

Sports Council for Wales Lottery Distribution Account 2015-16

Sports Council for Wales Lottery Distribution Account 2015-16

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

Ordered by the House of Commons to be printed on 20 July 2016

The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO, which employs some 785 people.

The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £1.21 billion in 2015.



© Crown copyright 2016

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated.

To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

ISBN: 9781910305584

Printed on paper containing 75% recycled fibre content minimum

Contents

Annual Report and Accounts

– Foreword 2

Performance Report

Chief Executive Performance Overview 3

– Performance Analysis 7

Accountability Report 10

– Corporate Governance Report 10

– Annual Governance Statement 13

– Remuneration and Staff Report 20

– Parliamentary Accountability and Audit Report 27

The Certificate and Report of the Comptroller and Auditor General 28

Statement of Comprehensive Net Income 30

Statement of Financial Position 31

Statement of Cash Flows 32

Statement of Changes in Taxpayers' Equity 33

Notes to the Accounts 34

Annual Report and Accounts

Foreword

History and statutory background

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

Management

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

Registered office

Sophia Gardens
Cardiff
Wales
CF11 9SW

Performance Report

Chief Executive Performance Overview

As a Welsh Government Sponsored Public Body and the recognised authority on sport in Wales, Sport Wales provides advice to the Welsh Government on all matters relating to sport and physical activity. As an organisation we aim to invest our funding (from Welsh Government and National Lottery) to deliver on our vision: every child to be hooked on sport for life and for Wales to be a nation of champions.

At Sport Wales we believe investing in sport has a positive impact on communities in Wales. We know that being involved in sport can improve physical and mental health, provide new skills and confidence, raise educational attainment and bring communities together.

Over the last 10 years, we have seen unprecedented success. On the elite stage we've seen Grand Slams, Premier League Football for the first time in Wales, record Olympics, Paralympics and Commonwealth Games medal hauls, and this summer the Wales national football team grace a major tournament for the first time in generations. This compliments the growing numbers of children and adults participating regularly, those who are becoming active for the first time, those entering a 'Race for Life' or 'parkrun' for the first time. Through our surveys we know more people are physically active, and crucially, there is significant demand to be physically active and to get involved in sport.

In a continuing climate of financial challenge, we have protected frontline sport where possible in order to provide opportunities for everyone to enjoy the benefits of sport and physical activity.

The specificities of our activities during 2015-16 are documented within our Business Plan 2015-16.

Sport Wales: A High Performing Organisation

In order to achieve our aspirations, we have redefined Sport Wales' role and contribution to achieving a healthier and more prosperous Wales. Society's behaviours and consumer patterns are changing, and we need to respond to ensure we continue to meet the needs of our customers.

Our five commitments are as follows, we will:

- Tell the compelling story of sport;
- Lead the development of sport in all communities;
- Enable success on the international stage;
- Set sport up for success;
- And we will build a brilliant organisation

The five areas form the basis for our 2016-17 business plan as well as forming the principles for our five-year planning.

The commitments provide the focus to ensure all children, young people and adults are not disadvantaged by their background, ethnicity, sexuality or disability when it comes to accessing sport. Sport Wales has developed a new Equality Action Plan in order to drive both our internal approach to equality, and our investments that focus on reducing inequality of provision and participation in Sport in Wales.

In addition, we have aligned the principles of the Well-Being of Future Generations (Wales) Act into our overall business planning process. This is in recognition of our duties under the Act being applied from April 2016.

Mindful of the challenging economic climate we find ourselves in, Sport Wales developed a commercialisation strategy during the year, which was endorsed by the Board. A period of consultation with the sector, Welsh Government and the business community will begin in earnest in 2016-17. This will include a fundamental review of our investment principles and clarification of roles within the sector to take forward this agenda in order to ensure we set sport up for success and secure a sustainable sector.

A Nation Hooked on Sport

In the last twelve months we have been able to publish new data from both our School Sport Survey and our Active Adults Survey. Both of these have indicated that we are seeing growth in the number of children, young people and adults regularly taking part in sporting activity and feeling the broad benefits.

Our School Sport Survey showed a further 8 percentage point increase in the number of children and young people regularly taking part in sport, now up to 48% from 40% in 2013 and 27% in 2011. The Survey also highlighted that we are succeeding in reducing the number of children who are not taking part in frequent activity. In 2013, 34% did not frequently take part in activity, in 2015 the corresponding figure was 29%. This 5 percentage point drop demonstrates that we are getting the offer right and encouraging more children to become regularly active for the first time. This I know brings significant health benefits to young people.

These positive developments are due to our consistent approach to funding our community based activity; Play to Learn, Dragon Sport and Multi-skills and 5x60 for schools and club activity within communities. More recently we have sought to introduce an approach based around physical literacy, which focuses on ensuring all children and young people, regardless of their background, are able to gain the basic skills and confidence to participate in any sport. This has built on the work of the PE and School Sport (PESS) programme and has most recently formed the basis of the Physical Literacy Programme for Schools (PLPS), which has been working with specific schools in order to place physical literacy at the heart of the school offer. We have also supplemented this with investment into the development of Young Ambassadors to act as peer mentors and drive activity within their schools and wider communities.

Our investment via National Governing Bodies of Sport and other third sector partners has created a range of exit routes into sport for those children and young people to continue to develop and practice the skills they have learnt in both competitive and recreational opportunities.

Our Active Adult Survey (covering the year 2014) was equally pleasing, as it revealed an increase in the number of adults regularly participating in sport from 38% in 2012 to 41% in 2014. Whilst this increase is smaller than we have seen for children and young people, it is just as significant when we consider the overall trend in other UK nations which experienced a dip in participation following the 2012 Olympics and Paralympics. As a sector we have sustained the increase post 2012 and pushed on a little.

For both adults and children, we have seen an increase in participation for all groups, regardless of age, socio-economic status, ethnicity and gender. Despite this, we are not seeing a narrowing of the gap between males and females; disability; those living in poverty and those from some BME communities. Our investment has made sport more accessible for these groups, as evidenced by the increased regularity of participation, but has not led to them increasing at a faster rate than the mainstream. I am committed to ensuring that every child has the opportunity to enjoy the benefits of participating in sport, particularly those underrepresented in our participation figures, including girls, those living in poorer communities, those from BME communities or those with a disability.

In the last year Sport Wales has continued to work closely with the Welsh Language Commissioner and her office to promote the opportunities to enjoy and deliver sport through the medium of Welsh. The two organisations have a strong working relationship through which we have jointly held best practice seminars to raise awareness of how community sport programmes can become inclusive of the Welsh language.

We have not only sought to focus investment based on the evidence available to us, but we have also looked to explore investing in a wider range of partners to reach new audiences, investing in new partners such as the National Trust and housing associations. We have also worked to ensure that we are investing to support our traditional partners innovating and providing their sports in new and different ways, such as Welsh Cycling's Breeze Network and increasing our investment into parkrun.

We have specifically sought to target those who undertake sport in lower numbers through our Calls for Action National Lottery funding programme, which has invested in a range of organisations to attract and retain more participants among girls, those living in poverty, BME communities and those with a disability. I am committed to continuing this work in 2016-17.

Sustaining a Nation of Champions

On a performance level Wales has shone on the world stage over the last few years. The latest cycle of our Elite Sport Strategy culminated in a record breaking Commonwealth Games in Glasgow in 2014, with Team Wales returning with 36 medals, surpassing the upper target we had set.

Since the Games, our Elite Sport Strategy has been reviewed in order to continue to build on the systems and support that we have shaped and provided to our partners and athletes in Wales. A refreshed Elite Sport Strategy was launched in October 2015 with a commitment to bring greater focus to the pathway that brings talent through from community sport. The strategy continues to set ambitious goals for up-coming major events, but recognises that a focus on talent development will ensure that the future of Welsh success is bright and sustainable. The main areas work and investment will be targeted on include:

- Competition and development that young athletes need to succeed.
- Annual milestones to success for individual athletes.
- Better quality performance coaching.
- Ensuring access to world-class support services and facilities.

I know that success on the biggest sporting stages brings not only a great deal of pride and excitement to the nation but also helps to project Wales to the world as an innovative, resourceful and successful nation.

Uniting a Proud Sporting Nation

In the coming year Sport Wales will continue to seek to build on the successes in both community and elite sport. I believe the progress we have made in recent years provides us with considerable momentum and the upcoming major sporting events such as Euro 2016, in which Wales achieved a commendable performance, and the Rio Olympics and Paralympics provides an opportunity for Wales to be prominent on the world stage and to inspire a nation to become active.

We recognise that there will be a new Programme for Government following the elections to the National Assembly and we will continue to work positively with Ministers and officials to ensure that the positive impact of sport on the lives of every person in Wales is recognised and harnessed to deliver wider benefits.

We will be seeking Ministerial approval for our proposal on reshaping the delivery of community sport, with a view to piloting that approach towards the end of the financial year. This is a critical piece of work and will ensure that the momentum we have created in community sport is built on to achieve our aspiration of every child being hooked on sport.

We will ensure that we continue to develop our joint approach with stakeholders and colleagues within the education and health sectors. The next twelve months will be a critical time for the development of the new curriculum in Wales and our work to ensure that physical literacy forms a central strand within the 'healthy and confident' area of learning.

I know that participating in sport, in its widest definition, is one of the most effective ways of getting the nation physically active. The increased visibility of people cycling, running or swimming demonstrates that something is happening in our communities up and down the country. If we are to create a sustainable NHS in Wales, then we need to be changing the culture of the nation towards physical activity being a natural part of our lives and I believe sport has a central role to play in achieving that.

There will undoubtedly be challenges to our delivery in the coming year, but I am confident we are well positioned to adapt and overcome these.

The key issues and risks that could affect the entity in delivering its objectives are detailed within the Risk Management section of the Annual Governance Statement on page 13.

Performance Analysis

As a producer of Official Statistics we provide vital outcome data that is robust and precise to inform sports policy and practice, and shape decisions at both a national and local level. We currently collect this data through two large scale biennial population surveys¹.

The main performance measures for us are:

- The percentage of people in Wales 'hooked on sport' – participating in sport on three or more occasions a week. This is our main outcome measure.
- The percentage of people who are a member of a sports club. Given the investment that we make into National Governing Bodies of Sport, it is important for us to measure membership of formal, structured club-based opportunities.
- The percentage of people who volunteer in sport (adults only). The workforce are key to inspiring, motivating and supporting people to participate in sport. It is important that we ensure that we monitor the levels of volunteering to ensure that sports participation is sustainable.

We have seen positive trends in terms of people's participation in sport in recent years. In terms of young people, we have seen significant increases in the numbers 'hooked on sport'; up from just 27% in 2011 to 40% in 2013 and now 48%. This growth is as a result of 10 years of planned and systematic investment into youth sport. The increases we've seen in the numbers who are 'hooked on sport' are complemented by the increases in sports club membership.

We have also seen positive increases and sustainability in participation among adults at a time when other parts of the UK have been unable to sustain participation. Although we have seen a very slight (statistically insignificant) decrease in the numbers of volunteers, the average number of hours that people have volunteered has increased. So the overall contribution of volunteers has increased.

Whilst these key performance measures are crucial for us to assess our overall progress, central to our work is unpicking these to ascertain whether there are differentiations across and between different groups of people and communities. We have also developed, on the back of robust analysis, a framework for understanding the foundations for participation. It is an analytical tool with very practical applications. Over the next year, we will be looking to embed this tool into our work. The combination of both of these things allows us to make more informed and targeted decisions, which should have a positive impact on our outcomes.

We report to and are scrutinised by both the Sport Wales Board and Welsh Government on these key performance measures (Data is club membership taken from surveys).

Young People (7-16yrs)	Hooked on Sport ²	Sports Club Membership	Adults (15+yrs)	Hooked on Sport	Sports Club Membership	Volunteering in Sport
2011	27%	46%	2008	29%	16%	5%
2013	40%	53%	2012	39%	27%	10%
2015	48%	57%	2014	41%	27%	9%

1 We are unable to provide outcome data for 2010. The data collectors breached the contract meaning that the data was unusable

2 Hooked on Sport is defined as participating in sport on 3 or more occasions a week

Lottery Funding and Additionality

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

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

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

Review of National Lottery Distribution Activities

During 2015-16 Sport Wales distributed awards under a number of Lottery Funded grant programmes.

Capital Grants

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

Capital grants met totalling £3,993,000 (2014-15 £3,756,000) were made during the year. The amount provided in the accounts for signed contracts relating to capital grants increased by £1,609,000 in 2015-16 (2014-15 decrease of £914,000).

Revenue Grants

Revenue grants met totalling £9,710,000 (2014-15 £8,658,000) were made during the year. The amount provided in the accounts signed contracts relating to revenue grants increased by £18,000 in 2015-16 (2014-15 decrease of £701,000).

Movement on lottery balance to 31 March 2016

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

Balance at 1 April 2015 (£000)	Unrealised Loss (£000)	Income Received (Net) (£000)	Money Drawn Down From National Lottery Distribution Fund (£000)	Balance at 31 March 2016 (£000)
19,385	–	17,381	(15,100)	21,666

The table shows an increase in the balance held of £2.281 million, compared to an increase of £3.287 million in the previous financial year.

Financial Results

Sport Wales's Lottery Distribution results are set out in the Statement of Comprehensive Net Income. Total comprehensive income for the financial year amounted to £524,000 (2014-15 total comprehensive income of £4,415,000). This has been transferred to reserves.

The statement of financial position for 2015-16 shows a total net asset figure of £16,194,000 (2014-15 £15,670,000).

The Directors continue to adopt the going concern basis in preparing the financial statements which assumes that Sport Wales will continue in operation for the foreseeable future.

Sustainability

Sport Wales actively pursues policies and initiatives that seek to reduce the impact its operations have on the environment. The Corporate Environmental Strategy is fully in place since previously being approved by the Board. Over and above the significant steps already undertaken, Sport Wales set itself the goal to exceed Welsh Government targets, the primary one being a 3% annual reduction in carbon emissions using 2013-14 as a baseline, to be measured on a rolling three year basis.

The cost of rail travel in 2015-16 increased significantly, meaning that even though rail mileage reduced in 2015-16, the actual cost of travel increased. Sport Wales only allows travel via Economy class and will book in advance to obtain the best prices. Where possible, employees will travel at off-peak times to reduce cost. The overall carbon footprint of Sport Wales travel has also increased slightly, due to flight usage during 2015-16. Energy usage (electricity, gas and gas oil) has reduced in comparison to 2014-15, due to a mild winter and the full year effect of the efficient lighting implemented last year.

Sport Wales has introduced a Cycle Scheme to reduce car usage. Employees may claim a mileage allowance for all business journeys made by bicycle.

Sport Wales remains committed to implementing technological solutions to help reduce emissions and waste where possible, such as dual screens to review documents rather than printing them hence reducing paper and printing costs, and the use of video conferencing to reduce the need to travel.

Sport Wales National Centre improved its Energy Performance Operational Rating during the year and remains well below the typical rating for the type of building. Throughout the year a number of facility areas were converted to LED's to reduce electrical consumption and costs. Also, food recycling commenced this year using an on-site food composting system. The centre has achieved the L2 Green Dragon Environmental Management Standard Award.

Plas Menai is continuing to use the environmental system and over the coming year we will be using the data it provides to make targeted changes to reduce energy usage. Over the next 3 years the centre plans to refurbish its resident accommodation both in the centre and the onsite houses. Part of this refurbishment will be replacing old light fixtures with low wattage, energy efficient units and installing new energy efficient boilers. The centre has achieved the L3 Green Dragon Environmental Management Standard Award in 2015 and will be reassessed in 2016.

Full details including tables detailing Sport Wales offices data and associated cost can be found in the consolidated financial statements for the Sports Council for Wales and Sports Council for Wales Trust.

S Powell
Accounting Officer

11 July 2016

Corporate Governance Report

Directors Report

During 2015-16, Sport Wales comprised the following board members;

Prof L McAllister**	(Chair Reappointed 01.02.2013, retired 31.03.2016)
Mrs Adele Baumgardt**	(Vice Chair Appointed 01.09.2012)
Prof. John Baylis *	(Reappointed 01.04.2015)
Mr Simon Pirotte	(Reappointed 01.04.2015)
Ms Julia Longville	(Reappointed 01.09.2015)
Ms Johanna Sheppard (Lloyd)*	(Reappointed 01.09.2015)
Mr Peter King	(Reappointed 01.09.2015)
Amanda Bennett*	(Appointed 01.09.2014)
Andrew Lycett*/**	(Appointed 01.09.2014)
Richard Parks	(Appointed 01.09.2014)
Samar Wafa	(Appointed 01.09.2014)
Sophie Howe	(Appointed 01.09.2015, retired 01.01.2016)
Ms S Powell	(Chief Executive)

* Member of the Audit committee

** Member of the Remuneration committee

Dr Paul Thomas has been appointed Chair commencing 1 April 2016.

Declarations of interest

All Members and senior staff of Sports Wales have completed a return detailing any interests in organisations which provide, or may seek to provide, commercial services to Sport Wales for 2015-16. Information provided that requires disclosure in accordance with International Accounting Standard 24 is disclosed in Note 15 of these accounts.

Personal data related incidents

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

Risk identification and management

Detail on Risk Management is contained in the Risk Management section of the Annual Governance Statement page 13.

Supplier payment policy and performance achieved

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

Sport Wales aims to pay 100% of invoices, including disputed invoices once the dispute has been settled, in line with these terms. During the year ended 31 March 2016 Sport Wales paid 98% (2014-15 100%) of all invoices within the terms of its payment policy. No interest was incurred during the year as a result of late payments.

Financial instruments

Details of financial instruments can be found in note 1.10 and note 14 to the financial statements.

Remuneration of Auditors

During 2015-16, no non audit work was undertaken by our external auditor, the Comptroller and Auditor General. The audit fee is disclosed in note 8 to the financial statements.

Statement on Disclosure of Relevant Audit Information.

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

Statement of Sports Council for Wales and Chief Executive's responsibilities

Under Section 35 (2) - (3) of the National Lottery etc Act 1993, the Sports Council for Wales (Sport Wales) is required to prepare a statement of accounts for the financial period in the form and on the basis determined by the Secretary of State for Culture, Media and Sport with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of Sport Wales Lottery Distribution activities at the year end and of its income and expenditure, changes in equity and cash flows for the financial year.

In preparing the accounts the Accounting Officer and Council are required to comply with the requirements of HM Treasury's Financial Reporting Manual and in particular to:

- Observe the accounts direction issued by the Secretary of State for Culture, Media and Sport, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgments and estimates on a reasonable basis;
- State whether appropriate accounting standards, as set out in HM Treasury's *Financial Reporting Manual*, have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the fund will continue in operation.

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

I confirm that the annual report and accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgements for determining that it is fair, balanced and understandable.

S Powell
Accounting Officer

11 July 2016

Annual Governance Statement 2015-16

Introduction

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

As Accounting Officer I have reviewed the 2014 UK Corporate Governance Code and believe that Sport Wales has fully complied with the relevant elements of the code in respect of both its Exchequer and Lottery functions.

Corporate governance

The Board

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

The Sport Wales Board is made up of a Chair, a Vice Chair and up to twelve other members all of whom are appointed by the Welsh Government. The Board's composition includes representation from a wide cross section of different professions and members with expertise and experience relevant to both community and elite sport.

Sport Wales is committed to equality and the diversity of its Board, which now comprises 54.5% female representation and 18.2% BME.

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

Board Member	Board Meeting (Number of meetings attended of 5)	Audit and Risk Committee (Number of meetings attended of 4)
Prof. L McAllister (Chair)	5 / 5	Not Applicable
Adele Baumgardt (Vice Chair)	5 / 5	Not Applicable
Amanda Bennett	5 / 5	4 / 4
John Baylis	5 / 5	1 / 4
Peter King	5 / 5	Not Applicable
Simon Pirotte	5 / 5	Not Applicable
Julia Longville	5 / 5	Not Applicable
Andrew Lycett	3 / 5	4 / 4
Johanna Sheppard (Lloyd)	5 / 5	3 / 4
Sophie Howe*	1 / 2	Not Applicable
Richard Parks	4 / 5	Not Applicable
Samar Wafa	4 / 5	Not Applicable
(External members – Audit Committee only)		
Sandy Blair	Not Applicable	4/4
Gareth Jones**	Not Applicable	3/3
Louise Casella	Not Applicable	3/4
Overall Percentage Attendance rate	90 per cent	81 per cent

* Retired 1 January – only in post to attend two Board meetings

** Only in post to attend three Audit and Risk Committee meetings

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

- Two permanent committees; The Audit and Risk Committee and the Remuneration Committee;
- Three Sub Groups and two advisory group approved by the Board (listed below);
- The Executive Management Team and staff structure.

Whistleblowing Policy

Sport Wales has an established and Board approved Whistle-Blowing Policy which is detailed in the Staff Handbook. During 2015-16 Sport Wales was not aware of any reported incidents. We believe that the policy is effective and staff have full access to it, if required. The policy is reviewed periodically with the Staff Handbook.

Audit and Risk Committee

The Board has established an Audit and Risk Committee to support it in discharging its responsibilities specifically in the areas of risk, internal control and governance through:

- Reviewing the comprehensiveness and operation of current processes, controls and other measures to meet the assurance needs of the Board and the Accounting Officer;
- Reviewing the reliability and integrity of the assurances provided by the executive and the internal and external auditors;
- Providing an opinion as to how well the Council and Accounting Officer are supported in decision making and in discharging their accountability obligations (particularly in respect of Financial Reporting).

The Audit and Risk Committee consists of up to seven members, three of which could be external, with a minimum of one external member required. The Committee met four times during the year and there was an overall members' attendance rate of 81%.

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

- the operation and effectiveness of the risk management review framework;
- internal audit reports covering specific business areas and the annual internal audit report;
- the Annual Report and Accounts and their format;
- observations made by external audit, particularly the annual management letter;
- compliance with the Framework Document issued by the Welsh Government as well as compliance with the Lottery Statement of Financial Requirement;
- the Governance Framework document;
- the risks and controls around grant awards;
- review of Board member expenses
- review of the progress of the new online grants system
- the Gifts and Hospitality Register
- High Performing Organisation Task and Finish Group
- Elite Task and Finish Group
- Community Task and Finish Group
- Establishing the year's internal audit plan following the appointment of new internal auditors
- A joint training session with the Audit Committee of the Arts Council of Wales

The Board received the minutes of the Audit and Risk Committee at each meeting and are advised by the Audit Chair of any significant matters. The Audit Chair also presents a formal annual report on the Committee's work to the Board.

IT systems ensure that the physical security of data is tightly controlled. In 2015-16 no information risk issues or significant control weaknesses were identified and the Audit Committee was satisfied that the level of risk was acceptable and managed in an appropriate manner.

Remuneration Committee

The Remuneration Committee meet to review and agree the annual pay award for all staff via the Welsh Government's pay remit process. Further details can be found within the Remuneration and Staff Report on page 20.

Sub and Task and finish groups

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

A member of the Board who is also a member of each task and finish group is identified to report back verbally at each Board meeting.

The Executive Senior Management Team

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

The Executive meets at regular intervals and typically fortnightly to discuss and agree corporate matters. Formal monthly meetings are held which follow an agenda and minutes are taken to ensure we record decisions at a corporate level. Progress against the Business Plan is reported and monitored on a quarterly basis.

Board and Committee Effectiveness

In line with best practice and following the recommendations of Managing Welsh Public Money, an effectiveness review was completed, where individual and group performances were reviewed. The outcome of this skills audit was used in the decision-making of the re-appointments and of a new appointment to Board.

The Board is content with the quality and amount of information received in order for it to make considered decisions.

Risk Management

The purpose of the system of internal control

The system of internal control is designed to manage and limit risk but can never eliminate it. It therefore only provides reasonable and not absolute assurance. The system of internal control is based upon an on-going process designed to identify and prioritise the risks of achieving Sport Wales' policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should this happen, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at Sport Wales throughout the year ended 31 March 2016 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance. Finally, the system of internal control provides reasonable assurance that Sport Wales has complied with the Lottery financial directions and that adequate processes are in place for the detection of conflicts of interest and to minimise losses of Lottery grants.

Capacity to handle risk

As Accounting Officer I am personally responsible for ensuring that Sport Wales has an effective risk management process. This is overseen by the Board, through the Audit and Risk Committee. As an organisation, the key risks are monitored through appropriate use of the Risk Register. There is a documented Risk Strategy and Management Policy that contains definitions relating to risk management and the policy also sets out how risks should be identified, recorded, analysed and managed.

Corporate risks, and the control measures implemented to mitigate them, are assigned to and managed by the appropriate manager, corporate director or in some cases by the Accounting Officer. Operating risks are the responsibility of the relevant heads of department while day to day risk management may be delegated to the staff they manage.

New risks are identified by officers of Sport Wales, Audit and Risk Committee scrutiny or the Board itself. When a new risk has been identified, it is inserted into the appropriate Risk Register, assessed and scored and assigned to a corporate director and/or manager.

The risk and control framework

Risk management is embedded within the management structure of Sport Wales. The majority of identified risks are derived from the organisational objectives and the business planning process of Sport Wales.

The Risk Register is an electronic solution that is accessible to relevant managers via an online portal. The workings of the Register has been subject to an internal audit and presented to the Audit and Risk committee. The Risk Register records significant corporate risks including risks to information, an overall assessment of likely impact and probability, control measures and where required, a list of future action measures. The Risk Register is reviewed at regular intervals by the Risk Management Group and the Audit and Risk Committee. In addition managers present by rotation to the Risk Management Group on their specific areas of risk and how they control or mitigate those risks.

Grants monitoring

The majority of Sport Wales' funding is expended in the award of grants. Grant awards are made on clear investment criteria into key sporting outputs and outcomes. Sport Wales takes appropriate steps to monitor the application of such awards by requiring formal reporting from recipients, as well as maintaining an on-going dialogue with key partners to gather informal intelligence. In addition, there are specific reconciliation criteria and where expenditure may vary from the level of grant award, Sport Wales exercises its right to claw back such amounts.

Key Risks

Risks to key strategic and operational activities are identified, evaluated and considered by the Directors Group, and action taken to mitigate them. Risks and the actions to manage risks are reviewed at regular intervals. The internal audit programme is influenced by risks recorded in the Risk Register and, where appropriate, the auditors make recommendations to address any risk or identify new ones. The Audit and Risk Committee will review these recommendations and action appropriately. Sport Wales works with other public sector bodies to share good practices and to discuss similar risks that we face across the organisations.

Looking ahead, there are a number of key risks which have been identified at Sport Wales and included in the corporate risk register. The most significant strategic risk will be the impact of on-going cuts to public expenditure, combined with the increased financial cost of meeting pension deficit payments, which present the greatest threat to the delivery of Sport Wales' objectives.

Other key risks identified on the corporate Risk Register include those relating to the delivery of our community, elite and corporate services' strategies and objectives. Also, the introduction of Welsh Government's Well-Being of Future Generations Act will mean a new area of compliance for Sport Wales, which Sport Wales has already begun to consider in terms of aligning business plan objectives to key areas of the Act.

Sport Wales has an overall informed and measured appetite for taking risk to achieve its priorities. Risk appetite is owned by the Board. Where significant risk arises Sport Wales will take effective control action to reduce and manage these risks to a safe level. The Executive and Board are aware of the need to innovate further and faster in the future and to this end are actively exploring different delivery mechanisms and partners. This will create new and different risks and potentially increase the level of risk taken by Sport Wales. The Sport Wales risk appetite may therefore rise but only within an informed and managed risk environment.

The new Internal Auditors have given Sport Wales an overall "substantial assurance" rating for the year. During the year, internal audit reports identified opportunities to enhance the control systems. It is encouraging to note that arising out of the internal audit work, there were no findings classified as being of "high" risk. In total, 25 recommendations were made, of which none were classified as high priority. Five (20%) were classed as 'medium' priority and 20 (80%) were 'low' priority. In terms of follow-up action, 29 out of 35 previous recommendations made (83%) had either been fully or partially-implemented. The remaining 6 previous recommendations are in progress.

Internal Control

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

I am responsible for reviewing the effectiveness of the system of internal control. This is overseen by the Board, through the Audit and Risk Committee. It is informed by the work of both the internal and external auditors and the staff presentations to the Risk Management Group of Sport Wales who have responsibility for the development and maintenance of the internal control framework. I plan to address identified weaknesses and ensure continuous improvement of the systems.

Over the last year, the Management Team at Plas Menai have implemented a business planning tool that includes income forecasting. A weekly income forecast report is utilised to focus on programme areas to enhance income. The Management Team review expenditure on a monthly basis and following on from an Internal Audit recommendation, budget holders now produce a monthly budget report which analyses actual budget variances.

The internal audit service for Sport Wales during 2015-16 was provided by Deloitte LLP, who operated to standards defined in the Public Sector Internal Audit Standards. Internal audit submit regular reports which provide an independent annual opinion on the adequacy and effectiveness of Sport Wales' systems of internal control and risk management, together with recommendations for improvement.

Every year the Audit and Risk Committee produces an Annual Report of their work to the Board of Sport Wales.

Ongoing developments

Whilst the current system of internal control is strong, there are always areas which require or will benefit from improvement.

Sport Wales has reviewed the control system in operation over the National Governing Bodies generally and during 2015-16 additional steps have been implemented to further strengthen the controls in place to manage the risk inherent in investing public funding into third party organisations. We will keep this under constant review in 2016-17.

During 2015-16, Sport Wales strengthened its planning and budgeting process by better aligning the two, and ensuring resources are better allocated to strategic priorities.

This process has involved the Leadership Team of Sport Wales, comprising Directors and Heads of Department. Thus greater ownership of budgets and resources has resulted. The Leadership Team has also increased collaboration between departments and with peer reviews and a focused approach has ensured greater accountability by all.

Sport Wales is committed to an engaged workforce. Our achievement of gold standard in 'Investors in People' is testament to this. We will continue to evolve as an organisation, and ensure we have a fit-for-purpose workforce as we face the inevitable challenges that operating in a time of reduced resources bring.

We welcome the introduction of Welsh Governments Well-Being of Future Generations Act, which is due to take effect from 1 April 2016. This will introduce new challenges to Sport Wales, and we understand the Auditor General for Wales will have specific additional responsibilities arising from the introduction of the Act. Our challenge is to embed the contents of the Act into our everyday operations. This has already commenced, by our linking our key business plan objectives to the main strands of the Act.

S Powell
Accounting Officer

11 July 2016

Remuneration and Staff Report

Sport Wales has an extensive range of policies which reflect current legislation and aim to secure retention and motivation. These policies are reviewed regularly with staff involvement via a recognition agreement with the Public and Commercial Services (PCS) Union. All policies are equality checked before implementation. Sport Wales is committed to a policy of equality of opportunity in its employment practices. In particular, Sport Wales aims to ensure that no potential or actual employee receives more or less favourable treatment on the grounds of age, disability, ethnic or national origin, gender, marital or parental status, nationality, political belief, race, religion, or sexual orientation. We also follow the 'Equality Standard for Sport' and 'Positive about Disabled' schemes.

Investing in our people

Sport Wales has "Investors in People" status and its human resources policies reflect best practice as part of its commitments as a learning organisation. During 2015-16, Sport Wales achieved the Gold standard in "Investors in People". The standard explores practices and outcomes within an organisation under three performance headings: leading, supporting and improving. These three areas explore culture, leadership skills, engagement and staff development which all contribute towards us being a high performing organisation.

Sport Wales measures the level of staff engagement as this is an indicator of staff displaying discretionary effort towards the achievement of Sport Wales' goals. As a result it can be an indicator of a High Performing Organisation. At April 2015, Sport Wales' engagement index was 78%, with a target for the year of 81%. High Performing Organisations would have an engagement index of Over 73%. Performance at year end was 80.5%, which reflects excellent performance.

Sickness absence data

The sickness data for employees of the whole organisation for 2015-16 (2014-2015) is as follows:

Total Days Lost	Total Number of Employees (FTE)	Total Sick Days Lost Per Person
1,524 (935.50)	147.40 (150.32)	10.34 (6.22)

The increase from previous years is due to a rise in long-term sickness. We have identified individuals who have had long-term absences exceeding over 30 days in duration, although the majority have already been supported back to work. We have been looking at some initiatives to reduce long-term sickness, including more effective use of occupational health, up-skilling managers to support their staff back to work, and a focus on physical and mental health awareness across the organisation.

Sport Wales have had a similar focus on addressing short-term absence over the last year and our short-term sickness stats have in fact decreased from last year.

Pension scheme

Sport Wales operates two pension schemes for its staff. Most staff are members of the Cardiff and Vale of Glamorgan Pension Fund. The Fund is a defined scheme providing benefits based on Career Average Re-Valued Earnings (CARE). The Fund's assets are held separately from those of Sport Wales. Any pension built up before April 2008 is calculated at a rate of 1/80th with a lump sum of three times pension. Pension built up from 1 April 2008 is calculated at the rate of 1/60th and there is an option to take an extra lump sum in exchange for pension. Pension built up from 1 April 2014 is calculated at the rate of 1/49th with an option to take an extra lump sum in exchange for pension. The contributions of employees are set at 5.5% to 10.5% based on salary range. Further details can be found in note 1.5 and note 16 to the financial statements. In addition, Sport Wales operates a Defined Contribution pension scheme, with Scottish Widows, in which Sport Wales contributes 6.5%, with employees contributing 1.5%.

Remuneration policy (subject to audit)

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

The Chair, Vice Chair and Members of Sport Wales are paid in accordance with the Welsh Government "Remuneration and expenses of Chairs and Members of ASGBs and NHS Bodies" policy.

The Remuneration Committee which consists of Sport Wales' Chair, Vice Chair and Chair of the Audit and Risk Committee supported by Sport Wales' Head of Organisational Development meets to agree the pay award for all staff via the Welsh Government's pay remit process. Also, the CEO post now has a salary range associated with it, which is determined by Welsh Government. All changes of pay for the CEO are approved by the Remuneration Committee.

Service Contracts

The senior staff of Sport Wales are employed on terms and conditions broadly analogous to the Welsh Government terms and conditions.

Sport Wales' Members are appointed by Welsh Ministers for a three year contracted period and may be reappointed normally for a further three year period. The Chair is remunerated at a daily rate of £337 and is contracted to work two days per week. The Vice Chair is remunerated at a daily rate of £311 and is contracted to work one day per week.

Notice Period

The Chief Executive is entitled to four month's notice of termination of contract by Sport Wales and the remaining senior staff are entitled to three month's notice of termination of contract.

Chief Executive Officer Salary

Remuneration

"Salary" includes gross salary, allowances and performance bonuses where applicable. During the year the Chief Executive received a gross salary of £92,500, (2014-15 £89,483). No bonus payments were made to the Chief Executive or any other member of staff during the year (2014-15 £Nil).

A proportion of the Senior Management salary costs are allocated to lottery.

Benefits in Kind

There are no benefits in kind

Salary and Pension Entitlements

The following sections provide details of the remuneration and pension interest of the senior managers of Sport Wales. Details on start/leave dates can be found in the Pension Benefits table on page 25. This information is audited.

The CETV is calculated based on the 2011 budget rates, which is the best available information. As yet the new calculation rules announced in the March 2016 budget are not yet available, and therefore Sport Wales are unable to provide an estimate of the effect and likely significance of the impact of the change.

Staff numbers and related costs (subject to audit)

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

	Average No. of full time equivalent staff involved	2015-16 £000	2014-15 £000
	2015-16		2014-15
Gross salary costs			
Chair L McAllister (see note below *)		17	18
Chief Executive S Powell	0.25	23	22
Other Staff	37.92	1,692	1,661
		1,732	1,764
Salaries and wages		1,343	1,355
Social Security costs		105	100
Other Pension costs		470	343
IAS19 adjustments		(186)	(97)
		1,732	1,764

Staff costs are further analysed as follows:

	2015-16 £000	2014-15 £000
Administration	907	869
Sports Science Support to Athletes	825	832
	1,732	1,701

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

Remuneration (subject to audit)

Name	Title	% Apportioned to Lottery	Salary £000	Pension Benefit	Total 000
		2015-16 (2014-15)	2015-16 (2014-15)	2015-16 (2014-15)	2015-16 (2014-15)
Prof. Laura McAllister	Chair	50% (50%)	35 – 40 (35 – 40)	–	35 – 40 (35 – 40)
Mrs Adele Baumgardt	Vice Chair	50% (50%)	10 – 15 (10 – 15)	–	10 – 15 (10 – 15)
Ms Sarah Powell	Chief Executive	25% (25%)	90 – 95 (85 – 90)	40,942 (67,588)	130 – 135 (155 – 160)
Mr Mark Frost	Corporate Director	– (25%)	– (15 – 20)	– (2,343)	– (20 – 25)
Mr Graham Williams	Corporate Director	25% (25%)	50 – 55 (50 – 55)	25,065 (36,265)	75 – 80 (85 – 90)
Mr Brian Davies*	Corporate Director	100% –	55 – 55 –	26,269 –	80 – 85 –
Ms Helen Bushell**	Corporate Director	25% –	20 – 25 –	– –	20 – 25 –
Mr Jonathan Davies***	Corporate Director	50% (50%)	55 – 60 (55 – 60)	17,696 (17,904)	70 – 75 (70 – 75)
Mr Peter Curran	Corporate Director	25% (25%)	55 – 60 (5 – 10)	25,280 –	85 – 90 (5 – 10)
Mr Randal Hemingway	Corporate Director	– (25%)	– (25-30)	– (8,933)	– (35 – 40)
Mr Alan Williams	Manager Plas Menai Watersports Centre	– –	– (55 – 60)	– –	– (55 – 60)
Mr Malcolm Zapple	Manager Sport Wales National Centre	– –	55 – 60 (55 – 60)	9,963 (10,147)	65 – 70 (65 – 70)
Mr Steven Morgan	Manager Plas Menai Watersports Centre	– –	35 – 40 –	12,603 –	50 – 55 –
Mr Martin J Warren	Council Member	– (50%)	– (5 – 10)	– –	– (5 – 10)
Prof. John Baylis	Council Member	50% (50%)	5 – 10 (5 – 10)	– –	5 – 10 (5 – 10)
Mr Richard Cuthbertson	Council Member	– (50%)	– (0 – 5)	– –	– (0 – 5)
Mr Andrew Morgan	Council Member	– (50%)	– (0 – 5)	– –	– (0 – 5)
Mr Simon Pirotte	Council Member	50% (50%)	5 – 10 (5 – 10)	– –	5 – 10 (5 – 10)
Mr Paul Thorburn	Council Member	– (50%)	– (5 – 10)	– –	– (5 – 10)
Mr Alan Watkin	Council Member	– (50%)	– (5 – 10)	– –	– (5 – 10)
Ms Johanna Sheppard	Council Member	50% (50%)	5 – 10 (5 – 10)	– –	5 – 10 (5 – 10)
Ms Julia Longville	Council Member	50% (50%)	5 – 10 (5 – 10)	– –	5 – 10 (5 – 10)

Mr Peter King	Council Member	50% (50%)	5 – 10 (5 – 10)	–	5 – 10 (5 – 10)
Ms Amanda Bennett	Council Member	50% (50%)	5 – 10 (0 – 5)	–	5 – 10 (0 – 5)
Ms Sophie Howe	Council Member	50% –	0 – 5 –	–	0 – 5 –
Ms Samar Wafa	Council Member	50% (50%)	5 – 10 (0 – 5)	–	5 – 10 (0 – 5)
Mr Andrew Lycett	Council Member	50% (50%)	5 – 10 (0 – 5)	–	5 – 10 (0 – 5)
Mr Richard Parks	Council Member	50% (50%)	5 – 10 (0 – 5)	–	5 – 10 (0 – 5)

* During 2015-16 Brain Davies was employed as Sport Wales Manager and was appointed Corporate Director on 1 June 2015.

** During 2015-16 Helen Bushell joined Sport Wales as Corporate Director on 28 September 2015 and left on 29 February 2016.

*** From 1 July 2015, Jonathan Davies has been on secondment to Public Health Wales. The Corporate Director role has been covered since Sept 2015 by Andrew Weeks who is on secondment from BBC. Secondment costs paid to the BBC total £47,000.

The Remuneration Report now requires that a Single Total Figure of Remuneration is shown. The above table is similar to that used previously, and still shows the salary paid in bandings. The pension benefit figure which contributes to the single total figure is calculated in a new way as follows:

$(\text{real increase in pension}^* \times 20) + (\text{real increase in lump sum}^*) - (\text{contributions made by employee})$

* excluding increases due to inflation or any increase/decrease due to a transfer of pension rights

The pension benefit figure is not an amount that has been paid to the employee by Sport Wales during the year. It is a future benefit for the employee which is influenced by many factors including but not limited to, salary changes and any additional contributions made by the employee.

Pension Benefits (subject to audit)

Name	Real increase in Pension (and lump sum) at age 65 for 2015-16	Total accrued Pension (and lump sum) at age 65 at 31 March 2016	CETV at 31 March 2016	CETV at 31 March 2015	Real Increase/ (Decrease) CETV in Year
	£000	£000	£000	£000	£000
Ms Sarah Powell <i>Chief Executive</i>	0 – 2.5 (0 – 2.5)	25 – 30 (35 – 40)	300	263	26
Mr Peter Curran <i>Corporate Director</i>	0.0 – 2.5 (0.0 – 2.5)	0 – 5 (0 – 5)	17	–	12
Mr Steven Morgan <i>Manager Plas Menai Watersports Centre (from 08.06.2015)</i>	0.0 – 2.5 (0.0 – 2.5)	0 – 5 (0 – 5)	8	0	5
Mr Malcolm Zapple <i>Manager Sport Wales National Centre</i>	0.0 – 2.5 (-0.0 – 2.5)	20 – 25 (45 – 50)	418	393	20
Mr Brian Davies <i>Corporate Director (from 01.06.2015)</i>	0.0 – 2.5 (0 – 2.5)	5 – 10 (0 – 5)	115	93	17
Mr Jonathan Davies <i>Corporate Director</i>	0.0 – 2.5 (0.0 – 2.5)	0 – 5 (0 – 5)	23	12	6
Mr Graham Williams <i>Corporate Director</i>	0.0 – 2.5 (0.0 – 2.5)	15 – 20 (30 – 35)	264	237	22

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

Real Increase/(Decrease) in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Fair pay disclosures (subject to audit)

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

	2015-16	2014-15
Band of Highest Paid Director's Total Remuneration (£'000)	90 – 95	90 – 95
Median Total Remuneration	24,620	25,750
Ratio	3.8	3.6

The ratio was calculated using the following assumptions:

- 1 Only salaries for staff paid through the payroll has been used (excludes agency staff as not material),
- 2 Figures have not been adjusted to reflect any apportionment to the Lottery accounts i.e. costs reflect all staff employed by The Sports Council for Wales processed through the payroll.

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

There was an increase in the median ratio of 0.2. The CEO total remuneration has remained within the same banding, but the median total remuneration has slightly reduced.

Tax Policy for Off-Payroll Appointees

As at 31 March 2016, there were 2 arrangements that had existed for one year. Sport Wales are content that assurance has been sought to confirm that individuals have made appropriate arrangements to pay tax. Neither individual is a Board member or is a senior official with significant financial responsibility.

No expenditure has been incurred on consultancy costs.

Staff Composition

Staff composition of corporate directors are 80% male and 20% female. Of the remaining permanent employees 46.5% are male and 53.5% female.

S Powell
Accounting Officer

11 July 2016

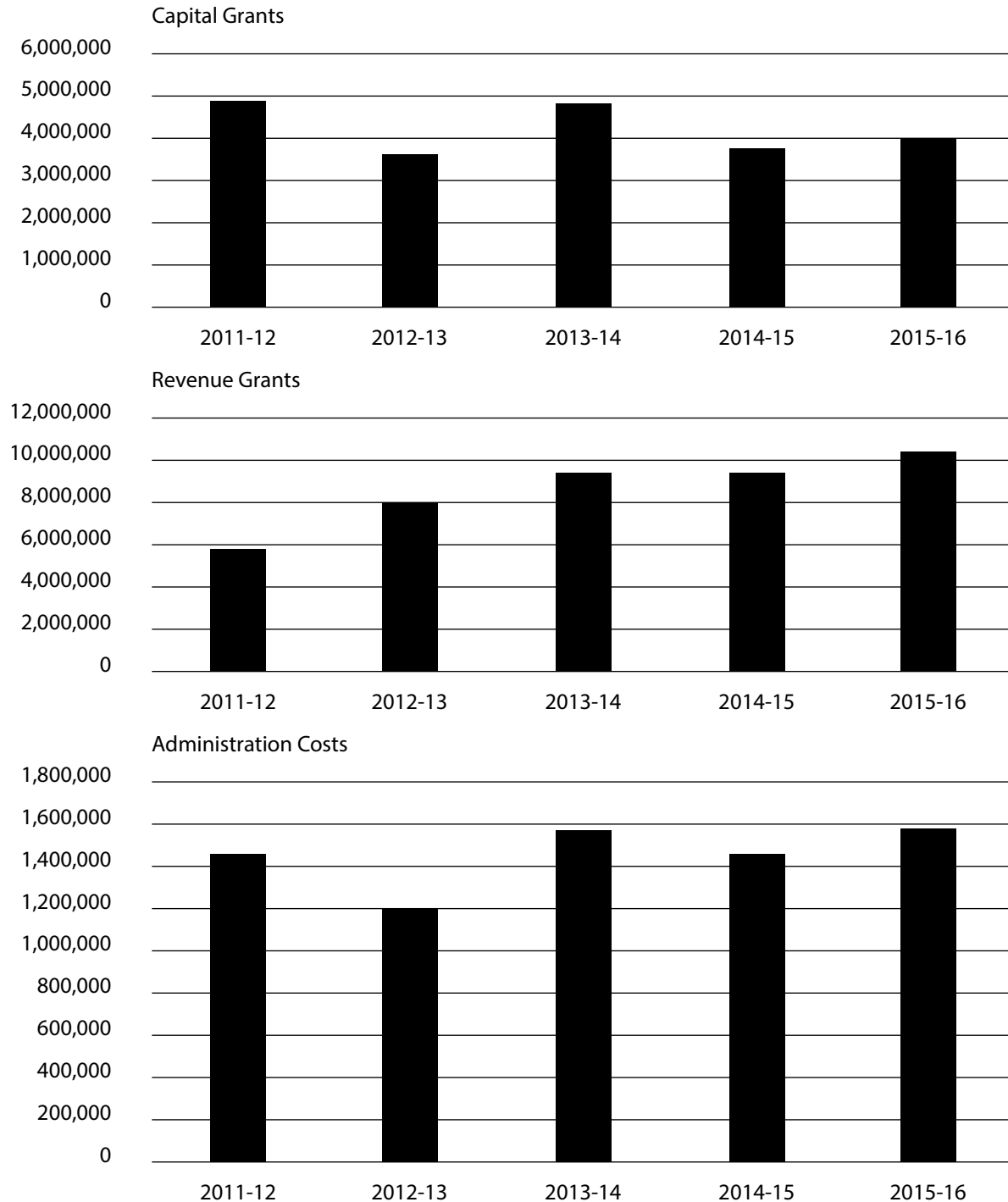
Parliamentary Accountability and Audit Report

Remote Contingent Liabilities (subject to audit)

Sport Wales do not have any remote contingent liabilities.

Long term expenditure trends

Trends over the last five years can be seen below:



Losses, special payments and material income (subject to audit)

During 2015-16 there have been no losses, special payments or gifts made. There has also been no material fees or charges income.

S Powell
Accounting Officer

11 July 2016

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Members of the National Assembly for Wales

I certify that I have audited the financial statements of the Sports Council for Wales Lottery Distribution Account for the year ended 31 March 2016 under the National Lottery etc. Act 1993. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability disclosures within the Accountability Report that is described in that report as having been audited.

Respective responsibilities of the Board, Accounting Officer and Auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Sports Council for Wales Lottery Distribution Account's affairs as at 31 March 2016 and of the net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited has been properly prepared in accordance with Secretary of State directions made under the National Lottery etc. Act 1993; and
- the information given in the Performance 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 part of the Remuneration and Staff Report and the Parliamentary Accountability disclosures 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.

Sir Amyas C E Morse KCB
Comptroller and Auditor General

13 July 2016

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

Statement of Comprehensive Net Income for the year ended 31 March 2016

	Notes	2015-16 £000	2014-15 £000
Expenditure			
Grant commitments made in year	3	15,392	10,892
Less lapsed and revoked commitments	3	(62)	(93)
Staff costs	7	1,732	1,701
Depreciation: owned assets	9	39	33
Other operating costs	8	419	415
Total Expenditure		17,520	12,948
Gross Income			
Proceeds from National Lottery Distribution Fund (NLDF)		(17,338)	(17,592)
Investment returns from the NLDF		(71)	(71)
Recoveries of grant		(61)	(58)
Other income	8	(262)	(174)
Total Income		(17,732)	(17,895)
Net income from activities		(212)	(4,947)
Other Comprehensive Income/Expenditure			
Loss/(gain) on the revaluation of NLDF investments		-	-
Pension finance cost		85	94
Actuarial (gain)/loss on pension	16	(396)	439
		(311)	533
Net Income before interest and taxation		(523)	(4,414)
Interest receivable		(1)	(1)
Net income before taxation		(524)	(4,415)
Taxation Payable	6	-	-
Net income after taxation		(524)	(4,415)
Total Comprehensive income for the year ended 31 March 2016			
		(524)	(4,415)
Balance at 1 April		(15,670)	(11,255)
Balance at 31 March		(16,194)	(15,670)

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

The notes on pages 34 to 47 form part of these accounts.

Statement of Financial Position for the year ended 31 March 2016

	Notes	31 March 2016 £000	31 March 2015 £000
Non current assets			
Property, plant and equipment	9	185	153
Current assets			
Trade receivables and other current assets	10	143	158
Investments-balance held in NLDF		21,666	19,385
Cash and cash equivalents	12	77	376
Total Current Assets		21,886	19,919
Total assets		22,071	20,072
Current liabilities			
Grant accrual	3	(1,799)	(751)
Other current liabilities	11	(959)	(614)
Total Current liabilities		(2,758)	(1,365)
Non Current assets plus net current assets		19,313	18,707
Non current liabilities			
Grant accrual	3	(817)	(238)
Pension Liability		(2,302)	(2,799)
		(3,119)	(3,037)
Assets less liabilities		16,194	15,670
Reserves:			
Income and expenditure reserve		18,496	18,469
Pension Reserve		(2,302)	(2,799)
		16,194	15,670

The notes on pages 34 to 47 form part of these accounts.

The financial statements were approved by the Board and signed on its behalf by:

S Powell
Accounting Officer

11 July 2016

Statement of Cash Flows for the year ended 31 March 2016

	Notes	2015-16 £000	2014-15 £000
Cash flow from operating activities			
Increase in funds for the year		524	4,414
(Increase)/Decrease in debtors		(26)	13
Increase/Decrease in creditors		1,971	(1,798)
(Increase) in balance held at NLDF		(2,281)	(3,287)
Depreciation of plant and equipment	9	39	33
Pension Cost	16	(497)	437
Net cash inflow/(outflow) from operating activities		(270)	(188)
Cash flow from investing activities			
Interest received		1	1
Cash flow from financing activities			
Purchase of property, plant and equipment	9	(70)	(51)
Loan	10	-	-
Loan repayments		40	26
Taxation			
Corporation tax paid		-	-
Net cash (outflow) for the year	12	(299)	(212)

The notes on pages 34 to 47 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the Sports Council for Wales Lottery Distribution account for the year ended 31 March 2016

	Balances held in NLDF £000	Balances held at SCW £000	Pension Reserve £000	Total £000
Balance at 1 April 2014	16,098	(2,481)	(2,362)	11,255
Changes in Taxpayers' Equity 2014-15				
Income from the National Lottery	17,592	-	-	17,592
Drawn down in year by Sport Wales	(14,350)	14,350	-	-
Investment returns	71	1	-	72
Other Operating Income	-	174	-	174
Recoveries of grants	-	58	-	58
Expenditure in year	(26)	(13,018)	-	(13,044)
Pension Cost	-	-	(437)	(437)
Restated Balance as at 31 March 2015	19,385	(916)	(2,799)	15,670

	Balances held in NLDF £000	Balances held at SCW £000	Pension Reserve £000	Total 2014-15 £000
Changes in Taxpayers' Equity 2015-16				
Income from the National Lottery	17,338	-	-	17,338
Drawn down in year by Sport Wales	(15,100)	15,100	-	-
Investment returns	71	1	-	72
Other Operating Income	-	262	-	262
Recoveries of grants	-	61	-	61
Expenditure in year	(28)	(17,678)	-	(17,706)
Pension Cost	-	-	497	497
Balance at 31 March 2016	21,666	(3,170)	(2,302)	16,194

The notes on pages 34 to 47 form part of these accounts.

Notes to the Accounts

1 Accounting policies

1.1 Basis of Accounting

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

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

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

1.2 Income from the National Lottery Distribution Fund

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

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of such balances attributable to Sport Wales is shown in the accounts at market value and, at the Statement of Financial Position date, has been certified by the Secretary of State for Culture, Media and Sport as being available for distribution by Sport Wales in respect of current and future commitments.

The balance held at 31 March 2016 at the NLDF, is unaudited as the audit of the Fund is incomplete. Any adjustment arising from that audit will be reflected in the 2016-17 accounts and is not expected to be material. The opening balance of the fund was not adjusted for 2014-15.

1.3 Property, Plant and Equipment

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

1.4 Depreciation

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

Equipment – Computers	3 years
Equipment – Other	3 – 10 years

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

1.5 Pension Costs

Contributions to the pension schemes are charged to the Statement of Comprehensive Net Income so as to spread the cost of pensions over employees' working lives with Sport Wales.

The apportionment of any pension liabilities or assets between Lottery and Sport Wales is based on the historic rate of apportionment of staff costs see 1.6.1. The pension fund deficit payments are allocated on the same proportion as the pension deficit allocation to the Lottery account.

1.6 Allocation of Costs

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

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

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

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

1.7 Policy for Grant Accruals

Grant awards are accounted for as expenditure in the Statement of Comprehensive Net Income and, until paid, as a grant accrual in the Statement of Financial Position if they meet the definition of a liability, which is detailed within Note 3.

Grant awards which have been formally decided upon which do not meet the definition of a liability are not included in expenditure in the Statement of Comprehensive Net Income or as an accrual in the Statement of Financial Position; but are disclosed as a contingent grant liability in the Notes to the Accounts.

1.8 Other income

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

1.9 Use of Estimates and Judgements

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

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

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

1.10 Financial Instruments

1.10.1 Financial Assets

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

1.10.2 Financial Liabilities

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

1.10.3 Borrowings

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

1.11 Segmental reporting

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

2 Revenue grants met in the year

	2015-16	2014-15
Programme	£000	£000
Elite Cymru	2,918	2,626
Coach Cymru	2,110	1,585
National Performance	1,031	850
National Coaching	1,041	868
Disability Sport	590	590
Community Chest	1,798	1,907
Talent Development	222	232
	<u>9,710</u>	<u>8,658</u>

Community Chest includes an amount of £61,769 (2014-15 £64,251) paid in respect of administration costs of local authorities who administer the grant scheme at local level.

3 Grant accrual

	Capital £000	Revenue £000	2015-16 Total £000	2014-15 Total £000
Balance at 1 April	850	139	989	2,604
Grant commitments met in the year	(3,993)	(9,710)	(13,703)	(12,414)
Grant commitments not taken up	(50)	(12)	(62)	(93)
Grant commitments made in the year	5,652	9,740	15,392	10,892
Movement in year	1,609	18	1,627	(1,615)
Accruals balance as at 31 March	2,459	157	2,616	989

Analysed as:

Amounts falling due within one year	1,642	157	1,799	751
Amounts falling due after one year	817	-	817	238

Analysis of expected timing of cash flows

	2015-16 £000	2014-15 £000
Amounts due during 2015-16 Financial Year	-	751
Amounts due during 2016-17 Financial Year	1,799	238
Amounts due during 2017-18 Financial Year	817	-
Balance at 31 March 2016	2,616	989

Intra-government balances

	2015-16 £000	2014-15 £000
Balances with other central government bodies	90	-
Balance with local authorities	342	75
	432	75
Balance with bodies external to government	2,184	914
	2,616	989

Sport Wales will treat Grant awards as expenditure, and if unpaid as an accrual, if a constructive obligation to make payment exists. Grant awards that are free from any special conditions of grant become a constructive obligation when the formal offer of grant has been sent to the grant recipient.

Grant offers with special conditions attached become a constructive obligation when the applicant has complied with the special conditions incorporated into the contract. Awards that have been decided upon but have conditions of grant outstanding that have yet to be fulfilled will not give rise to a constructive obligation and will not give rise to a grant accrual; instead such awards will be disclosed by way of note as a contingent grant liability.

Grant awards will be treated as a formal offer upon formal written notification to the intended recipient by means of an "offer letter". Oral or informal communication by staff which is stated to be non-binding by Sport Wales will not be treated as a formal offer of grant.

Sport Wales will not treat any of the following conditions as being under their control:

- The requirement to obtain planning permission or any other regulatory approval;
- The requirement to obtain match funding from other sources; and
- A general condition relating to the availability of lottery funds.

4 Contingent Grant Liabilities

	2015-16 £000	2014-15 £000
Grant Liability	940	3,218
	940	3,218

5 Capital commitments

At 31 March 2016, the Lottery account had no contractual commitments for capital and Property, Plant and Equipment (2014/2015 Nil).

6 Taxation payable

	2015-16 £000	2014-15 £000
Tax payable on interest received at 20% (2014-15 20%)	-	-

7 Staff numbers and related costs

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

	Average No. of full time equivalent staff involved	2015-16 £000	2014-15 £000 Restated
	2015-16		
Gross salary costs			
Chair L McAllister (see note below *)		17	18
Chief Executive S Powell	0.25	23	22
Other Staff	37.92	1,692	1,661
		1,732	1,701
Salaries and wages		1,343	1,355
Social Security costs		105	100
Other Pension costs		470	343
IAS19 adjustments		(186)	(97)
		1,732	1,701

Other Pension costs include a lump sum contribution of £241,500 towards the net pension liability (2014-15 £115,000).

IAS19 Employee Benefits requires an actuarially calculated figure (current and past service cost) to be charged to the Statement of Comprehensive Net Income (SoCNI). For 2015-16, the actual employer's contribution was (£446,000) (23% of £1,940,000). The lottery apportioned current and past service cost for 2015-16 totalled £260,000 which must replace the actual employer's pension costs included in the SoCNI. Therefore the net effect was (£186,000) to staff costs after deducting employer's contribution. As current service cost is a notional entry, this is

reversed in the Statement of Changes in Taxpayers Equity so that Lottery balances are only charged with the cost of employer's pension contributions.

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

Staff costs are further analysed as follows:

	2015-16 £000	2014-15 £000
Administration	907	869
Sports Science Support to Athletes	825	832
	<u>1,732</u>	<u>1,701</u>

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

8 Other operating costs and other income

Costs	2015-16 £000	2014-15 £000
Direct costs	193	158
Accommodation	34	33
Audit Fee	19	19
Recharges for Sports Wales Services	173	205
	<u>419</u>	<u>415</u>
	2014-15 £000	2013-14 £000
Income		
UK Sport Grant	262	174
	<u>262</u>	<u>174</u>

9 Property, plant and equipment

	Equipment £000	Total £000
Cost or Valuation at 1 April 2014	260	260
Additions	51	51
Disposals	—	—
At 31 March 2015	<u>311</u>	<u>311</u>
Depreciation at 1 April 2014	(125)	(125)
Charge for the year	(33)	(33)
Disposals	—	—
At 31 March 2015	<u>(158)</u>	<u>(158)</u>
Net Book Value at 31 March 2015	<u>153</u>	<u>153</u>
Net Book Value at 31 March 2014	<u>135</u>	<u>135</u>
	Equipment £000	Total £000
Cost or Valuation at 1 April 2015	311	311
Additions	71	71
Disposals	(2)	(2)
At 31 March 2016	<u>380</u>	<u>380</u>
Depreciation at 1 April 2015	(158)	(158)
Charge for the year	(38)	(38)
Disposals	1	1
At 31 March 2016	<u>(195)</u>	<u>(195)</u>
Net Book Value at 31 March 2015	<u>153</u>	<u>153</u>
Net Book Value at 31 March 2016	<u>185</u>	<u>185</u>

10 Trade receivables and other current assets

	31 March 2016 £000	31 March 2015 £000
Due within one year		
Other receivables and prepayments	<u>72</u>	<u>47</u>
Due within more than one year		
Other receivables and prepayments	<u>71</u>	<u>111</u>
Total	<u>143</u>	<u>158</u>

Included in other receivables is £103,000 (2014/2015 £143,000) in respect of interest free loans made over a period of up to 10 years.

	31 March 2016 £000	31 March 2015 £000
Intra-government balances		
Balances with other central government bodies	-	-
Balance with local authorities	<u>40</u>	<u>15</u>
	40	15
Balance with bodies external to government	<u>103</u>	<u>143</u>
	<u>143</u>	<u>158</u>

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

11 Trade payables and other current liabilities

	31 March 2016 £000	31 March 2015 £000
Sport Wales	939	595
Accruals	<u>20</u>	<u>19</u>
	<u>959</u>	<u>614</u>
Intra-government balances		
Balances with other central government bodies	939	595
Balance with local authorities	<u>-</u>	<u>-</u>
	<u>939</u>	<u>595</u>
Balance with bodies external to government	<u>20</u>	<u>19</u>
	<u>959</u>	<u>614</u>

12 Analysis of changes in cash and cash equivalents

	1 April 2015 £000	Cash Flow £000	31 March 2016 £000
Cash and cash equivalents	<u>376</u>	<u>(299)</u>	<u>77</u>

All cash is held in commercial bank accounts.

13 Contingent liabilities

With the exception of contingent grant liabilities, disclosed in Note 4, there were no other contingent liabilities at 31 March 2015 and 31 March 2016 requiring disclosure

14 Financial instruments

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

Liquidity Risks

In 2015-16, £17,338,000 or 97.8% of income derived from the National Lottery (2014-15 £17,592,000 or 98.3%). Of the remaining income, £71,000 or 0.4%, derived from investment returns from the balance held with the National Lottery Distribution Fund, (2014-15 £71,000 or 0.4%), and £323,000 or 1.8% from sundry income (2014-15 £232,000 or 1.3%). Sport Wales does not consider that its Lottery fund is exposed to any significant liquidity risk, and are satisfied that the balance within the NLDF and projected future Lottery proceeds are sufficient to meet its hard commitments.

Interest Rate Risks

The financial assets of the Lottery are invested in the National Lottery Distribution Fund, which invests in a narrow band of low risk assets such as government bonds and cash. Sport Wales has no control over the investment of Funds in the National Lottery Distribution Fund. Cash balances which are drawn down from the Fund to pay grant commitments and operating costs are held in an instant access variable rate bank account which on average carried an interest rate of 0.50% (2014-15 0.50%) in the year. The cash balance at the year-end was £77,000 (2014-15 £376,000). Sport Wales considers that its Lottery function is not exposed to significant interest rate risks. Included in receivables (note 10) is £103,000 (2014-15 £143,000) which relates to interest free loans. If interest had been charged at a treasury rate of 3.5% then £3,605 (2014-15 3.5% £5,005) would have been charged as interest in these accounts.

Foreign Currency Risk

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

15 Related party transactions

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

Member's Panel	Body	Grant Payment/ (Income) in Year £000	Nature of link	Hard Grant Commitments not yet met
H Bushell <i>Corporate Director</i>	Welsh Hockey Union	298	Previous CEO	–
A Weeks <i>Corporate Director</i>	Welsh Rowing	211	Board Member	–
S Powell <i>CEO</i>	Welsh Hockey Union	298	Subscribing member of Welsh Hockey Union	–
J Sheppard (Lloyd) <i>Council Member</i>	Welsh Netball Assoc	150	Mother – Employee Welsh Netball Assoc	–
J Sheppard (Lloyd) <i>Council Member</i>	Rhondda Cynon Taff CBC	163	Sister – Employee Rhondda Cynon Taff CBC	40
J Sheppard (Lloyd) <i>Council Member</i>	Badminton Wales	101	Sister – Coach Badminton Wales	–
J Sheppard (Lloyd) <i>Council Member</i>	Welsh Rugby Union	156	Father – Match official Welsh Rugby Union	–
J Sheppard (Lloyd) <i>Council Member</i>	Cardiff Metropolitan University	–	Father – Performance Director of Womens Rugby	129
J Longville <i>Council Member</i>	Cardiff Metropolitan University	–	Principle Lecturer at University	129
J Longville <i>Council Member</i>	Welsh Netball Assoc	150	Mentor to High Performance	–
J Longville <i>Council Member</i>	Welsh Gymnastics Ltd	776	Mentor to High Performance Coach	97
J Longville <i>Council Member</i>	Athletics Assoc Wales	718	Son Member	–
Prof L McAllister <i>Chair</i>	UK Sport	(262)	Board Member	–
Prof J Baylis <i>Council Member</i>	Welsh Hockey Union	298	Chair of South Wales Hockey Board	–
Prof J Baylis <i>Council Member</i>	University Wales Swansea	93	Emeritus Professor	35
S Pirotte <i>Council Member</i>	Colegau Cymru	144	Board Member of Colegau Cymru	18
G Williams <i>Corporate Director</i>	Welsh Netball	150	Children –Members	–
G Williams <i>Corporate Director</i>	Tennis Wales	88	Member	–

Member's Panel	Body	Grant Payment/ (Income) in Year £000	Nature of link	Hard Grant Commitments not yet met
B Davies <i>Corporate Director</i>	Welsh Gymnastics	776	Spouse Coach	97
A Lycett <i>Council Member</i>	RCT Homes Ltd	167	Former CEO of RCT Homes Group	333
S Wafa <i>Council Member</i>	Cardiff City Council	122	Former Instructor	–
S Wafa <i>Council Member</i>	Sport Cardiff	–	Volunteer Events Member	55
S Wafa <i>Council Member</i>	Cardiff Martial Arts Academy	16	Member	4

Remuneration of Senior Managers and Council Members

Senior Managers and Council Members are considered to be the Directors and their remuneration is disclosed within the Remuneration Reports on pages 20 to 26.

16 Pensions

The following pension disclosures have been prepared in accordance with IAS19 'Employee benefits'.

Pension data contained within this disclosure have been provided by the Sport Wales's independent actuary, AON Hewitt. The IAS19 valuation provided by the actuary is for Sport Wales as a whole; no separate valuations have been obtained for the Sport Council for Wales Consolidated financial statements and the Lottery financial statements, and hence the data below is disclosed as gross.

The pension fund deficit along with the associated entries which impact the Statement of Comprehensive Net Income, Statement of Financial Position and Statement of Changes in Taxpayers Equity have been apportioned between the Sports Council of Wales Consolidated financial statements and the Lottery financial statements in a ratio based on the historic apportionment of staff costs to the Lottery account per note 1.5. For 2015-16 this is Lottery Accounts 23% and Sports Council for Wales Consolidated Accounts 77%.

Sport Wales made a total pension contribution in 2015-16 of £1,940,000 (2014-15 £1,400,000) which is analysed as follows:

- Employers Pension contributions £817,000 representing 20.2% of pensionable pay (2014-15 £826,000 20.2%); and advanced contributions in respect of early retirement cost £73,000 (2014-15 £74,000)
- Lump Sum Contribution of £1,050,000 (23% of which was met by Lottery), (2014-15 £500,000 of which 23% met by Lottery)

The rate of employer's pension contributions from 2015-16 will be 20.2%. This has been set as a result of the last triennial valuation of the scheme which was carried out as at 31 March 2013. Sport Wales expects to contribute £1,510,000 to the fund in 2016-17, which includes a contribution towards the pension deficit of £670,000. In addition to this "strain on fund" contributions may be required as well.

The net pension liability for the Lottery account as at 31 March 2016 is £2,302,000 (2014-15 £2,799,000).

Main Financial Assumptions

	31 March 2016	31 March 2015	31 March 2014
Discount Rate	3.5	3.2	4.3
Inflation – CPI	1.8	1.8	2.4
Rate of increase to pensions in payment	1.8	1.8	2.4
Rate of increase to deferred pensions	1.8	1.8	2.4
Rate of general increase in salaries	2.8	2.8	3.4
Mortality assumptions:			
Future lifetime from age 65 (aged 65 at accounting date)			
– Male	23.8	23.8	23.7
– Female	26.8	26.7	26.6
Future lifetime from age 65 (aged 45 at accounting date)			
– Male	25.9	25.8	25.7
– Female	29.1	29.0	28.9

Sport Wales employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is derived by aggregating the expected rate of return for each asset class over the actual allocation for the Fund at 31 March 2016.

Analysis of movements in surplus (deficit) during the year

	31 March 2016 £m	31 March 2015 £m
Fair value of fund assets	31.35	30.40
Present value of liabilities	(41.36)	(42.57)
(Deficit) in scheme at end of year	(10.01)	(12.17)

Analysis of amount charged to Operating Costs

	31 March 2016 £m	31 March 2015 £m
Current service cost	1.06	0.90
Past service cost	0.07	0.08
Interest cost	0.37	0.41
Expense recognised	1.50	1.39

Remeasurement of amounts recognised in Other Comprehensive Expenditure

	31 March 2016 £m	31 March 2015 £m
Return on plan assets in excess of that recognised in net interest	1.42	(2.29)
Actuarial (gains)/losses due to change in financial assumptions	(2.75)	4.43
Actuarial (gains)/losses due to change in demographic assumptions	0.00	0.00
Actuarial (gains) due to liability experience	(0.39)	(0.23)
Total amount recognised in Other Comprehensive Expenditure	(1.72)	1.91
Total amount recognised	(0.22)	3.30

Changes to the present value of defined benefit obligation during the accounting period

	31 March 2016 £m	31 March 2015 £m
Opening defined benefit obligation	42.57	36.64
Current service cost	1.06	0.90
Interest expense on defined pension obligation	1.35	1.56
Contributions by participants	0.28	0.29
Actuarial (gains)/losses on liabilities – financial assumptions	(2.75)	4.43
Actuarial (gains)/losses on liabilities – demographic assumptions	0.00	0.00
Actuarial (gains) on liabilities – experience	(0.39)	(0.23)
Net benefits paid out	(0.83)	(1.10)
Past service cost (including curtailments)	0.07	0.08
Closing defined benefit obligation	41.36	42.57

Changes to the fair value of assets during the year

	31 March 2016 £m	31 March 2015 £m
Opening fair value of assets	30.40	26.37
Interest income on assets	0.98	1.15
Remeasurement (losses)/gains on assets	(1.42)	2.29
Contributions by the employer	1.94	1.40
Contributions by participants	0.28	0.29
Net benefits paid out	(0.83)	(1.10)
Closing fair value of assets	31.35	30.40

Actual return on assets

	31 March 2016 £m	31 March 2015 £m
Expected return on assets	0.98	1.15
Actuarial (losses)/gains on assets	(1.42)	2.29
Actual return on assets	(0.44)	3.44

History of asset values, present value of defined benefit obligation and deficit

	31 March 2016 £m	31 March 2015 £m	31 March 2014 £m	31 March 2013 £m	31 March 2012 £m	31 March 2011 £m
Fair value of assets	31.35	30.40	26.37	22.48	19.22	18.32
Present value of defined benefit obligation	(41.36)	(42.57)	(36.64)	(41.67)	(36.41)	(31.32)
(Deficit)	(10.01)	(12.17)	(10.27)	(19.19)	(17.19)	(13.00)

17 Events after the reporting period

The accounts were authorised for issue by the Accounting Officer on the date they were certified by the Comptroller and Auditor General.

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
Tel: 020 7798 7400
Email: enquiries@nao.gsi.gov.uk

DG Ref: 11186

ISBN 978-1-910305-58-4



9 781910 305584