

Sports Council for Wales Lottery Distribution Account 2017-18

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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)

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Annual Report and Accounts

Welcome

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 Digital, 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

Annual Report

Chair's Overview

I've been greatly heartened as I've travelled around the country to see so many people of all ages and from all walks of life enjoy their sport.

The 12 months since my appointment as Interim Chair has been a hugely significant time for Sport Wales.

I see a collective drive to challenge ways of working, becoming more focused on outcomes, long-term generational benefits and even stronger collaboration across agencies.

They included women at Merthyr Girls Can - some of whom had just only recently embraced sport and had come back from their first London marathon - and aspiring gymnasts at Connah's Quay Leisure Centre.

I was also very pleased to launch our national conversation on the future of sport in Wales among the enthusiastic year 5 and 6 pupils at Roath Park Primary School in Cardiff. How inspiring it was to talk to the children about their present sporting activities and their hopes for the future!

The Conversation was a major communications exercise, with the aim of involving the nation in developing a new vision for sport in Wales. It will be the basis that the Board, working with the Executive, will use to determine our new strategy. A key measure of the success of this strategy will be increasing numbers of people from poor and deprived communities participating in sport. We also need to close the present 10% gender gap that exists across all ages and encourage more women and girls to get active through sport.

Finally, I'd like to take this opportunity to thank Board members Andrew Lycett, Simon Pirotte, Professor John Baylis and Amanda Bennett, whose term of office ended during the year, and to welcome the new members Pippa Britton, Ashok Ahir, Alison Thorne, Ian Bancroft and Christian Malcolm. The insight and expertise they bring to the Board's deliberations are greatly valued and appreciated.

Lawrence Conway, Chair

It's no secret that sport inspires.

As this year ended, we watched in awe as Welsh skier Menna Fitzpatrick and her partner Jen Kehoe made history, becoming Great Britain's most decorated Winter Paralympian. These two women are all about teamwork, which is a theme running through this year's Annual Report.

The Well-being of Future Generations Act has provided a real focus for our work this year. Sport is reaching across multiple agendas in our drive for a healthy and active nation, while building Wales' name across the world by hosting major events like the UEFA Champions League Final.

Evaluating sport's impact – both socially and economically – has become more important than ever, and we are tackling it head on.

We have looked for innovative solutions to our challenges, as we move through a period of fundamental change. As we move into a new future, we need to be bold, and we need to encourage others to take risks alongside us as we build resilience for the sector.

As this report demonstrates, we have a range of fantastic partners, and I'd like to thank them for their commitment, innovation and delivery across the year.

We know a collective approach can pay dividends, and we are building a joint action plan with our health colleagues. Meanwhile, we are exploring possibilities across a range of partners – existing and new – as we reach out to diverse groups and communities.

Together, we will push boundaries to create an active and prosperous nation for the future.

*Sarah Powell,
Chief Executive*

Who we are and what we do

Set up by Royal Charter Sport Wales was founded with the aim of “fostering the delivery of sport and physical recreation for the public in Wales”. We are the main adviser on sporting matters to the Welsh Government, with a responsibility for distributing National Lottery funds to both elite and grassroots sport across the country.

How Sport Wales plays its part in the ‘Prosperity for All’ government strategy is set out below, delivered through partnerships, projects and impact.

Our vision and aspirations

- Uniting a proud sporting nation
- Every child hooked on sport for life
- Nation of Champions

Our roles

- The authority on sport
- The uniting voice of sport
- The national investor of sport
- A first class provider of services to sport
- The official supplier of applied research

Our commitment

- Tell the compelling story of sport
- Lead the development of sport in all communities
- Enable success on an international stage
- Set sport up for success
- Build a brilliant organisation

Our values

- Teamwork – the power of working together
- Delivery Making a difference
- Ambition
- The pursuit of success

Welsh Government

Everything Sport Wales does is connected to governmental strategy ('Prosperity for All') and legislation (Well-being of Future Generations Act 2015).

The Board

The GPS: Determines organisational direction, plans for the future and monitors progress.

Leadership Team

The gears and pedals: Leads, manages and supports the operational team. Supports and challenges the Directors team.

Operational Team

The engine: Develops and delivers quality services/ outputs to everyone.

Directors Team

The steering wheel: Sets the tone, leads the business and drives the delivery of the strategy.

Performance Overview

- In 2017-18 we have awarded over £1.6 million to 1,349 organisations to participate in grassroots sport.
- Public Health Wales and Sport Wales have developed a Joint Action Plan.
- We founded a National Physical Literacy Consultant Team.
- 2,522 members of the BME community have taken part in sport thanks to the BME Sport Cymru programme.
- 80% of our staff have gone through leadership training with CMI.
- Latent demand remains high – 58% of adults want to do more physical activity.

Sport Wales Review

The Independent Review of Sport Wales in July 2017 provided valuable insight on strengthening our delivery, partnerships and sector.

The challenges outlined were based on widespread engagement and consultation, exploring our unique role in Welsh public life. We welcome the recommendations which we have incorporated into our work programme for this year and beyond.

The Minister also outlined four areas of focus for Sport Wales:

1. Getting more people active at every stage in their lives— at school, leaving education, working, not working, with their family and in retirement.
2. Investing effort and resources where needed most - where there are significant variations in participation and where there is a lack of opportunity or aspiration to be active.
3. Providing children with the best start in life, helping schools to teach them skills and give them the knowledge, motivation and confidence to be, and stay, active.
4. Helping sport to carry on nurturing, developing and supporting talent to deliver success that inspires people and reinforces our identity as a nation.

This clear direction for Sport Wales and Welsh sport gives us real impetus, support and drive to accelerate the impact of sport and physical recreation.

Following the Independent Review, the Welsh Government asked Sport Wales to develop a future vision for sport in Wales.

My Welsh Sport, *The Conversation*, ran from November 2017 to February 2018 and reached people from communities across Wales.

- 5 external stakeholder events
- Stakeholder meetings with CEOs and Council Leaders
- 15 group conversations with under-represented groups who deem themselves as non-sporty, facilitated by Barod
- 600 conversations
- Structured conversations by Sport Wales staff with a range of people and organisations.

Many contributed to the national conversation:

- 130,007 impressions
- 5% click through rate
- 6,495 clicks
- 308 Hours exposure time

Interactive rate of compared with benchmark of



My Welsh Sport_The Conversation

Shape the future of sport in Wales.

Chwaraeon a fi_Y Sgwrs

The results of 'My Welsh Sport_ The Conversation' were published in March 2018, followed by a consultation phase in April.

It was clear that people wanted to be involved in creating a plan for sport in Wales rather than expecting us to create a Sport Wales plan. The future 'vision for sport' is for everyone and it is important that we create and own it together. We expect to publish in summer 2018.

Fantastic Partners

We worked with Barod to get the citizen view through their Coffee Shop Conversation approach.

The Conversation started in Mount Pleasant Primary School in Cardiff where children shared stories about what sport meant to them.

Removing Barriers Equality for All

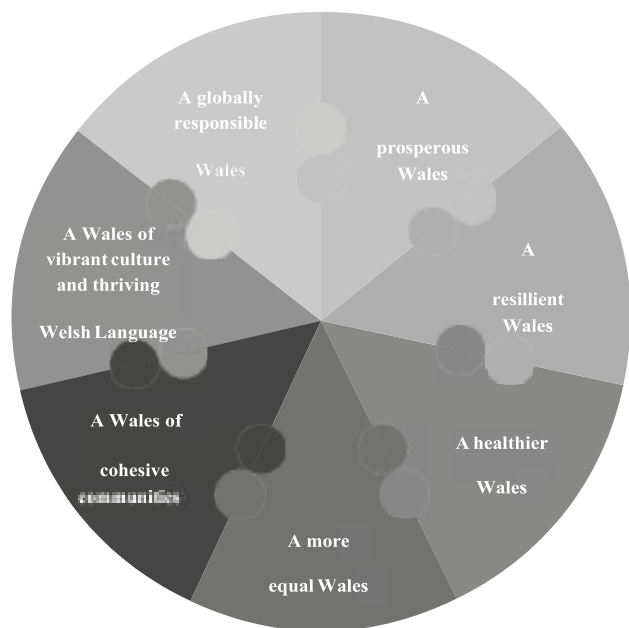
Well-being of Future Generations

We have driven organisational culture through changing systems, ways of working and behaviours to embed the objectives in our DNA. Sport Wales compliance reporting can be found via this link:

In an innovative new collaboration, Sport Wales has a strategic role on the Art of the Possible project. The project helps public bodies make the Well-being of Future Generations Act real by highlighting the great work that is improving well-being in communities across Wales.

Equality Act, 2010 Sport Wales Equality Objectives

1. Understand the diverse profile of the sporting infrastructure
2. Collate intelligence based research to better understand how to reduce inequalities in community sport
3. Engage with diverse organisations
4. Showcase diversity in sport
5. Develop positive action to reduce inequalities in community sport
6. Building a diverse and inclusively aware workforce in community sport
7. Understand the diverse profile of elite athletes and workforce
8. Establish a high performance system that responds to the changing needs of athletes
9. Ensure elite environments and programmes are inclusive
10. Embed equality and safeguarding within the governance of sport organisations in Wales
11. Create a culture in Sport Wales that responds to individual needs.



Well-being Objective 1

People in Wales live physically active and therefore healthier lives.

Well-being Objective 2

Children and Young People have the motivation, physical skills, knowledge, understanding, and opportunities to take part in physical activity for life.

Well-being Objective 3

Wales is recognised internationally as a successful sporting nation.

Well-being Objective 4

'Sport Wales is an exemplar organisation driving a culture that promotes well-being equality and sustainability.'

Safeguarding standards

- 64% (15 of 25) of High Investment Sports (HIS) have level 3
- 32% (8 of 25) of HIS have Level 2
- 4% (1 of 25) HIS have not achieved a level
- 11% (2 of 17) have achieved the new level 1

Equality Standard

- 40% of (HIS) have intermediate level
- 32% of HIS have preliminary
- 24% of HIS have foundation level
- 4% only 1 of HIS have not achieved a level

Sport Wales National Centre

The Centre User Survey November 2017 gave good or very good levels of satisfaction levels of

- 86% for access for disability;
- 79% for movement around the centre for disabilities;
- 88% for changing and other disability facilities.

Sport Wales Board Diversity

We have improved

	Male	Female
2011	85%	15%
2017	50%	50%

Public Sector Sharing Group

We instigated the development of a public sector organisation sharing group, bringing together organisations to identify how to better deliver the Well-being Goals. Early work includes support for Board members to better scrutinise against the Well-being of Future Generations Act.

Fantastic Partners

“Collaborating with other national institutions to explore ways of delivering the Well-being Goals and the principle of sustainability is very beneficial to Amgueddfa Cymru. It provides us with a forum to explore together the detail in the Act and consider ways of aligning our strategies for the greater benefit of people in Wales.”

Nia Williams, Director of Learning and Engagement at Amgueddfa Cymru – National Museum Wales

Age is not a barrier to enjoying sport

Older People

Working with national governing bodies on developments such as walking football and hockey mean people can conquer isolation while enjoying new challenges.

Fantastic Partners

Bridgend Public Health Team of the National Public Health Service for Wales (NPHS) in partnership with Bridgend Never Too Old Action Team run the “Olympage Games” for older people living in Bridgend County Borough. More than 100 older and disabled people took part in this year’s games, proving they’re not too old to go for gold.

National Public Health Service for Wales – Gwasanaeth iechyd Cyhoeddus Cenedlaethol Cymru

Children

We work closely with the Children’s Commissioner with a focus on the UN Convention Rights of the child and developing the next generation.

Young Ambassador Programme

Supported by all 22 local authorities Young Ambassadors is a partnership between Sport Wales and the Youth Sport Trust.

- A highly skilled and passionate young workforce ready to support the sector
- An understanding of how skills developed as a Young Ambassador/young leader can be transferred to University and employment
- Increased motivation to improve the wellbeing of themselves and others
- Confidence and personal skill set

Fantastic Partners

Run in partnership with Youth Sport Trust and supported by Young Ambassadors Alumni 'Team Leaders', 40 young people have completed the National Leadership Academy (NLA) programme to develop employability skills including communication, facilitation, team working and decision-making.

In feedback 57% of participants rated the experience 10/10 and the other 43% rated it 9/10.

"The National Leadership Academy has provided me with another 'family' who I hope to continue my learning path with for many years to come. I've learnt so much without feeling like I was learning"

NLA participant feedback

"We wanted to make people comfortable with leading cricket by using the Welsh Language"

Aled from Cricket Wales

Welsh Language

The new Welsh Language Standards for Sport Wales came into place in January 2017 reaffirming our commitment to invest in delivery through the medium of Welsh.

We increased our investment in the Urdd in 17/18 and continue to support Gemau Cymru - the biggest multi-sport event in Wales - as part of the performance pathway for Welsh athletes.

2016 Welsh Leadership Audit – The 2016 audit provides qualitative information on the diversity of Senior Leadership Teams and Boards across 43 Sport Wales funded National Governing Bodies in Wales.

In 2016/17, 42 members of staff completed Welsh Language training.

13 Community Chest applications

have been made through the medium of Welsh

47 Organisations

conduct their sporting activity entirely through the medium of Welsh

242 Organisations

conduct their sporting activity bilingually

187 Organisations

also believe that our grant will increase the use of the Welsh language in their organisation

Number Welsh speakers within Sport Wales:

- 30 full time staff who are Welsh speakers
- 37 casual/seasonal staff who are Welsh speakers

Fantastic Partners

When a waiting list to join a local gymnastics club in North Wales was over two years, Gwyn Owen ran his own session for his son and his friends. Fast forward five years and the club is now thriving, benefiting from a Sport Wales Development Grant for facilities and equipment enabling the club to offer sessions in Welsh for the whole community.

Gwin Jim Gymnastics Club

Creating active, healthy and prosperous communities

Tackling inequalities through positive action

Equality and inclusiveness rightly remain key challenges. Sport Wales holds a leadership position in the sector and has worked with National Governing Bodies (NGBs) to identify policies and actions which can increase inclusivity.

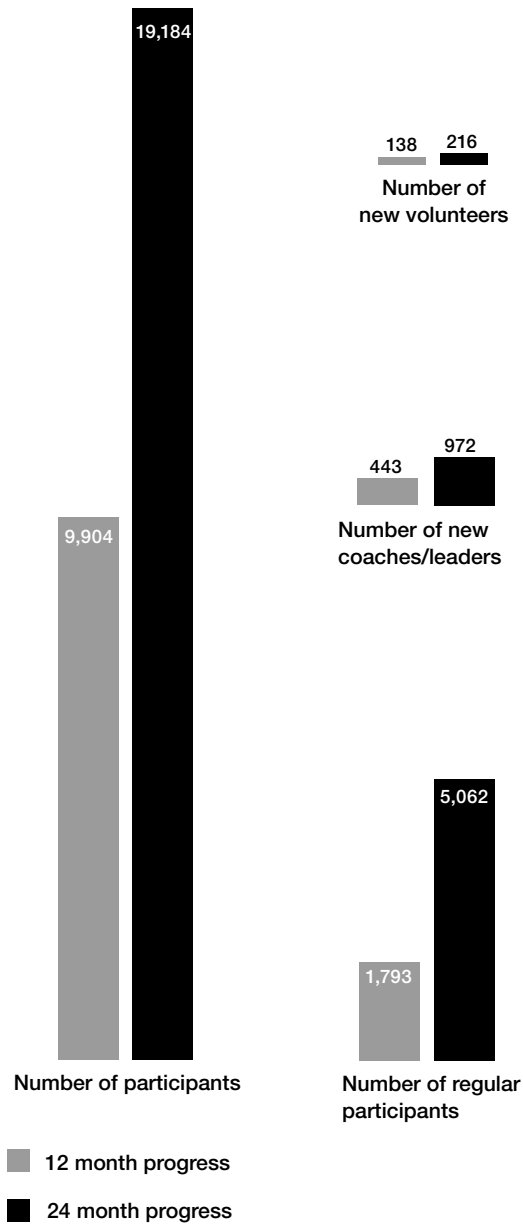
We have supported NGBs to deliver training on equality

- Welsh Netball Mental health awareness for staff
- Welsh Triathlon More women on coaching courses linked to the 'Go-Tri' programme
- Swim Wales A new Board with equal gender representation, plus LGBT and disability representation
- FA of Wales and Welsh Football Trust Football v Homophobia
- Welsh Gymnastics Introduced an annual 'Inclusive Club' Award

Increasing the amount of regular and frequent activity taking place throughout Wales

Now in its third year, the £3 million Calls for Action (C4A) programme tackles obstacles that prevent groups from participating in community sport.

This phase of C4A specifically targets under-represented groups and provides them with opportunities to develop the right skills and confidence to be physically active.



Empowering women and girls

‘Our Squad’ is a campaign to raise awareness of women’s sport – part of our strategic approach to increasing involvement of women and girls in sport and physical recreation.

The campaign uses social media to spotlight real life women from all backgrounds taking part in different activities, breaking down perceptions of sport as “not for me”.

Social media channels share information about sports and physical activity, how to get involved in sport and tips for keeping up or improving. Our Squad has developed into an online community, with women providing content themselves and offering support for each other.

Ffi Davies via Twitter:

Loved being involved with this piece by @OurSquadCymru. @HociCymric always made me feel at home when I made the big move to the big city! Will be a newbie again on Wednesday with @LadiesCRCC if the ice stays away. If you don’t try, you’ll never know! #courage

Fantastic Partners

Our investment into Girl Guiding Cymru has enabled 250 leaders from over 150 local units to deliver activities to approx. 3000 girls. 50 “sport educators” (aged 14-25) have been trained to act as Champions to support local activities and over 6000 new sport “Give it a Go” badges have been awarded.

	Target	Achieved
Individual visits to the Our Squad website	5,300	9,850
Direct engagement with the sport finder	533	646
Online view on the campaign film	5,000	36,000
Social media interactions	5,000	17,929

Working in Partnership

Public Health

Sport Wales is engaging in the health and well-being agenda at a national and local level.

We are connected – Sport Wales staff sit on local Health Board Steering Groups and the National Exercise Referral Group.

This year, Public Health Wales and Sport Wales have developed a Joint Action Plan, ensuring a multi-agency approach on reaching our organisations’ objectives and having a greater impact on physical activity levels. The Joint Action Plan considers the WHO Dec 2017 Global Action Plan on Physical Activity and is consistent with the themes of Getting Wales Moving. It has four main areas of focus and is incorporated into the Sport Wales strategy and business planning process. It aims to create active (i) Society (ii) Environments (iii) People and (iv) Systems.

Sport Wales has also delivered workshops on the healthy mind, developed content for the Public Health Network and is part of the obesity strategic group as well as Cymru Well Wales.

- 1300 health and social care professionals
- 50 NERS staff up-skilled
- 700 disabled people signposted to physical activity (including sport)

Case Study

The Health Disability Sport Partnership: Working in partnership to transform the lives of disabled people through the power of sport.

The three year partnership in North Wales between Betsi Cadwaladr University Health Board and Disability Sport Wales is a positive example of health and the physical activity sector working together to improve the health and well-being of people in Wales, both physical and mental.

It brings together health bodies, social services, local authorities, physical activity (including sport) and third sector partners.

Fantastic Partners

The benefits of increasing physical activity has been incorporated into Blaenau Gwent, Caerphilly and Torfaen Public Service Board’s Situational analysis, underpinning statutory well-being plans. Previously, the benefits of increasing physical activity were considered only in potential health terms, with little consideration to wider benefits across public services. Now increasing physical activity will be considered in terms of prioritised partnership actions

Aneurin Bevan LHB – GIG CYMRU NHS Wales, Bwrdd Iechyd Prifysgol Aneurin Bevan, University Health Board

Every £1 of investment produces £124 of added social value Health Disability Sport Partnership – Three Year Project Report

Education

Physical literacy helps influence and shape approaches to delivering the curriculum and has helped us build and support across communities and sectors. We recognise that without physical literacy embedded within curriculum delivery, any interventions outside school gates will be a harder task.

With Welsh Government support, the Physical Literacy Journey (PLJ) was created as a draft curriculum planning tool and is currently being reviewed by the curriculum reform team.

We know we can't achieve our goals on our own and the need to collaborate has resulted in the recruitment of a National Physical Literacy Consultant Team. We assign the team to organisations that want to help us achieve long term shared goals.

Work with the further education sector has continued this year with our investment through Colegau Cymru, supporting colleges to increase participation in sport and volunteering of targeted groups.

Within Higher education, BUCSs Wales has rebranded as Welsh Student Sport, enabling greater autonomy and a broader offer to students with recreational and competitive University sport.

Building capacity distributed leadership

"Good leadership is being bold enough to have vision and humble enough to recognise achieving it will take the efforts of many people."

– Governance and Leadership Framework for Wales.

Striving to make a true difference, the sport and physical activity sector needs transformational leadership as well as future leaders. We want to build strong, dynamic organisations that better deliver outcomes for the communities of Wales.

We have developed a tailored development programme, enabling our leaders to create an inclusive culture within the organisation.

Executive leadership and the leadership programmes

Sport Wales developed and delivered two programmes this year – Executive Leadership (for Chief Executives and Chief Officers) and the Leadership Programme (for senior managers)

Evaluation of the programmes proved they had a strong impact on participants and their teams within in the workplace. Every single line manager confirmed they had seen a significant improvement in the leadership approach of their participant since the programme.

"It's important that everyone in Sport Wales know how important this programme is for our leaders. It's essential that it becomes part of our landscape and that it's seen as a rite of passage for leaders in our sector."

– Leadership Programme Participant.

Sport Wales Values

1. Teamwork – The power of working together
2. Delivery – Making a difference
3. Ambition – The pursuit of success

Which means we commit to:

- Being a positive impact on others, encouraging and supporting them when required.
- Celebrating and recognising our successes together
- Respecting others and earning respect
- Investing time to actively listen and to get to know the person not just the face
- Focusing on what will make the greatest difference – no matter how big or small
- Taking responsibility for our own delivery and development
- Trusting and utilising the skills and experience of others to get the job done
- Setting our standards high and challenging constructively
- Seeking and being open to new ideas and expertise from around the world
- Enjoying and taking pride in the work we do
- Being courageous to do things differently

And the Inclusive Leadership Behaviours that underpin our values are:

- SELF-AWARENESS: monitor own responses to individuals or groups and examine any inconsistencies (unconscious bias)
- EMPATHY: actively listen to others & endeavour to always understand and respond to how they feel
- ACCEPTANCE: show acceptance of people, without bias. Challenge any inappropriate language and banter from others. Be authentic
- SEEK DIVERSE VIEWPOINTS: actively engage with diverse networks and curiously explore individuals' perspectives
- FEEDBACK: provide positive feedback to build confidence; and stretch feedback to overcome barriers and build resilience
- GROWTH: encourage individuals to make their unique contributions; coach and develop them to realise their full potential
- VISION: create a diverse, engaged and talented organisation which is at the leading edge of innovation and builds future sustainability
- COLLECTIVE LEADERSHIP: take full accountability for ensuring an inclusive culture and support & challenge one another to achieve this.

In order to build an Inclusive Culture where individualisation matters.

BME Collaboration

Sport Wales invested £500,000 over the last three years on the Wales Council for Voluntary Action BME Sport Cymru project, building capacity for BME communities to take part in sustainable sporting and physical activities by developing areas of volunteering, training, governance and funding.

WCVA BME Sport Cymru reached:

- More than 2500 BME people
- Diverse ethnic and religious backgrounds
- Different ages and gender
- Deprived areas
- Some of the most inactive BME communities including refugees and asylum seekers, Roma, Gypsy and Travellers

2,522 members of the BME community have taken part in sport thanks to the BME Sport Cymru programme, following over £500,000 of investment over the last 2 years.

Nearly £2.5 million invested into Calls4Action programme, funding projects which specifically tackle inequalities in sport participation.

Fantastic Partners

Swansea Chinese Community Co-Op Centre

In Swansea's close knit Chinese community, a project officer built trust by investing time with local people and supported a community chest application for a badminton shuttle time course. Chinese Community

Co-Op Centre has recently had 14 members of their group complete the course and can now help run future badminton sessions.

Investing into the heart of Communities

Proactive investment has been the catalyst to encourage more people to be active.

Of the £1.6 million invested in grassroot sport this year, over £360,000 has been invested into projects that are specifically tackling inequality.

Run in partnership with the 22 Local Authorities in Wales with awards of up to £1,500 per year to local clubs and community groups, the Community Chest fund is distributed by community panels made up of local people. Nearly 60 different sports are represented in our Community Chest funding, with Rugby, Football and Cricket being our top supported sports.

- 80 are disability projects
- 823 grants awarded are positively impacting on 'Young People and Adults Hooked on Sport for Life'
- 235 grants awarded are 'Positively Targeting the Gap in Inequality'
- 296 grants awarded are helping to 'Deliver a Complete Sporting Pathway'
- 201 awards were for projects specifically aimed at Women and Girls

A new way of delivering Sport North Wales

We want to develop a more sustainable sport sector, prevent problems becoming worse and reduce gaps in participation levels.

In North Wales, a robust business case based on the strategic, economic, commercial, management and financial case for change was developed by Sport Wales and its partners. Approval has been granted to market test North Wales and subject to further Welsh Government approval, Sport Wales would seek to procure a new agency to run Sport North Wales from 2018-19. The clear message from the consultations was that the new agency approach presented an exciting and innovative opportunity for all partners

Sport North Wales market testing

- 4 engagement events across the region
- Input from more than 250 people
- Involvement with every north Wales local authority

Delivering International Success and promoting Wales to the World

“Everything about Wales is about the pride and passion to represent the country, and when we put on the shirt there is no bigger honour for us.” – Gareth Bale, Euro 2016

Major Events

Wales has an enviable reputation for hosting national and international sports events.

Occasions such as the UEFA Champions League Final, Test match cricket, rugby's 6 Nations and World Title boxing fights drive social, economic and sporting impacts. They inspire our communities and showcase Wales to the world.

Elite table

The eight years since the launch of the original elite sport strategy has seen a record level of success at Commonwealth, Olympic and Paralympic level. The number of female medallists has also increased during this period with, for example, 80% of the Olympic medals won by Welsh athletes at the Rio Olympic Games being won by female athletes.

	Gold	Silver	Bronze
2006 Commonwealth Games	2	7	10
2008 Olympic Games	2	0	0
2008 Paralympic Games	10	3	1
2010 Commonwealth Games	2	5	12
2012 Olympic Games	3	3	1
2012 Paralympic Games	3	3	8
2014 Commonwealth Games	5	11	20
2016 Olympic Games	4	6	0
2016 Paralympic Games	5	4	0

World Class Performance

We have world class performers representing Wales on the world stage across a range of sports. As a smaller nation we punch above our weight. Our focus this year was preparing our world class team for the Winter Olympics and Paralympics and Commonwealth Games in 2018.

Each and every athlete competing is a testament to a wealth of collaborative teamwork to achieve success. More than 70 athletes and their coaches receive performance support services from the Sport Wales Institute. We support them to fulfil their potential, and the principles we apply to talented athletes can benefit all.

With a population of just over three million Wales can't afford to miss talent. Through a greater understanding of what works in high performance sport, we have developed our capacity to measure impact and inform future interventions.

Following the record-breaking successes of the Glasgow Commonwealth Games and Rio Olympics and Paralympics, an independent review of the Elite sport strategy was commissioned from GST consultancy. Following the Glasgow Games, the Institute made a purposeful shift in emphasis, attempting to focus as much on influencing the development of athletes earlier in their career as on delivery to medal level athletes. GST's role was to explore with our key partners not only how this change was progressing but also examining their commitment to it.

The High Performance team have shifted the focus over the last year, developing the system which will ensure Welsh success in a sustainable way. We invest in sport, not just medals.

Welsh Swimming – change in approach for performance development with a sport

Our Sports Psychologist worked with Swim Wales coaches to establish a 'Winning Behaviours' framework, covering skills needed to be successful in life and in the pool – communication skills, self-awareness, decision-making. Developed with younger athletes, coaches and parents, the framework is delivered at squad weekends in a phased approach. Skills academy swimmers and parents learn in group formats with more tailored individual support provided to senior swimmers.

Fantastic Partners

Boxing helps transform young lives by providing an environment of focus, discipline and accomplishment. In partnership, Sport Wales has worked on a project integrating performance support services within Welsh Boxing.

Together we:

- Provided a dedicated training and preparation facility
- Designed and delivered programmes in consultation with the performance staff.
- Delivered science and medicine services as part of the Welsh Boxing team
- Worked with younger groups of boxers and coaches to deliver good practices earlier in a young boxer's career.

WelshBoxing BocsioCymru

Facilities

Available, affordable and accessible

Sport Wales works closely with a range of partners - including NGBs and local authorities - to make sure that we have available, affordable and accessible sports facilities across Wales for community clubs and groups.

We have worked with the FAW Trust, Welsh Rugby Union and Hockey Wales to strategically plan and provide expert advice to artificial 3G pitches in Wales, monitoring the impact of our investment.

The FAW Trust is piloting work with councils across Wales to create local facilities plans, setting a long-term vision to protect and attract investment in facilities as well as convincing schools to open their facilities for community use - helping community needs and contributing to a healthier Wales.

Although it is the responsibility of each local authority to determine the range, cost and accessibility of sport facilities under their control, we will continue to work closely with the local authorities to protect access to all sports facilities in Wales.

Performance Analysis

Sport Wales is a producer of Official Statistics and, as such, we comply with the Code of Practice for Statistics. Official statistics are an essential public asset providing a window on society and play a key part in the decisions that the public, government and other organisations make.

Our statistics - and data more generally - need to inspire public confidence, they must have public value, be high-quality, and trustworthy.

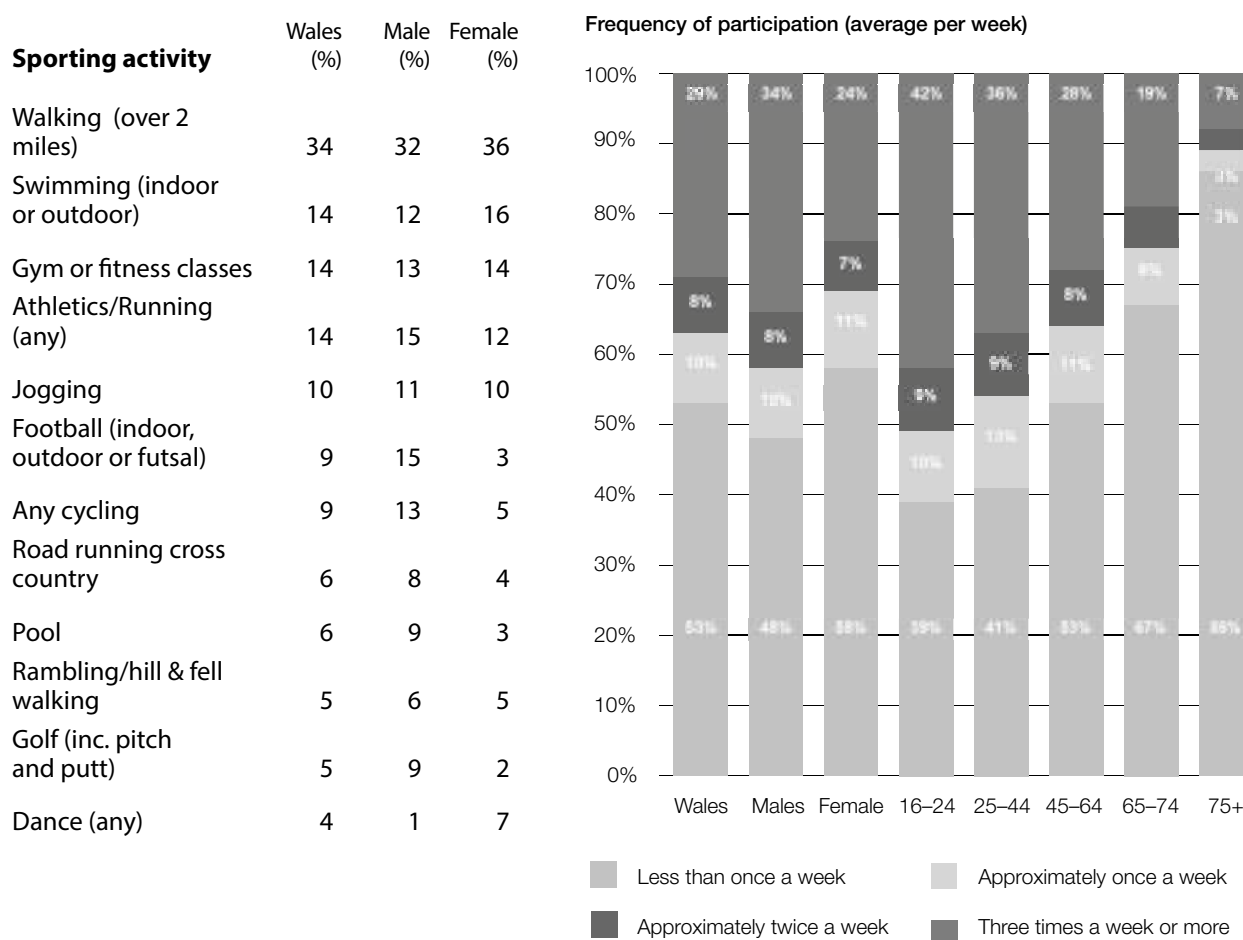
An implicit part of our way of working is to learn and evaluate. We are involving citizens and users far more as we evolve. Recent examples include our new approach to investing in community sport in Wales and the development of a new vision for sport in Wales.

This year we commissioned independent reviews of the Free Swimming Initiative and our Young People Sport Programmes. The findings and recommendations from these reviews will help shape our strategy and proposals for community sport in Wales.

We have also commissioned Sheffield Hallam University to produce a social return on investment for sport in Wales and to assess its economic importance. Together, both elements will provide a holistic measure of the value of sport in Wales.

% of adults in Wales that have undertaken any participation (by sport) in the previous four weeks.:

Table 1: % of adults in Wales that have undertaken any participation (by sport) in the previous four weeks



Looking Forward

At the start of 2018/2019 all eyes will turn to the Gold Coast as our Commonwealth Games team performs on the world stage. Whatever the results we know our high performance team will grow from the experience and develop skills required to be successful in life.

As the Vision for Sport in Wales is finalised in the Summer, the new strategy for Sport Wales will also start to take shape. This will be a long-term plan to guide our work and we will align clearly to the new vision.

We will listen, involve and consult on the development of new strategy.

It will outline new approaches to action, delivery and working to create sustainable solutions to future challenges. Fundamental future decisions, such as priorities for investment and our organisation's skill set, will be led by the new strategy.

This has been a year of transition for Sport Wales but we can't stop now. We will continue to modernise, champion diversity, equality and well-being and inspire the sector to be an exemplar of collaboration and co-creation.

Our new board members and chair join Sport Wales at an important time, bringing a wealth of experience of working with under-engaged communities as well as an understanding of the needs of elite athletes. We look forward to seeing the impact of their invaluable insight and perspective in developing the vision for sport in Wales, the business strategy and the new corporate strategy.

Finally we want to pay tribute to all the partners we work with - without the knowledge, passion and skills of each and every individual working in sport or partner organisations in Wales we would not be able to make such progress. We appreciate your contribution and your support and we know we can't achieve our goals without you.

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 2017/18 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 grant offers of £4,704,000 (2016/17 £4,926,000) were met during the year. The amount provided in the accounts for signed contracts relating to capital grants decreased by £1,162,000 in 2017/18 (2016/17 decrease of £747,000).

Revenue Grants

Revenue grant offers of £10,666,000 (2016/17 £10,286,000) were met during the year. The amount provided in the accounts for signed contracts relating to revenue grants decreased by £121,000 in 2017/18 (2016/17 consistent with 2015/16).

Movement on lottery balance to 31 March 2018

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

Balance at 1 April 2017 (£000)	Unrealised Loss (£000)	Income Received (Net) (£000)	Money Drawn Down From National Lottery Distribution Fund (£000)	Balance at 31 March 2018 (£000)
18,083	-	14,758	(17,300)	15,541

The table shows a decrease in the balance held of £2.542 million, compared to a decrease of £3.583 million in the previous financial year.

Financial Results

Sport Wales's Lottery Distribution results are set out in the Statement of Comprehensive Net Expenditure. Total net comprehensive expenditure for the financial year amounted to £1,896,000 (2016/17 total comprehensive expenditure of £2,324,000). This has been transferred from reserves.

The statement of financial position for 2017/18 shows a total net asset figure of £11,974,000 (2016/17 £13,870,000).

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. Sport Wales reduced its CO2 emissions by 7% compared to 2016/17, which is significantly above our target of 3% annual reductions.

Throughout 2017/18 Sport Wales has attempted to reduce its travel costs by encouraging staff to use video conferencing, Skype and Sharepoint. This has led to a significant reduction in the cost, mileage and CO2 emissions of travel compared to 2016/17.

Sport Wales also continues to offer a Cycle Scheme to employees, in order to reduce car usage. Employees may claim a mileage allowance of 20p per mile 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. Staff are encouraged to work flexibly where possible, and this has led to staff working from home more regularly. While this does not have an impact on the mileage (staff cannot claim mileage expenses for commuting to work), it does contribute to a reduction in congestion and emissions.

Sport Wales National Centre slightly decreased its Energy Performance Operational Rating (DEC) during the year and remains well below the typical rating for the type of building.

Throughout the year, the programme of introducing energy efficient measures continued. LED lights were installed in a number of meeting rooms, offices, corridors and stairwells. Nine more bedrooms were refurbished to use the swipe key card system to control electrical fittings.

The centre continues to operate in accordance with the Waste Hierarchy guidance and operates an Environmental Management System.

The significant reduction in waste collection compared to 2016/17 was due to the removal of a large number of diseased trees in the previous year. In 2017/18, 38% of all waste at the centre is recycled. While this is a reduction on the 82% recycled waste figure in 2016/17, this was largely due to the removal of diseased trees referred to previously.

There was a large increase in water usage compared to 2017/18 and after a thorough investigation no leaks could be detected. During the year a new water meter was installed and the increase may be attributable to this.

Plas Menai has continued to implement its Environmental Policy and the ongoing building refurbishment has given us opportunities to upgrade to more energy efficient systems that are reflected in the improvements shown in the table. Improvements in 2017/18 have seen our DEC rating improve from F to an E and we hope that the measures implemented during the last 12 months will bring the rating to a D when the new certificate is issued in May 2018.

The refurbishment of the onsite customer accommodation has now been completed and all rooms have been fitted with energy efficient LED lighting and new energy efficient boilers.

Work on refurbishing the centre has also taken another step forward with new false ceilings being fitted throughout the reception area and meeting room. This will help with insulating the centre and reduce heat loss and contribute to a reduction in heating over the next 12 months. At the same time all the old halogen lights have been replaced with LED lights. Where possible we have introduced sensor operated lights.

We have also invested in new gas cookers. LPG is cheaper and more energy efficient than electricity and we hope to see big reductions in our electricity usage over the next 12 months.

Environmentally, we have removed all single use plastic stirrers and plastic cups from the dining room.

Over the next 12 months we will continue to look for funding to install a solar array as well as

continuing with our programme of refurbishment and upgrading to more energy efficient lighting and operating systems.

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

9 July 2018

Accountability Report

Corporate Governance Report

Directors Report

During 2017-18, Sport Wales comprised the following board members;

Mr Lawrence Conway**	(Chair from 29.03.2017)
Ms Pippa Britton**	(Vice Chair Appointed 01.10.2017)
Prof. John Baylis	(Retired 31.08.2017)
Mr Simon Pirotte	(Retired 31.08.2017)
Ms Amanda Bennett*	(Retired 31.08.2017)
Mr Andrew Lycett*/**	(Retired 31.08.2017)
Ms Julia Longville	(Reappointed 01.09.2015, Vice Chair 17.04.2017 to 30.09.2017)
Ms Johanna Sheppard*	(Reappointed 01.09.2015)
Mr Peter King*	(Reappointed 01.09.2015)
Mr Richard Parks	(Reappointed 01.09.2017)
Ms Samar Small* (nee Wafa)	(Reappointed 01.09.2017)
Mr Ashok Ahir*	(Appointed 01.10.2017)
Mr Ian Bancroft	(Appointed 01.10.2017)
Mr Christian Malcolm	(Appointed 01.10.2017)
Ms Alison Thorne*	(Appointed 01.10.2017)
Ms S Powell	Chief Executive

* Member of the Audit & Risk committee

** Member of the Remuneration committee

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 2017/18. Information provided that requires disclosure in accordance with International Accounting Standard 24 is disclosed in Note 17 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 31.

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 2018 Sport Wales paid 98% (2016/17 100%) 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 16 to the financial statements.

Remuneration of Auditors

During 2017-18, 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 Digital, 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 Digital, 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

9 July 2018

Annual Governance Statement 2017-18

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 Corporate Governance in Central Government Departments: code of good practice 2017 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.

Following the Assurance review undertaken by Welsh Government during 2016-17, Lawrence Conway was appointed as interim Chair, initially for a 12-month period, subsequently extended to 18 months to August 2018. The process to appoint a permanent Chair from August 2018 was initiated by Welsh Government in February 2018.

During the year, Welsh Government appointed five new Board members, namely Ashok Ahir, Pippa Britton, Ian Bancroft, Christian Malcolm and Alison Thorne. Four existing Board members, namely John Baylis, Amanda Bennett, Andrew Lycett and Simon Pirotte left the Board, their terms of office having expired. I thank them for their dedicated service to Sport Wales during their tenures and warmly welcome the new members.

Sport Wales is committed to equality and the diversity of its Board, which now comprises 45% female representation, 36% BME and 9% consider themselves to have a disability.

Board Member	Board Meeting (Number of meetings attended of 5)	Audit and Risk Committee (Number of meetings attended of 4)
Lawrence Conway (Chair)	5 / 5	Not Applicable
Pippa Britton**(Vice Chair)	2 / 2	Not Applicable
Amanda Bennett*	2 / 2	1 / 1
John Baylis*	2 / 2	Not Applicable
Peter King	4 / 5	3 / 3
Simon Pirotte*	1 / 2	Not Applicable
Julia Longville (Interim Vice Chair 17.4.17 to 30.9.17)	4 / 5	Not Applicable
Andrew Lycett*	2 / 2	1 / 1
Johanna Sheppard	3 / 4	3 / 3
Richard Parks	4 / 5	Not Applicable
Samar Small (nee Wafa)	3 / 5	1 / 2
Ashok Ahir**	2 / 2	1 / 2
Ian Bancroft**	2 / 2	Not Applicable
Christian Malcolm**	1 / 2	Not Applicable
Alison Thorne**	2 / 2	1 / 2
(Independent members – Audit Committee only)		
Sandy Blair	Not Applicable	2 / 3
Gareth Jones	Not Applicable	4 / 4
Louise Casella	Not Applicable	3 / 3
Robert Williams	Not Applicable	1 / 1
Overall Percentage Attendance rate	83%	84%

*Members retired 31.08.2017

**Members appointed 01.10.2017

To discharge its responsibilities and to obtain the assurance required that demonstrate good governance practices are in place, two other permanent committees are established; The Audit & Risk Committee and the Remuneration Committee.

Whistleblowing Policy

Sport Wales has an established and Board approved Whistle-Blowing Policy which is detailed in the Staff Handbook. During 2017/18 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 Board and Accounting Officer are supported in decision making and in discharging their accountability obligations (particularly in respect of Financial Reporting).
- Risks identified are assigned to Corporate Directors and mitigating actions are detailed in the risk register.

The Board appointed Peter King as the new Chair of the Committee to replace Andrew Lycett. We are grateful for Andrew's significant contribution to the development of the Committee during his tenure as Chair.

The Committee also bade farewell to Amanda Bennett plus two long-standing independent members, namely Sandy Blair and Louise Casella. The Board extends its appreciation for their contributions.

New appointments to the Committee during the year included Board members Ashok Ahir, Samar Small and Alison Thorne, plus a new independent member, Robert Williams.

During 2017/18, Sport Wales introduced an 'Assurance Framework' to supplement the risk management process. The purpose of the Framework is to document the level of assurances, both internal and external, incorporated into business processes so as to provide the Accounting Officer and the Board with the requisite assurance. This is monitored regularly by the Audit & Risk Committee.

The Audit & Risk Committee consists of up to seven members, three of which could be independent, 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 84%.

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

- the operation and effectiveness of the risk management and assurance 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;
- regulatory compliance;
- review of grant funding;
- review of core financial systems
- review of Board member expenses;
- review the Gifts and Hospitality Register; and
- agreeing the year's internal audit plan.

The Board received the minutes of the Audit & 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 2017/18 no information risk issues or significant control weaknesses were identified and the Audit & Risk 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 recommend for approval to Welsh Government the Chief Executive's salary and 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 49.

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

Sport Wales is committed to adhering to the principles of good governance, which includes Board and Committee effectiveness. It has signed up to the sector's 'Governance & Leadership Framework' (GLFW) and under the direction of the Vice Chair, we are developing a robust governance plan, that will incorporate both formal processes, for example full effectiveness reviews of the Board on a biennial basis, annual appraisals for each Board member and also the development of an action plan for adherence to the GLFW, which includes the behavioural aspects of good governance.

At the end of each Board meeting, Members reflect on business and discuss ways by which the Board can be more effective in discharging its responsibilities. The Board is committed to supporting the Executive Team and resolved during the year to nominate individual Board members to work closely with members of the Executive on all major projects, for example the new Community Sport & Activity Project.

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 2018 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 & Risk Committee. As an organisation, the key risks are monitored through appropriate use of the Risk Register. There is a documented Risk Strategy & 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 & 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. Sport Wales' risk management arrangements are subject to an annual internal audit and presented to the Audit & 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 Corporate Risk Register is reviewed at regular intervals by Senior Management, the Risk Management & Assurance Group and the Audit & Risk Committee. In addition, managers present by rotation to the Risk Management & Assurance Group on their specific areas of risk and how they control or mitigate those risks. The new Assurance Framework is similarly reviewed by the Risk Management & Assurance Group.

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.

Procurement

Sport Wales' Internal Auditors undertook a review of procurement activity during 2017/18. This was a follow-up to the audit undertaken in 2016/17. It is pleasing to note that of the one high, and six medium, recommendations made in the previous year's report, the high category recommendation had been implemented and five of the six medium category recommendations had been fully implemented. The remaining recommendation regarding obtaining three written quotes was re-raised following testing. During the year, updated financial procedures were produced and circulated to all staff.

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 & Risk Committee will review these recommendations and action appropriately.

Looking ahead, there are a number of key risks which have been identified at Sport Wales and included in the Corporate Risk Register.

Sport Wales was tasked by the Minister to consult upon, and produce, a new vision for sport in Wales. This will be followed by the development of a new strategy for Sport Wales. Inevitably, there are risks attached to any significant new strategy, but Sport Wales is committed to consulting widely on both strategies in order to produce an inclusive strategy undertaken in line with the ways of working of the Wellbeing of Future Generations Act.

Whilst Sport Wales is grateful to Welsh Government for notification of a cash neutral budget for 2018/19 and a similar indicative allocation for 2019/20, the increased financial cost of meeting pension deficit payments, continues to 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 from 1 April 2016 is meaning a new area of compliance for Sport Wales. We have produced a suite of Well-being objectives that have been approved by the Board following a period of internal and external consultation.

They have been submitted to the Commissioner and are shown on our website.

Sport Wales is working towards ensuring compliance with the General Data Protection Regulation (GDPR) which comes into effect 25 May 2018.

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 Internal Auditors have, for the third consecutive year, given Sport Wales an overall "substantial assurance" rating for the year. It also gave this highest rating category for Sport Wales' corporate governance and risk management arrangements. 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, 24 recommendations were made together with 9 action points. Of the recommendations made, 10 (42%) were classed as 'medium' priority and 14 (58%) were 'low' priority. In terms of follow-up action, 12 out of 15 previous recommendations made (80%) had either been fully implemented or not re-raised by the auditors. Of the remaining 3, 1 has since been implemented, 1 relates to the procurement section above, and the final 1 relates to staffing structure, which is due to be considered during 2018/19.

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' assets, in accordance with the responsibilities assigned to me in Managing Welsh Public Money.

I am responsible for reviewing the effectiveness of the system of internal control. This is overseen by the Board, through the Audit & 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.

The internal audit service for Sport Wales during 2017/18 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.

The contract for the Internal Audit service was tendered during the year. Deloitte LLP were re- appointed for a three year contract, commencing 1 April 2018.

Every year the Audit & 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 continued to review the control system in operation over the National Governing Bodies generally and during 2017/18 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 2018/19.

During 2017/18, Sport Wales continued to strengthen 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.

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 took effect from 1 April 2016. We are one of four pilot organisations working with the Wales Audit Office to develop a future way of auditing those public sector organisations who are responsible for implementing the Act.

Sport Wales intends to introduce an innovative and exciting development with the introduction of the new Community Sport & Activity Project from 2018. This will be a new and collaborative way of delivering community outcomes across Wales. The project will begin in North Wales. We are working with Welsh Government to develop a model to take this forward.

S Powell
Accounting Officer

9 July 2018

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.

Sport Wales currently applies the same grading structure as Welsh Government. However this structure no longer suitably recognises the differing needs and characteristics of Sport Wales' roles. Also, Sport Wales applies a number of allowances to compensate issues with our pay structure, which has led to widespread inequality and unfairness.

During 2017/18, a formal Project Steering group was established which comprised employees from the HR and Finance departments, as well as representatives from PCS, at both local and branch level. A representative from ACAS was also part of the formal team to provide advice and guidance. The Corporate Services Director chaired the group.

In light of the above, Sport Wales proposes the implementation of a new pay and grading structure during 2018/19 to address these issues. In accordance with Sport Wales' Framework Document with Welsh Government, the new structure will require Ministerial approval.

Sport Wales is working throughout the process in collaboration with our recognised Union, Public and Commercial Services (PCS) to devise a new grading structure, pay scales and allowance review. This project is currently ongoing.

Investing in our people

Sport Wales has "Investors in People" status and its human resources policies reflect best practice as part of its commitment 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 Sport Wales being a high performing organisation. Sport Wales is due for re-assessment on the 28 May 2018.

Sickness absence data

The sickness data for employees of the whole organisation for 2017/18 (2016/2017) is as follows:

Total Days Lost	Total Number of Employees (FTE)	Total Sick Days Lost Per Person
906.5 (909)	145.89 (148.53)	6.21 (6.12)

The overall absence rate for 2017/18 is 2.81%. This is a slight increase from the 2016/17 rate of 2.59%, but is still comparable with ONS (Office of National Statistics) published rates for the public sector of 2.9%.

During this period there have been 5 employees on long-term sick leave, 4 of these absences are now concluded and where applicable employees are supported to return to work through adapted work programmes and occupational health provision.

As part of a continued focus on managing absence and employee health effectively, Sport Wales' sickness absence policy will be reviewed during 2018/19, with support from the recognised Trade Union (PCS). This year employees have benefited from initiatives focussed around mental wellbeing. In the coming year Sport Wales will continue to support employees' mental and physical health by signing the Time to Change Wales Mental Health Pledge, corporate participation of the Cardiff Half Marathon, and also re-establishing a cross-departmental wellbeing group to work in support of the Sport Wales wellbeing strategy.

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 benefit scheme 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 or 2.75% to 5.25% if the employee opts for the 50/50 pension scheme. Further details can be found in note 1.5 and note 18 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

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 WSGBs and NHS Bodies" policy.

The Remuneration Committee which consists of Sport Wales' Chair, Vice Chair and Chair of the Audit & Risk Committee supported by Sport Wales' delegated employees meets to agree the pay award for all staff via the Welsh Government's pay remit process. 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 entitled to be remunerated at a daily rate of £337 and is contracted to work around two days per week. The Vice Chair is remunerated at a daily rate of £311 and is contracted to work around three days a month.

Notice Period

The Chief Executive is entitled to four months' notice of termination of contract by Sport Wales and the remaining senior staff are entitled to three months' 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 £96,000 (2016/17 £94,500). No members of staff are eligible for a bonus payment.

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 52. This information is audited.

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	2017-18 £000	2016-17 £000
	2017-18	2016-17	
Gross salary costs			
Chair P Thomas / L McAllister (see note below *)		–	18
Chief Executive S Powell	0.25	24	24
Other Staff	40.07	39.85	1,991
		2,102	2,033
Salaries and wages		1,570	1,544
Social Security costs		158	155
Other Pension costs		528	428
IAS19 adjustments		(130)	(94)
		2,126	2,033

Staff costs are further analysed as follows:

	2017-18 £000	2016-17 £000
Administration	940	1,009
Sports Science Support to Athletes	1,186	1,024
	2,126	2,033

* 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. L Conway elected not to take a salary whilst in the role of Chair.

Remuneration (subject to audit)

Name	Title	% Apportioned to Lottery 2017-18 (2016-17)	Salary £000 2017-18 (2016-17)	Pension Benefit £ 2017-18 (2016-17)	Total 000 2017-18 (2016-17)
Mr Lawrence Conway ¹	Chair	–	–	–	–
Ms Pippa Britton ⁵	Vice Chair	(50%)	5 – 10	–	5 – 10
Dr Paul Thomas ²	Chair	(50%)	(40 – 45)	–	(40 – 45)
Mrs Adele Baumgardt ²	Vice Chair	(50%)	(15 – 20)	–	(15 – 20)
Ms Sarah Powell	Chief Executive	25% (25%)	95 – 100 (90 – 95)	26,000 (28,000)	120 – 125 (120 – 125)
Mr Graham Williams	Corporate Director	25% (25%)	55 – 60 (55 – 60)	4,000 (29,000)	60 – 65 (85 – 90)
Mr Brian Davies	Corporate Director	80% (80%)	55 – 60 (55 – 60)	21,000 (25,000)	80 – 85 (80 – 85)
Mr Jonathan Davies ³	Corporate Director	50% (50%)	20 – 25 (55 – 60)	6,000 (18,000)	25 – 30 (75 – 80)
Mr Peter Curran	Corporate Director	25% (25%)	60 – 65 (60 – 65)	19,000 (20,000)	80 – 85 (80 – 85)
Mr Malcolm Zapple	Manager Sport Wales National Centre	0% (0%)	50 – 55 (50 – 55)	7,000 (33,000)	65 – 70 (90 – 95)
Mr Steven Morgan	Manager Plas Menai Watersports Centre	0% (0%)	0 – 5 (5 – 10)	81,000 (16,000)	130 – 135 (65 – 70)
Prof. John Baylis ⁴	Council Member	50% (50%)	0 – 5 (5 – 10)	–	0 – 5 (5 – 10)
Mr Simon Pirotte ⁴	Council Member	50% (50%)	5 – 10 (5 – 10)	–	0 – 5 (5 – 10)
Ms Johanna Sheppard ⁶	Council Member	50% (50%)	5 – 10 (5 – 10)	–	5 – 10 (5 – 10)
Ms Julia Longville ⁷	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 ⁴	Council Member	50% (50%)	0 – 5 (5 – 10)	–	0 – 5 (5 – 10)
Ms Sama Small (nee Wafa)	Council Member	50% (50%)	5 – 10 (5 – 10)	–	5 – 10 (5 – 10)
Mr Andrew Lycett ⁴	Council Member	50% (50%)	0 – 5 (5 – 10)	–	0 – 5 (5 – 10)
Mr Richard Parks	Council Member	50% (50%)	5 – 10 (5 – 10)	–	5 – 10 (5 – 10)
Mr Ashok Ahir ⁵	Council Member	50% –	0 – 5 –	–	0 – 5 –
Mr Ian Bancroft ⁵	Council Member	50% –	0 – 5 –	–	0 – 5 –
Mr Christian Malcolm ⁵	Council Member	50% –	0 – 5 –	–	0 – 5 –
Ms Alison Thorne ⁵	Council Member	50% –	0 – 5 –	–	0 – 5 –

- ¹ Lawrence Conway elected not to take a salary whilst in the role of Chair.
² Terminated 29 March 2017
³ Left 4 August 2017
⁴ Retired 31 August 2017
⁵ Appointed 1 October 2017
⁶ On Maternity leave from 1 January 2018. Elected not to receive payment whilst on Maternity leave.
⁷ Vice Chair between 17 April and 30 September 2017

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:

(real increase in pension* x 20) + (real increase in lump sum*) – (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 of Senior Managers (subject to audit)

Name	Real increase in Pension (and lump sum) at age 65 for 2017-18	Total accrued Pension (and lump sum) at age 65 at 31 March 2018	CETV at 31 March 2018	CETV at 31 March 2017	Real Increase/ (Decrease) CETV in Year
	£000	£000	£000	£000	£000
Ms Sarah Powell <i>Chief Executive</i>	0 – 2.5 (-0.0 – 2.5)	25 – 30 (35 – 40)	381	347	23
Mr Peter Curran <i>Corporate Director</i>	0.0 – 2.5 (0.0 – 2.5)	0 – 5 (0 – 5)	50	33	11
Mr Steven Morgan <i>Manager Plas Menai Watersports Centre</i>	2.5 – 5.0 (0.0 – 2.5)	5 – 10 (0 – 5)	68	20	44**
Mr Malcolm Zapple <i>Manager Sport Wales National Centre</i>	0.0 – 2.5 (-0.0 – 2.5)	25 – 30 (45 – 50)	497	470	22
Mr Brian Davies <i>Corporate Director</i>	0.0 – 2.5 (0.0 – 2.5)	10 – 15 (0 – 5)	162	140	17
Mr Jonathan Davies* <i>Corporate Director</i>	0.0 – 2.5 (0.0 – 2.5)	0 – 5 (0 – 5)	42	36	4
Mr Graham Williams <i>Corporate Director</i>	0.0 – 2.5 (-0.0 – 2.5)	20 – 25 (30 – 35)	320	303	12

*Jonathan Davies left 4 Aug 2017.

**Private pension was amalgamated during the year.

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 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.

	2017-18	2016-17
Band of Highest Paid Director's Total Remuneration (£'000)	95 – 100	90 – 95
Median Total Remuneration	28,496	26,400
Ratio	3.4	3.5

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 a decrease in the median ratio of 0.1%. This was due to a pay award during 2017/18 that saw larger percentage increases for staff on lower salaries.

Remuneration ranged from £16,300 to £96,000 (2016/17 remuneration ranged from £16,000 to £94,500).

Tax Policy for Off-Payroll Appointees

As at 31 March 2018, there were 5 arrangements that had existed (2016/17, 5 arrangements, restated). Of which, 4 arrangements have been in place for 4 years or more and 1 arrangement in place between 2 and 3 years. All arrangements have been assessed as not having been caught by IR35. 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 75% male and 25% female. Of the remaining permanent employees 50% are male and 50% female.

S Powell
Accounting Officer

9 July 2018

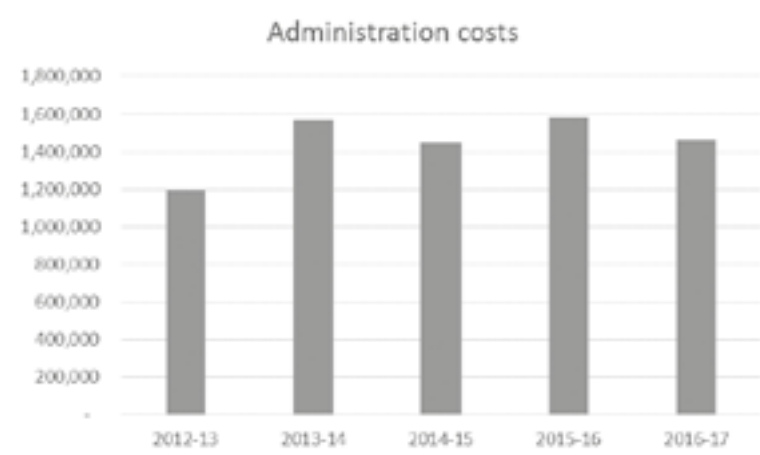
Parliamentary Accountability and Audit Report

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 2017-18 there have been no losses, special payments or gifts made. There has also been no material fees or charges income.

S Powell
Accounting Officer

9 July 2018

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

Opinion on financial statements

I certify that I have audited the financial statements of the Sports Council for Wales Lottery Distribution Account for the year ended 31 March 2018 under the National Lottery etc. Act 1993. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows and Changes in Taxpayers' Equity, and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Sports Council for Wales Lottery Distribution Account affairs as at 31 March 2018 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the 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.

Basis of opinions

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

Respective responsibilities of the Council and Accounting Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sports Council for Wales Lottery Distribution Account's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sports Council for Wales Lottery Distribution Account's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

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

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the National Lottery etc. Act 1993; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Annual Governance Statement 2017-18 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

16 July 2018

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

Statement of Comprehensive Net Expenditure for the year ended 31 March 2018

	Notes	2017-18 £000	2016-17 £000
Expenditure			
Grant commitments made in year	3	14,412	14,607
Less lapsed and revoked commitments	3	(325)	(142)
Staff costs	7	2,126	2,033
Depreciation	9	46	46
Other operating costs	8	362	285
Total Expenditure		16,621	16,829
Gross Income			
Proceeds from National Lottery Distribution Fund (NLDF)	11	(14,752)	(14,695)
Investment returns from the NLDF	11	(43)	(48)
Recoveries of grant		(86)	(16)
Other income	8	(203)	(482)
Total Income		(15,084)	(15,241)
Net expenditure/(income) from activities		1,537	1,588
Other Comprehensive Income/Expenditure			
Loss/(gain) on the revaluation of NLDF investments		-	-
Pension finance cost	18	74	82
Actuarial loss/(gain) on pension	18	286	655
		360	737
Net expenditure/(income) before interest and taxation		1,897	2,325
Interest receivable		(1)	(1)
Net expenditure/(income) before taxation		1,896	2,324
Taxation Payable	6	-	-
Net expenditure/(income) after taxation		1,896	2,324
Total Comprehensive expenditure/(income) for the year ended 31 March 2018			
Balance at 1 April		(13,870)	(16,194)
Balance at 31 March		(11,974)	(13,870)

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 49 to 63 form part of these accounts.

Statement of Financial Position for the year ended 31 March 2018

	Notes	31 March 2018 £000	31 March 2017 £000
Non current assets			
Property, plant and equipment	9	194	210
Current assets			
Trade receivables and other current assets	10	155	107
Investments-balance held in NLDF	11	15,541	18,083
Cash and cash equivalents	13	573	1,096
Total Current Assets		16,269	19,286
Total assets		16,463	19,496
Current liabilities			
Grant accrual	3	(580)	(1,703)
Other current liabilities	12	(729)	(813)
Total Current liabilities		(1,309)	(2,516)
Non Current assets plus net current assets		15,154	16,980
Non current liabilities			
Grant accrual	3	(6)	(166)
Pension Liability	18	(3,174)	(2,944)
		(3,180)	(3,110)
Assets less liabilities		11,974	13,870
Reserves:			
Income and expenditure reserve		15,148	16,814
Pension Reserve	18	(3,174)	(2,944)
		11,974	13,870

The notes on pages 49 to 63 form part of these accounts.

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

S Powell
Accounting Officer

9 July 2018

Statement of Cash Flows for the year ended 31 March 2018

	Notes	2017-18 £000	2016-17 £000
Cash flow from operating activities			
Total comprehensive (expenditure)		(1,896)	(2,324)
(Increase)/Decrease in debtors	10	(81)	3
(Decrease) creditors	3, 12	(1,367)	(893)
Decrease in balance held at NLDF	11	2,542	3,583
Interest received		(1)	(1)
Depreciation of plant and equipment	9	46	46
Pension Cost	18	230	642
Net cash (outflow)/inflow from operating activities		(527)	1,056
Cash flow from investing activities			
Interest received		1	1
Cash flow from financing activities			
Purchase of property, plant and equipment	9	(30)	(71)
Loan repayments	10	33	33
Taxation			
Corporation tax paid		-	-
Net cash (outflow)/inflow for the year	13	(523)	1,019
Net decrease in cash and cash equivalents in the period			
Cash and cash equivalents at the beginning of the period		1,096	77
Cash and cash equivalents at the end of the period		573	1096
		(523)	1,019

The notes on pages 49 to 63 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 2018

	Balances held in NLDF £000	Balances held at SCW £000	Pension Reserve £000	Total £000
Balance at 1 April 2016	21,666	(3,170)	(2,302)	16,194
Changes in Taxpayers' Equity 2016-17				
Income from the National Lottery	14,695	-	-	14,695
Drawn down in year by Sport Wales	(18,300)	18,300	-	-
Investment returns	48	1	-	49
Other Operating Income	-	482	-	482
Recoveries of grants	-	16	-	16
Expenditure in year	(26)	(16,898)	-	(16,924)
Pension Cost	-	-	(642)	(642)
Balance as at 31 March 2016	18,083	(1,269)	(2,944)	13,870

	Balances held in NLDF £000	Balances held at SCW £000	Pension Reserve £000	Total £000
Changes in Taxpayers' Equity 2017-18				
Income from the National Lottery	14,752	-	-	14,752
Drawn down in year by Sport Wales	(17,300)	17,300	-	-
Investment returns	42	1	-	43
Other Operating Income	-	203	-	203
Recoveries of grants	-	86	-	86
Expenditure in year	(36)	(16,714)	-	(16,750)
Pension Cost	-	-	(230)	(230)
Balance at 31 March 2018	15,541	(393)	(3,174)	11,974

The notes on pages 49 to 63 form part of these accounts.

Notes to the Accounts for the year ended 31 March 2018

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 Digital, 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 are prepared in accordance with the 2017/18 Government Financial Reporting Manual (IFRS based FReM) IFRS issued by HM Treasury.

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 Digital, 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 Digital, 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 Digital, 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 2018 at the NLDF, is unaudited as the audit of the Fund is incomplete. Any adjustment arising from that audit will be reflected in the 2018/19 accounts and is not expected to be material. The opening balance of the fund was not adjusted for 2016/17.

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

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

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 Expenditure 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 Expenditure 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. Note 18 relates to pension costs apportioned to Lottery based on historic averaged apportionment of staff costs.

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.

1.11 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. There is considered to be a single operating segment for the distribution of lottery funds.

1.12 Newly Issued Accounting Standards Not Yet Effective

The application of any new or amended IFRS standards is governed by their adoption by the FReM. Sport Wales applies changes to standards when they become effective. There are no known material impacts from IFRS changes that have been issued and are not yet effective on the financial statements in the period of initial application.

2 Grants met in the year

Programme	2017-18 £000	2016-17 £000
Elite Cymru	3,506	3,265
Coach Cymru	2,697	2,633
National Performance	1,063	978
National Coaching	924	975
Disability Sport	566	578
Community Chest	1,691	1,790
Lottery Growth	165	–
Leadership	54	67
	<u>10,666</u>	<u>10,286</u>

Community Chest includes an amount of £62,464 (2016/17 £62,489) paid in respect of administration costs of local authorities who administer the grant scheme at local level.

Capital Grants	2017-18 £000	2016-17 £000
Capital	–	171
Development Grants	3,955	3,549
Calls for Action	749	1,206
	<u>4,704</u>	<u>4,926</u>

The grant figures in the notes above includes £595,968 direct expenditure incurred on behalf of grant recipients (£465,103 in 2016/17).

3 Grant accrual

	Capital £000	Revenue £000	2017-18 Total £000	2016-17 Total £000
Balance at 1 April	<u>1,712</u>	<u>157</u>	<u>1,869</u>	2,616
Grant offers met in the year	(4,704)	(10,666)	(15,370)	(15,212)
Grant offers not taken up	(204)	(121)	(325)	(142)
Grant offers made in the year	<u>3,746</u>	<u>10,666</u>	<u>14,412</u>	14,607
Movement in year	<u>(1,162)</u>	<u>(121)</u>	<u>(1,283)</u>	(747)
Accruals balance as at 31 March	<u>550</u>	<u>36</u>	<u>586</u>	1,869
Analysed as:				
Amounts falling due within one year	544	36	580	1,703
Amounts falling due after one year	<u>6</u>	<u>-</u>	<u>6</u>	166

Analysis of expected timing of cash flows

	2017-18 £000	2016-17 £000
Amounts due during 2017-18 Financial Year	-	1,703
Amounts due during 2018-19 Financial Year	580	166
Amounts due during 2019-20 Financial Year	6	-
Balance at 31 March 2017	<u>586</u>	<u>1,869</u>
	2017-18 £000	2016-17 £000
Intra-government balances		
Balances with other central government bodies	45	45
Balance with local authorities	<u>74</u>	<u>188</u>
	119	233
Balance with bodies external to government	<u>457</u>	<u>1,636</u>
	586	1,869

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. (see note 4).

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.

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

4 Contingent Grant Liabilities

	2017-18 £000	2016-17 £000
Grant Liability	820	1,780
	820	1,780

5 Capital commitments

At 31 March 2018, the Lottery account had no contractual commitments for Capital and Property, Plant and Equipment (2016/2017 Nil).

6 Taxation payable

	2017-18 £000	2015-16 £000
Tax payable on interest received at 20% (2016/2017 - 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	2017-18 £000	2016-17 £000
	2017-18	2016-17	
Gross salary costs			
Chair P Thomas (see note below *)		-	18
Chief Executive S Powell	0.25	0.25	24
Other Staff	40.07	39.85	1,991
		2,102	2,033
Salaries and wages		1,570	1,544
Social Security costs		158	155
Other Pension costs		528	428
IAS19 adjustments		(130)	(94)
		2,126	2,033

Other Pension costs totalling £528,000, include a lump sum contribution of £212,880 towards the net pension liability (2016/17 £160,800). The remainder is the employer pension cost allocated to lottery based on individual employee time apportionment to lottery work.

IAS19 Employee Benefits requires an actuarially calculated figure (current and past service cost) to be charged to the Statement of Comprehensive Net Expenditure (SoCNE). For 2017/18, the actual employer's contribution was (£463,000) (24% of £1,930,000). The lottery apportioned current and past service cost for 2017/18 totalled £333,000 (24% of £1,390,000) which must replace the actual employer's pension costs included in the SoCNE. Therefore the net effect was (£130,000) 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. Further details can be found in note 18.

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:

	2017-18 £000	2016-17 £000
Administration	940	1,009
Sports Science Support to Athletes	1,186	1,024
	<u>2,126</u>	<u>2,033</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. L Conway elected not to take a salary whilst in the role of Chair.

8 Other operating costs and other income

Costs	2017-18 £000	2016-17 £000
Direct costs	105	80
Accommodation	67	33
Audit Fee	19	19
Recharges for Sports Wales Services	171	153
	<u>362</u>	<u>285</u>
	2017-18 £000	2016-17 £000
Income		
Grant repayment due to sale of land	-	220
UK Sport Grant	203	262
	<u>203</u>	<u>482</u>

9 Property, plant and equipment

	Equipment £000	Total £000
Cost or Valuation at 1 April 2017	448	448
Additions	30	30
Disposals	(8)	(8)
At 31 March 2018	<u>470</u>	<u>470</u>
Depreciation at 1 April 2017	(238)	(238)
Charge for the year	(46)	(46)
Disposals	8	8
At 31 March 2018	<u>(276)</u>	<u>(276)</u>
Net Book Value at 31 March 2018	<u>194</u>	<u>194</u>
Net Book Value at 31 March 2017	<u>210</u>	<u>210</u>
	Equipment £000	Total £000
Cost or Valuation at 1 April 2016	380	380
Additions	71	71
Disposals	(3)	(3)
At 31 March 2017	<u>448</u>	<u>448</u>
Depreciation at 1 April 2016	(195)	(195)
Charge for the year	(46)	(46)
Disposals	3	3
At 31 March 2017	<u>(238)</u>	<u>(238)</u>
Net Book Value at 31 March 2017	<u>210</u>	<u>210</u>
Net Book Value at 31 March 2016	<u>185</u>	<u>185</u>

10 Trade receivables and other current assets

	31 March 2018 £000	31 March 2017 £000
Due within one year		
Other receivables	<u>142</u>	<u>68</u>
Due within more than one year		
Other receivables and prepayments	<u>13</u>	<u>39</u>
Total	<u>155</u>	<u>107</u>

Included in other receivables is £38,000 (2016/2017 £71,000) in respect of interest free loans made over a period of up to 10 years.

	31 March 2018 £000	31 March 2017 £000
Intra-government balances		
Balances with other central government bodies	-	-
Balance with local authorities	<u>67</u>	<u>37</u>
	67	37
Balance with bodies external to government	<u>88</u>	<u>70</u>
	<u>155</u>	<u>107</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 National Lottery Distribution Fund

	Balances held in NLDF £000
Balance at 1 April 2016	21,666
Changes in Taxpayers' Equity 2016/17	
Income from the National Lottery	14,695
Drawn down in year by Sport Wales	(18,300)
Investment Returns	48
Other Operating Income	-
Recoveries of grants	-
Expenditure in year	(26)
Pension Cost	-
Balance as at 31 March 2017	<u>18,083</u>
Changes in Taxpayers' Equity 2017/18	
Income from the National Lottery	14,752
Drawn down in year by Sport Wales	(17,300)
Investment Returns	42
Other Operating Income	-
Recoveries of grants	-
Expenditure in year	(36)
Pension Cost	-
Balance as at 31 March 2018	<u>15,541</u>

The above balances agree to the National Lottery Distribution Fund (NLDF) statement issued by the Department for Digital, Culture, Media and Sport (DCMS).

12 Trade payables and other current liabilities

	31 March 2018 £000	31 March 2017 £000
Sport Wales	710	794
Accruals	19	19
	729	813
	31 March 2018 £000	31 March 2017 £000
Intra-government balances		
Balances with other central government bodies	710	794
Balance with local authorities	-	-
	710	794
Balance with bodies external to government	19	19
	729	813

13 Analysis of changes in cash and cash equivalents

	2017/2018 £000	2016/2017 £000
As at 1 April	1,096	77
Net change in cash and cash equivalent balances	(523)	1,019
As at 31 March	573	1,096

All cash is held in commercial bank accounts.

14 Contingent liabilities

With the exception of contingent grant liabilities, disclosed in Note 4, there were no other contingent liabilities at 31 March 2017 and 31 March 2018 requiring disclosure.

15 Contingent assets

15.1

The National Lottery Distributors are entitled to receive a share of receipts from the sale of land on Queen Elizabeth Olympic Park in return for their contribution of an additional £675m to the funding of the London 2012 Olympic and Paralympic Games. This was announced in 2007. The arrangements are set out in a legal agreement between the Secretary of State and the Greater London Authority dated 29th March 2012 which sets out the distribution of funds between the GLA and the lottery distributors (via DCMS). Land sales are likely to take place over a lengthy period, estimated to be from 2016-17 to 2036-37. DCMS estimates the first payments to the Lottery Distributors to come through around 2020-21.

15.2

In February 2004, Sport Wales awarded a grant of £2.9 million to the City & County of Swansea, towards project costs of £7.1 million, relating to the relocation of both Swansea City Football Club (from the Vetch Field) and the Ospreys rugby team (from St Helen's) to the area previously known as the Morfa (now the site of the Liberty Stadium). The Sport Wales award of grant was specifically aimed at relocating the existing artificial pitches, natural turf pitches and athletics track from the Morfa site to other locations across Swansea. Also included was the construction of new changing facilities. It was this relocation of facilities that enabled City & County of Swansea to develop the Morfa site into a sporting and retail centre.

The award was subject to a Sportlot contract of 21 years, expiring on 11th February 2025. The terms and conditions of this grant award continue to be met. In return for the investment, Sport Wales agreed legal charges on three separate areas of land in Swansea, namely The Vetch Field, St Helens and the Leisure Box which is adjacent to the Liberty Stadium. The deed of charge was signed on 11 February 2005 and is valid for 21 years.

The City & County of Swansea wish to extend the Liberty Stadium and therefore require Sport Wales to lift two charges it has on the Leisure Box site to be sold for retail and food outlet usage. Further to an independent valuation by Cooke & Arkwright, Chartered Surveyors in accordance with the Royal Institute Chartered Surveyors Appraisal and Valuation manual, the land has been valued at £525k. The sale is due to be completed during early 2018/19 at which point the value of the charge on the land will be transferred to Sport Wales Lottery account.

16 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 2017/18, £14,752,000 or 97.8% of income derived from the National Lottery (2016/17 £14,695,000 or 96.4%). Of the remaining income, £43,000 or 0.3%, derived from investment returns from the balance held with the National Lottery Distribution Fund, (2016/17 £48,000 or 0.3%), and £289,000 or 1.9% from sundry income (2016/17 £498,000 or 3.3%). 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% (2016/17 0.50%) in the year. The cash balance at the year-end was £573,000 (2016/17 £1,096,000). Sport Wales considers that its Lottery function is not exposed to significant interest rate risks. Included in receivables (note 10) is £38,000 (2016/17 £71,000) which relates to interest free loans. If interest had been charged at a treasury rate of 3.5% then £1,330 (2016/17 3.5% £2,485) 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.

17 Related party transactions

Public bodies

The Lottery operations of Sport Wales are funded from the National Lottery Fund through the Department for Digital, Culture, Media and Sport. The Department is regarded as a related party.

Individuals

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 are shown below. Any declaration of interest for items discussed in meetings must be declared by the individual, who will withdraw for that section of the meeting.

Member's Panel	Body	Grant Payment/ (Income) in Year £000	Nature of link	Hard Grant Commitments not yet met
S Powell CEO	Welsh Hockey Union	263	Member	–
S Powell CEO	Swansea University	(27)	Honorary Fellow	34
J Sheppard Council Member	Welsh Netball	217	Mother - Employee Welsh Netball Assoc	–
J Sheppard Council Member	Rhondda Cynon Taff CBC	83	Sister - Former employee Rhondda Cynon Taff CBC	10
J Sheppard Council Member	Badminton Wales	105	Sister - Chair Badminton Wales	–
J Sheppard Council Member	Welsh Rugby Union	195	Father - Match official Welsh Rugby Union	–
J Sheppard Council Member	Golf Union of Wales	245	Sister - Board Member	–
J Longville Council Member	Cardiff Metropolitan University	218	Principle Lecturer at University	–
J Longville Council Member	Welsh Netball	217	Chair of Selectors and Coach	–
J Longville Council Member	Welsh Gymnastics Ltd	752	Mentor to High Performance Coach	13
J Longville Council Member	Welsh Athletics	764	Son is Member	3
R Parks Council Member	Snowsport Cymru Wales	35	Ambassador	–
C Malcolm Council Member	Welsh Athletics	764	Board Member & Lead Coach	3
P Curran Corporate Director	Swansea University	(27)	Partner is Lead Academic	34

Member's Panel	Body	Grant Payment/ (Income) in Year £000	Nature of link	Hard Grant Commitments not yet met
S Pirotte <i>Council Member</i>	Colegau Cymru	271	Board Member	28
G Williams <i>Corporate Director</i>	Welsh Netball	217	Children - Members	–
G Williams <i>Corporate Director</i>	Tennis Wales	91	Wife - Member	–
B Davies <i>Corporate Director</i>	Welsh Gymnastics	752	Spouse Coach	13
B Davies <i>Corporate Director</i>	Chepstow RFC	12	Member	3
S Small <i>Council Member</i>	Cardiff City Council	134	Immediate Family - Former Instructor	–
S Small <i>Council Member</i>	Welsh Football Trust	356	Member	–
I Bancroft <i>Council Member</i>	Flintshire County Council	22	Employee	–
Steven Morgan <i>Manager, Plas Menai</i>	Bangor Gymnastics Club	5	Daughter is member	–
Steven Morgan <i>Manager, Plas Menai</i>	Welsh Gymnastics	752	Daughter is member	13
Steven Morgan <i>Manager, Plas Menai</i>	URDD	250	Daughter is member	–

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 and Staff Reports on pages 35 to 40.

18 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 Expenditure, 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 2017/18 this is Lottery Accounts 24% and Sports Council for Wales Consolidated Accounts 76%.

Sport Wales made a total pension contribution in 2017/18 of £1,930,000 (2016/17 £1,550,000) which is analysed as follows:

- Employers Pension contributions £989,000 representing 24.2% of pensionable pay (2016/17 £876,000 20.2%)
- Advanced contributions in respect of early retirement cost £58,000 (2016/17 £0)
- Lump Sum Contribution of £887,000 (24% of which was met by Lottery), (2016/17 £670,000 of which 24% met by Lottery)

The rate of employer's pension contributions from 2017/18 will be 24.2%. This has been set as a result of the last triennial valuation of the scheme which was carried out as at 31 March 2016. Sport Wales expects to contribute £1,960,000 to the fund in 2018/19, which includes a contribution towards the pension deficit of £914,000. In addition to this "strain on fund" contributions may be required as well.

The full pension cost to Sports Council of Wales is £310,000 of which £236,000 (2016/17 £258,000) is allocated to the consolidated accounts, with the remainder of £74,000 (2016/17 £82,000) allocated to Lottery.

The full actuarial loss on pension to Sports Council of Wales is £1,190,000 of which £904,000 (2016/17 £2,075,000) is allocated to the consolidated accounts, with the remainder of £286,000 (2016/17 £655,000) allocated to Lottery.

The full pension liability to Sports Council of Wales is £13,650,000, of which £10,476,000 (2016/17 £9,746,000) is allocated to the consolidated accounts, with the remainder of £3,174,000 (2016/17 £2,944,000) allocated to Lottery. The Lottery pension liability is adjusted by £102,000 to accommodate the net impact of historic changes in apportionment of staff costs to the Lottery account with the offset £102,000 allocated to the pension liability in the Sports Council for Wales consolidated accounts.

Main Financial Assumptions

	31 March 2018	31 March 2017	31 March 2016
Discount Rate	2.6	2.6	3.5
Inflation – CPI	2.1	2.0	1.8
Rate of increase to pensions in payment	2.1	2.0	1.8
Rate of increase to deferred pensions	2.1	2.0	1.8
Rate of general increase in salaries	3.1	3.0	2.8
Mortality assumptions:			
Future lifetime from age 65 (aged 65 at accounting date)			
– Male	23.1	23.0	23.8
– Female	25.8	25.7	26.8
Future lifetime from age 65 (aged 45 at accounting date)			
– Male	24.2	24.0	25.9
– Female	27.2	27.1	29.1

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 2018.

Analysis of movements in surplus (deficit) during the year

	31 March 2018 £m	31 March 2017 £m
Fair value of fund assets	42.87	40.34
Present value of liabilities	(56.52)	(53.03)
(Deficit) in scheme at end of year	(13.65)	(12.69)

Analysis of amount charged to Operating Costs

	31 March 2018 £m	31 March 2017 £m
Current service cost	1.33	1.16
Past service cost	0.06	0.00
Interest cost	0.31	0.34
Expense recognised	1.70	1.50

Remeasurement of amounts recognised in Other Comprehensive Expenditure

	31 March 2018 £m	31 March 2017 £m
Return on plan assets in excess of that recognised in net interest	(0.17)	(7.00)
Actuarial (gains)/losses due to change in financial assumptions	1.07	11.37
Actuarial losses/(gains) due to change in demographic assumptions	0.00	(4.02)
Actuarial losses due to liability experience	0.29	2.38
Total amount recognised in Other Comprehensive Expenditure	1.19	2.73
Total amount recognised	2.89	4.23

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

	31 March 2018 £m	31 March 2017 £m
Opening defined benefit obligation	53.03	41.36
Current service cost	1.33	1.16
Interest expense on defined pension obligation	1.37	1.44
Contributions by participants	0.29	0.31
Actuarial losses/(gains) on liabilities – financial assumptions	1.07	11.37
Actuarial (gains)/losses on liabilities – demographic assumptions	0.00	(4.02)
Actuarial losses on liabilities – experience	0.29	2.38
Net benefits paid out	(0.92)	(0.97)
Past service cost (including curtailments)	0.06	0.00
Closing defined benefit obligation	<u>56.52</u>	<u>53.03</u>

Changes to the fair value of assets during the year

	31 March 2018 £m	31 March 2017 £m
Opening fair value of assets	40.34	31.35
Interest income on assets	1.06	1.10
Remeasurement gain/(losses) on assets	0.17	7.00
Contributions by the employer	1.93	1.55
Contributions by participants	0.29	0.31
Net benefits paid out	(0.92)	(0.97)
Closing fair value of assets	<u>42.87</u>	<u>40.34</u>

Actual return on assets

	31 March 2017 £m	31 March 2017 £m
Expected return on assets	1.06	1.10
Actuarial gain/(loss) on assets	0.17	7.00
Actual return on assets	1.23	8.10

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

	31 March 2018 £m	31 March 2017 £m	31 March 2016 £m	31 March 2015 £m	31 March 2014 £m	31 March 2013 £m
Fair value of assets	42.87	40.34	31.35	30.40	26.37	22.48
Present value of defined benefit obligation	(56.52)	(53.03)	(41.36)	(42.57)	(36.64)	(41.67)
(Deficit)	<u>(13.65)</u>	<u>(12.69)</u>	<u>(10.01)</u>	<u>(12.17)</u>	<u>(10.27)</u>	<u>(19.19)</u>

19 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.

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