (2017/18, 0.51%). Cash balances which are drawn down from the Fund to pay grant commitments and operating costs are held in a deposit account. The cash balance at the year-end was £1.158m (2017/18, £0.887m). The Fund is not exposed to significant interest rate risks.

Foreign Currency Risk

The Fund is not exposed to material foreign exchange risks.

16. Contingent Liabilities

At 31 March 2019 UK Sport Lottery Fund had no contingent liabilities requiring disclosure.

17. Capital Commitments

As at 31 March 2019, the Lottery Fund had made no commitments to purchase further capital equipment (31/03/18, £nil).

18. Related Party Transactions

UK Sport is an Arm's Length Body sponsored by DCMS, who are regarded as a related party. During 2018/19 UK Sport had various material transactions with DCMS and with the Sports Councils for the Home Countries.

As a matter of policy and procedure the Board, and Committee members, Award Panel members and staff maintain registers of interest which are available to the public. In these they are required to declare any interests, both direct and indirect, of commercial interests with the UK Sport together with interests associated with grant applications. Where a member has an interest they are required to declare it and exclude themselves from relevant grant appraisal discussions and other commercial decisions.

The following table details those related party transactions that arose during the year:

Person	Other related appointments	Transaction (e.g. grant)	Amounts (£)
English Institute of Sport	Subsidiary of UKS Exchequer	Recharged income	8,000
		Recharged costs	10,000
Yorkshire 2019 Limited	Subsidiary of UKS Exchequer	Grant paid (expenditure accrued in 2017/18)	202,500
Lis Astall UK Sport Board (member) Group Audit & Risk Committee (member)	British Equestrian Federation (member)	Grant	2,038,032

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Person	Other related appointments	Transaction (e.g. grant)	Amounts (£)
Nicholas Bitel UK Sport Board (member)	Sport England (Chair)	Recharged income	3,235
John Dowson UK Sport Board (member)	UK Boccia Federation Ltd (Chair)	Grant	507,982
Group Audit & Risk Committee (Chair)	British Paralympic Association (National Paralympic Committee Member)	Recharged costs	12,000
		Grant	455,058
Dame Katherine Grainger DBE UK Sport Board (Chair)	British Rowing (Member working panel for Internal Culture Review).	Grant	4,244,335
Craig Hunter Group Audit & Risk Committee (until June 2018)	English Institute of Sport (Director)	Recharges	See above
Vic Luck Group Audit & Risk Committee (from June 2018)	English Institute of Sport (Director)	Recharges	See above
Simon Morton UK Sport (Chief Operating Officer)	Yorkshire 2019 Limited (Director)	Grant	See above

Person	Other related appointments	Transaction (e.g. grant)	Amounts (£)
Annie Panter UK Sport Board (member)	England Hockey (Member of Athlete's Commission)	Grant	2,290,581
Sarah Springman CBE	British Rowing (member)	Grant	See above
UK Sport Board (member)	British Triathlon (patron)	Grant	1,952,088
John Steele UK Sport Board (observer)	English Institute of Sport (Chair)	Recharges	See above
	British Rowing (Consultant)	Grant	See above
	England Hockey (Consultant)	Grant	See above
	Sport Wales (Consultant)	Grant	153,000
Chelsea Warr Director of Performance	English Institute of Sport (Non-Executive Director)	Recharges	See above
Mel Young MBE UK Sport Board (member)	Sport Scotland (Chair)	Grant	1,598,777
Natalie Dunman Head of Pathways	Seconded as Performance Director to British Skeleton	Grant	2,035,798

19. Events After the Reporting Period

The accounts were authorised for issue on the date the Comptroller and Auditor General certified the accounts.

In December 2018 there was a Court of Appeal judgement in relation to the McCloud and Sargeant cases which related to age discrimination in the Judicial and Fire Service pension schemes respectively. After the balance sheet date, in June 2019, the Government was refused leave to appeal and the Government Actuary Department developed a methodology to estimate the impact of this judgement on those bodies that are part of the Local Government Pension Scheme. Further details on the impact of this judgement on the UK Sport disclosures are given in Note 12.

There are no other post balance sheet events requiring disclosure.

