

SPORTS COUNCIL FOR WALES LOTTERY DISTRIBUTION ACCOUNT
(SPORTLOT)

FOREWORD

HISTORY & STATUTORY BACKGROUND

The National Lottery Act 1993 (as amended) nominated the Sports Council for Wales as the body responsible for distributing funds generated by the lottery to sport in Wales. In November 1994, the Council launched the Lottery Fund for Sport in Wales through the creation of a separate and distinct identity: SPORTLOT. All work related to the Lottery is integrated into the Council's operation. The duties of SPORTLOT are carried out pursuant to the account directions issued by the Secretary of State for Wales, in accordance with Section 26(1) of the National Lottery Act (1993) and the Statement of Financial Requirements issued under Section 26(3) of the Act. A copy of the Accounts Direction is available for inspection at the Sports Council's offices at Sophia Gardens, Cardiff.

FINANCIAL RESULTS

The increase in funds after taking account of costs incurred for the financial year amounted to £5,729,000 (2000/2001 decrease £4,487,000). This has been transferred to reserves.

REVIEW OF NATIONAL LOTTERY DISTRIBUTION ACTIVITIES

Capital Grants

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

Capital grant payments totalling £6,529,000 (2000/2001 £4,997,000) were made during the year. The amount provided in the accounts for hard commitments (signed contracts) relating to capital grants fell by £1.6 million in 2001/2002 compared to an increase in 2000/2001 of £7.4 million. This reflects a decline in the number of applications for capital projects which now is now being addressed in a significant way through the introduction of the Community Investment Programme. The Programme will target areas in greatest need of local authority investment to improve the long-term sustainability of key sports facilities.

Revenue Grants

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

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

Revenue grants payments during the financial year totalled £2,923,000 (2000/2001 £2,119,000). This amount comprised expenditure on the following schemes:

Programme	2001/02	2000/01
	£000	£000
UKSI HQ	-	87
Elite Cymru	802	792
Coach Cymru	533	288
Dragon Sport	591	147
Disability Sport	69	8
Community Chest	928	797
	<hr/> <hr/>	<hr/> <hr/>
	2,923	2,119

The Elite Cymru scheme, including sporting academies, provides a support service for talented individuals (currently 188 in number), who have the potential to succeed at the highest levels. The Coach Cymru scheme aims to improve the quality of coaching provision at regional and national levels, especially in relation to elite provision. Dragon Sport focuses on children aged 7 to 11 years and on the recruitment of volunteers to provide extra-curricular sports clubs for children. Disability Sport Cymru aims to create and expand the membership of disability- specific and able-bodied clubs. It also aims to recruit young people with disabilities from schools. The Community Chest scheme supports sports development initiatives at local level.

DISABLED PERSONS

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

EMPLOYEE CONSULTATION

The Council recognises the importance of keeping its employees fully up to date with developments and changes, both within the organisation and those with which the Council is involved externally. Improving its internal communications is an ongoing objective, through the investment of both staff and employee representatives. A Staff Council with management and union representatives meets regularly to discuss matters of concern including terms and conditions of employment.

MEMBERS OF THE SPORTLOT PANELS

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

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

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

The panel members are listed below:

National

* Mr Ron Jones
Ms Helen Croft (**appointed 1 April 2001**)
*Mr Lynn Davies
Mrs Pru Davis (**appointed 1 April 2001**)
Mrs Jill Edwards (**retired 31 March 2002**)
*Ms Tanni Grey-Thompson MBE
*Mr Ieuan Lewis
*Mr Philip Lloyd Jones
Ms Angharad Mair (**retired 31 March 2002**)
Mr Robin P Morrison (**retired 31 March 2002**)
Cllr John Pembridge (**appointed 1 April 2000**)
Mr John Powell (**reappointed 1 April 2000**)
Mr Aled Roberts (**appointed 1 April 2001**)

South West

*Miss Anne Ellis MBE
Mr Alun Wyn Bevan (**appointed 1 April 2001**)
*Mr David Davies
Mr John Deason (**reappointed 1 April 2001**)
*Cllr Keith Evans
Dr Lesley J Evans-Worthing (**retired 31 March 2002**)
Ms Deborah John (**reappointed 1 April 2001**)
Cllr Ryan Jones (**retired 31 March 2002**)
Mr J O Peake (**retired 31 March 2002**)
Mr Berwyn Price (**appointed 1 April 2000**)
Mr Ray Quant (**appointed 1 April 2000**)
Mr Eiron Richards (**appointed 1 April 2000**)
Mr P Huw Thomas (**appointed 1 April 2000**)

National Excellence

*Miss Anne Ellis MBE
Mr Rhodri Davies
*Ms Tanni Grey-Thompson MBE
Mr John Hinchcliffe
*Mr Nicky Piper
Mr Berwyn Price
Mr Mark Tattersall
*Mr Robert Turner
Mr Nigel Walker
*Member of the Sports Council for Wales

South East

*Mr Nicky Piper
Mr Graham Down (**appointed 1 April 2001**)
Cllr Jeff Edwards (**appointed 1 April 2001**)
*Miss Lynette Harries
Mr Eric Hitchings (**appointed 1 April 2000**)
Mrs Linda Ingram (**retired 31 March 2002**)
Mr Chris Jennings (**appointed 1 April 2000**)
Dr Hilary Matheson (**retired 31 March 2002**)
*Ms Delyth Morgan
Mr John Parsons (**appointed 1 April 2000**)
Mr Iain Varah (**appointed 1 April 2001**)

North

*Mr Philip Lloyd Jones
Mrs Sally R Davies (**reappointed 1 April 2001**)
Cllr R Mark Davies (**appointed 1 April 2001**)
Mr Ian Gunning (**appointed 1 April 2000**)
Mr Mike Hornby (**appointed 1 April 2001**)
Mr David James (**appointed 1 April 2001**)
*Mr Ieuan Lewis
Mrs Buddug Llwyd Jones (**appointed 1 April 2000**)
Mr Bob Lowe (**retired 31 March 2002**)
Dr Wyn Morgan (**appointed 1 April 2000**)

APPOINTMENT OF AUDITORS

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

ACCOUNTING OFFICER : Dr H.G. Jones

11 July 2002

Statement of the Council's and Chief Executive's Responsibilities

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

In preparing the accounts the Council is required to :

- Observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgments and estimates on a reasonable basis;
- State whether appropriate accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the fund will continue in operation.

The Principal Accounting Officer for the Assembly has designated the Chief Executive as Accounting Officer for the Council. His relevant responsibilities as Accounting Officer for Lottery distribution activities, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers Memorandum issued by the Treasury and published in Government Accounting.

Statement on Internal Control

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

The system of internal control operated by the Sports Council for Wales is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable, and not absolute, assurance against material misstatement or loss. It is based on an ongoing process designed to identify the principal risks to the achievement of the Council's aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The Sports Council for Wales expects to have all the procedures in place before March 2003 necessary to implement the Treasury's guidance on the Statement on Internal Control.

During 2001-02 the Sports Council for Wales has taken action to:

- Identify and assess the main risks to achievement of the Council's objectives;
- Formalise the allocation of responsibilities to directors and managers for managing the risks identified; and
- Document the steps taken through development of an organisation-wide risk register.

The Council has also held a risk management workshop attended by all directors and senior managers to provide key training in this area and to help enable managers to identify and assess risks within their business areas. During 2002-03 the Sports Council for Wales intends to imbed risk management procedures within its operations. This will include implementing procedures for receiving and reviewing reports from directors and managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.

The Sports Council for Wales has in place a well-established system of programme objectives, targets and costs for each of its main departments which are set out in its Corporate Plan and annual Operational Plans. These targets are monitored through half-yearly and annual reports of achievement submitted by directors and managers. This process is kept under continuing review to improve target setting and performance measurement.

During 2001-02 the role of the Council's audit committee was changed to focus more on management's procedures for risk assessment and on the high level controls in place to moderate business risk. In particular, the audit committee will now examine:

- the strategic objectives of the Council and the appropriateness of risks;
- the risk register established by management;
- internal audit reports, especially the annual report; and
- observations by external audit, particularly the annual management letter.

The Sports Council for Wales has an internal audit service, provided by Deloitte & Touche, which operates to standards defined in the Government Internal Audit Manual. Internal audit submit regular reports which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Council's system of internal control, together with recommendations for improvement.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Council who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

ACCOUNTING OFFICER : Dr H.G. Jones

11 July 2002

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

I have audited the financial statements on pages 7 to 17 under the National Lottery Act 1993. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 10.

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

As described on page 4 the Council and the Chief Executive are responsible for the preparation of the financial statements in accordance with the National Lottery Act 1993 and the directions made thereunder by the Secretary of State for Wales and for ensuring the regularity of financial transactions. The Council and Chief Executive are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and are guided by the Auditing Practices Board and the auditing profession's ethical guidance.

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

I review whether the statement on pages 4 and 5 reflects the Council's compliance with Treasury's guidance "Corporate governance: statement on internal control". I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of Opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to SPORTLOT's and the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material aspects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of SPORTLOT at 31st March 2002 and of the increase in funds, total recognised gains and losses and cashflows for the year then ended and have been properly prepared in accordance with the National Lottery Act 1993 and directions made thereunder by the Secretary of State for Wales.
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
18 July 2002

National Audit Office
23 - 24 Park Place
Cardiff
CF10 3BA

SPORTS COUNCIL FOR WALES – LOTTERY DISTRIBUTION ACCOUNT
(SPORTLOT)
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2002

	<u>Notes</u>	<u>2001/2002</u> <u>£000</u>	<u>2000/2001</u> <u>£000</u>
Gross Income			
Proceeds from National Lottery Distribution Fund (NLDF)	2	12,445	11,609
Investment returns from the NLDF	2	1,804	2,036
Interest Receivable	2	20	22
Recoveries of Grant	2	2	24
Other Income	6	-	53
Total Income		14,271	13,744
Expenditure			
New Capital grants paid in the year	3	6,529	4,997
New Revenue grants paid in the year	3	2,923	2,119
Change in provision for Hard Grant Commitments	3	(1,647)	10,196
Staff costs	8	591	564
Other Operating Costs	9	362	351
Total Expenditure		8,758	18,227
Increase/(Decrease) in funds before taxation		5,513	(4,483)
Taxation Payable	7	(4)	(4)
Increase/(Decrease) in funds after taxation		5,509	(4,487)
Unrealised gains on investment in NLDF	2	220	-
Increase/(Decrease) in funds for the year		5,729	(4,487)
Balance at 1 April		20,122	24,609
Balance at 31 March		25,851	20,122

All recognised gains and losses have been calculated on the historical cost basis and have been reflected in the above statement. All activities are continuing.

The notes on pages 10 to 17 form part of these accounts.

SPORTS COUNCIL FOR WALES – LOTTERY DISTRIBUTION ACCOUNT
(SPORTLOT)
BALANCE SHEET ACCOUNT AS AT
31 MARCH 2002

	<u>Note</u>	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
CURRENT ASSETS			
Debtors		1	-
Investments-balance held in NLDF	2	39,774	35,646
Cash at bank and in hand		42	187
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		39,817	35,833
CREDITORS: Amounts falling due within one year			
Provision for Hard Grant Commitments	3	(9,684)	(9,890)
Other Creditors	10	(161)	(259)
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		(9,845)	(10,149)
NET CURRENT ASSETS		29,972	25,684
CREDITORS: Amounts falling due after more than one year			
Provision for Hard Grant Commitments falling due after one year	3	(4,121)	(5,562)
TOTAL ASSETS LESS LIABILITIES		<hr style="width: 100%;"/> 25,851 <hr style="width: 100%;"/>	<hr style="width: 100%;"/> 20,122 <hr style="width: 100%;"/>
FINANCED BY:			
Income and Expenditure account	2	<hr style="width: 100%;"/> 25,851 <hr style="width: 100%;"/>	<hr style="width: 100%;"/> 20,122 <hr style="width: 100%;"/>

The notes on pages 10 to 17 form part of these accounts.

ACCOUNTING OFFICER: Dr. H.G.Jones

DATE: 11 July 2002

SPORTS COUNCIL FOR WALES LOTTERY DISTRIBUTION ACCOUNT
(SPORTLOT)
CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2002

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

	<u>2001/2002</u> £000	<u>2000/2001</u> £000
Increase/(Decrease) in funds for the year	5,729	(4,487)
(Increase)/Decrease in debtors	(1)	137
(Increase) in balance held at NLDF	(4,128)	(5,816)
Increase / (Decrease) in creditors	(1,745)	10,204
Net cash inflow/(outflow) for the year	(145)	38

CASHFLOW STATEMENT

	<u>Notes</u>	<u>2001/2002</u> £000	<u>2000/2001</u> £000
Net cash inflow/(outflow) for the year		(145)	38
Increase/(decrease) in cash	11	(145)	38
Increase / (decrease) in cash at bank and in hand		(145)	38
Increase in the balance held in the NLDF		4,128	5,816
Net Funds as at 1 April		35,833	29,979
Net Funds as at 31 March		39,816	35,833

The notes on pages 10 to 17 form part of these accounts.

SPORTS COUNCIL FOR WALES – LOTTERY DISTRIBUTION ACCOUNT
(SPORTLOT)
NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31 MARCH 2002

1. **Accounting policies**

1.1 **Basis of Accounting**

The accounts have been prepared under the historical cost convention, modified by the valuation of fixed assets by reference to current costs, in accordance with the directions given by the Secretary of State for Wales with the consent of Treasury. Without limiting the information given, the accounts meet the requirements of the Companies Act 1985 and the Accounting Standards issued or adopted by the Accounting Standards Board so far as these requirements are appropriate.

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

1.2 **Funding**

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

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of these balances attributable to SPORTLOT is as shown in their accounts and, at the balance sheet date, has been certified by the Secretary of State for Culture, Media and Sport. Balances quoted are the lower of cost or market value.

1.3 **Tangible fixed assets**

The Sports Council for Wales capitalise any fixed assets used exclusively in the administration of SPORTLOT and include such fixed assets at cost, subject to annual valuation, less accumulated depreciation. Fixed assets used jointly by the Sports Council and SPORTLOT are held by the Council with costs apportioned to SPORTLOT as signified in 1.5 below.

1.4 **Pension costs**

Contributions to the pension schemes are charged to the Income and Expenditure Account so as to spread the cost of pensions over employees' working lives with the Sports Council for Wales.

1.5 **Allocation of costs**

The apportionment of staffing and indirect costs transferred from the Sports Council to SPORTLOT was calculated on the following basis:

1.5.1 An apportionment of salary costs and travel and subsistence costs for the Manager of Public Affairs, Local Development Services and National Development Services staff was calculated with reference to the time devoted to lottery matters over the year.

1.5.2 The salary costs of the Chief Executive and Support Services staff, such as Secretarial, were apportioned on a percentage basis calculated from the ratio of the staff costs figure derived in paragraph 1.5.1 to total Sports Council for Wales staffing. This ratio was also applied to other office costs such as telephone, stationery and postage.

2. RECONCILIATION OF MOVEMENT OF FUNDS

	Balances held In NLDF £000	Balances held at SPORTLOT £000	Total 2001/2002 £000	Total 2000/2001 £000
Net Income from the National Lottery	12,445	-	12,445	11,609
Drawdown in year by SPORTLOT	(10,318)	10,318	-	-
Investment Returns	1,804	20	1,824	2,058
Unrealised gain on investment in NLDF	220	-	220	-
Recoveries of Grants	-	2	2	24
Other income	-	-	-	53
Expenditure in year	(23)	(8,735)	(8,758)	(18,227)
Taxation charge	-	(4)	(4)	(4)
Total increase / (decrease) in funds	<u>4,128</u>	<u>1,601</u>	<u>5,729</u>	<u>(4,487)</u>
Balance at 1 April 2001	<u>35,646</u>	<u>(15,524)</u>	<u>20,122</u>	<u>24,609</u>
Balance at 31 March 2002	<u>39,774</u>	<u>(13,923)</u>	<u>25,851</u>	<u>20,122</u>
Market Value as at 31 March	<u>39,774</u>			<u>35,866</u>
Cost as at 31 March	40,020			35,646

The balance held at 31 March 2002 at the NLDF, which has been included on the balance sheet at the lower of cost and market value, is unaudited as the audit of the Fund is incomplete. Any adjustment arising from that audit will be reflected in the 2002/2003 accounts and is not expected to be material. An increase of £44,000 was required to the 31 March 2001 balance reported in last year's accounts and this amount is included within the figure for investment returns in 2001-02. The prior year NLDF balance figure was not restated as the adjustment was not material.

3. HARD COMMITMENTS

	Capital £000	2001/2002 Revenue £000	Total £000	2000/2001 Total £000
Provision for hard commitments 1 April	11,241	4,211	15,452	5,256
Hard commitments met in the year	(6,529)	(2,923)	(9,452)	(7,116)
Hard commitments not taken up	(157)	-	(157)	(310)
Revenue commitments made in the year	-	2,852	2,852	5,103
Soft commitments transferred to hard commitments	5,110		5,110	12,519
Movement in year	<u>(1,576)</u>	<u>(71)</u>	<u>(1,647)</u>	<u>10,196</u>
Provision for Hard commitments 31 March	<u>9,665</u>	<u>4,140</u>	<u>13,805</u>	<u>15,452</u>
Analysed as:				
Provision for items falling due within one year	7,585	2,099	9,684	9,890
Provision for Hard commitments due after one year	<u>2,080</u>	<u>2,041</u>	<u>4,121</u>	<u>5,562</u>

Hard Commitments

A hard commitment is analogous to a commitment arising from a legally binding contract. For capital grants soft commitment changes to a hard commitment as soon the applicant returns a signed copy of the contract offer having complied with any special conditions incorporated in the contract. Revenue grants are regarded as a hard commitment once the panel has approved the grant.

4. SOFT COMMITMENTS

	<u>2001/2002</u> £000	<u>2000/2001</u> £000
Soft commitments at 1 April	4,986	4,634
Soft commitments transferred to hard commitments	(5,110)	(12,519)
Soft commitments not taken up	(4,487)	(2,768)
Soft commitments made	<u>12,029</u>	<u>15,639</u>
Soft commitments at 31 March	<u>7,418</u>	<u>4,986</u>

A soft commitment occurs when there is agreement by one of the decision making panels to fund a capital scheme and a formal offer made to the applicant body. In addition to the above, approvals in principle totalling a further £22,293,000 (2000/2001 £5,260,000) had been made at 31 March 2002. These arose in respect of projects where a decision making panel had indicated to the respective applicant that they could proceed with preparation of a detailed business case in support of funding.

5. CAPITAL COMMITMENTS

At 31 March 2002, SPORTLOT had no contractual commitments for capital expenditure

6. OTHER INCOME

	<u>2001/2002</u> £000	<u>2000/2001</u> £000
The Millennium Commission	-	52
Sundry Income	-	1
	<hr/> <hr/>	<hr/> <hr/>
	-	53

7. TAXATION PAYABLE

	<u>2001/2002</u> £000	<u>2000/2001</u> £000
Tax payable on interest received at 20%	<u>4</u>	<u>4</u>

8. STAFF COSTS

- (a) The staff costs figure shown in the Income and Expenditure account is an apportionment of costs incurred by the Sports Council for Wales. This has been calculated in accordance with the formula agreed by the Secretary of State for Wales and is arrived at as follows:

	Average No. Of Staff involved		<u>2001/2002</u> <u>£000</u>	<u>2000/2001</u> <u>£000</u>
<u>Gross salary costs</u>				
Chairman	1	25%	8	10
Chief Executive	1	25%	16	19
Other Staff	63	33%	567	535
			<u>591</u>	<u>564</u>
Salaries and Wages			509	479
Social Security costs			32	33
Other Pension costs			50	52
			<u>591</u>	<u>564</u>

- (b) In accordance with DAO (GEN) 3/00 the Council is required to disclose the following details concerning remuneration of Council Members, and senior staff with responsibility for running policy making departments:-

Name	Title	Age	<u>2001/2002</u> Salary (as defined below)	<u>2001/2002</u> Real increase in pension At 65	<u>2001/2002</u> Total accrued Pension at age 65 at 31 March 2002
			£	£	£
Gareth Davies	Chairman	46	32,686	432	1,226
Dr Huw Jones	Chief Executive	44	62,569	1,000	9,896
Geraint Morgan (commenced July 2001)	Director of Finance	45	36,152	N/A	N/A
Tony Holmstrom (to July 2001)	Director of Support Services	59	28,440	N/A	N/A
Graham Davies	Director of National Development Services	54	42,227	673	7,706
Sara Butlin	Director of Local Development Services	45	42,227	596	4,117
Brian Goffee	Director of Corporate Development	54	40,641	537	2,032

- (c) The salary of the Chief Executive comprised a gross salary of £58,641 (2000/2001 £56,934), a non-consolidated bonus of £3,832 (2000/2001 £3,777), and taxable benefits of £96 (2000/2001 £891). He has Accounting Officer responsibility for lottery matters and 25% (2002/2001 26.16%) of his remuneration was recharged to the lottery distribution account. The salary of the Director of National Development Services comprised a gross salary of £42,227 (2000/2001 £41,421) with no taxable benefits accruing in this financial year (2000/2001 £818). The final salary of the Director of Support Services includes a severance payment of £12,426. The Chairman and other senior staff received a gross salary only. 25% (2000/2001 26.16%) of the Chairman's gross salary cost has been recharged to the lottery distribution account. The Director of Finance is seconded from the National Audit Office and is a member of that organisation's pension scheme.
- (d) Panel members receive no remuneration for SPORTLOT work.

9. OTHER OPERATING COSTS

	<u>2001/2002</u> <u>£000</u>	<u>2000/2001</u> <u>£000</u>
Direct Costs	129	132
Accommodation	34	35
Consultants	4	14
Travel and Subsistence and Hospitality	45	45
Audit Fee	13	12
Recharges for Sports Council for Wales Services	137	113
	<u>362</u>	<u>351</u>

10. CREDITORS (amount falling due within 1 year)

	<u>2001/2002</u> <u>£000</u>	<u>2000/2001</u> <u>£000</u>
Sports Council for Wales	137	222
Other Creditors	-	2
Taxation Payable	4	4
Accruals	20	31
	<u>161</u>	<u>259</u>

11. ANALYSIS OF CHANGES IN CASH

	<u>1 April 2001</u> <u>£000</u>	<u>Cash Flow</u> <u>£000</u>	<u>31 March 2002</u> <u>£000</u>
Cash at Bank and in hand	187	(145)	42

12. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2002

13. FINANCIAL INSTRUMENTS

Financial Reporting Standard 13 : Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks SPORTLOT faces in undertaking its role.

Liquidity Risks

In 2001-02, £12,445,000 or 85.9 per cent of SPORTLOT's income derived from the National Lottery (2000/01: £11,609,000 or 84.5 per cent). The remaining income, £2,024,000 or 14 per cent, derived from investment returns from the balance held with the National Lottery Distribution Fund, (2001/01: £2,036,000 or 14.8 per cent), and £22,000 or 0.1 per cent from Bank Interest and Sundry Income (2000/01 : £99,000 or 0.7 per cent). The Sports Council for Wales does not consider that SPORTLOT is exposed to significant liquidity risks, and are satisfied that they have sufficient liquid resources within the NLDF and in the bank of £39,816,000 to cover all current contracted commitments of £15,452,000.

Interest Rate Risks

The financial assets of SPORTLOT are invested in the National Lottery Distribution Fund, which invests in a narrow band of low risk assets such as government bonds and cash. The Sports Council for Wales has no control over the investment of Funds in the National Lottery Distribution Fund. At the balance sheet date the Market Value of investment in the National Lottery Distribution Fund was £993,951,000. In the year the average return on these investments was 4.96 per cent. 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 0.15% in the year. The cash balance at the year end was £42,000. The Sports Council for Wales considers that SPORTLOT is not exposed to significant interest rate risks.

Foreign Currency Risk

SPORTLOT is not exposed to any foreign exchange risks.

14. PENSION COMMITMENTS

Employees of the Sports Council are members of the Cardiff and Vale of Glamorgan Pension Fund (the Fund). The Fund is a defined benefit scheme providing benefits based on final pensionable pay, and its assets are held separately from those of the Sports Council for Wales. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. The contributions of employees are set at 6% (or 5% for manual staff, who joined the scheme before October 1998).

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

The employer's contribution for 2001/2002 was £344,000 (2000/2001 £343,000) representing 232% (2000/2001 232%) of employees' contributions. Contributions to the Fund have been determined by an independent qualified actuary. The latest triennial valuation of the Fund was carried out as at 31 March 2001 and the actuary's report was prepared in accordance with Guidance Note GN9 issued by the Institute and Faculty of Actuaries, current at the valuation date, to the extent that it applies to the Local Government Pension Scheme.

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

	£ Million	£ Million
Value of past service ongoing liabilities:		
Active Members	316.3	
Preserved pensions	58.8	
Pensions	<u>352.2</u>	
Funding target		727.3
Less market value of the assets		<u>573.4</u>
Past service deficit		(153.9)
Smoothing adjustment		<u>26.0</u>
Past service deficit after smoothing adjustment		<u>(127.9)</u>
Funding ratio		82%

The Fund has a past service deficit of £153.9 million and a past service deficit after applying the smoothing adjustment of £127.9 million.

In the light of the past service deficit, the actuary has recommended that the Council's employer contribution rate should be increased to 237 per cent of employees' contributions from 1 April 2002 with subsequent increases to 241 per cent and 246 per cent over the following two years. The actuary has further assessed that the long term rate of employer contributions for all employers combined, disregarding the Fund deficit, is 170 per cent of employees' contributions. The rates to be payable from 1 April 2004 are expected to be maintained for about 11 years before reverting to the long term rates, subject to review at future valuations.

The Sports Council for Wales is one of a number of employers whose staff participate in the scheme and the valuation data given above relates to the whole scheme.

A provision has been included in the accounts, published separately, of the Sports Council for Wales and Sports Council for Wales Trust to cover the estimated pension costs of the Chairman, who is ineligible to join the Cardiff and Vale of Glamorgan pension scheme. The Chairman, who pays a member's contribution of 6 per cent, will be entitled to receive the same pension as would be provided by the staff scheme had he been able to join. Since there will be no accumulation of funds, in the event of an earlier termination and a requirement to transfer value to another scheme, the National Assembly for Wales will meet the cost if the Council does not have sufficient funds.

15. RELATED PARTY TRANSACTIONS

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

In addition, SPORTLOT paid capital grants during the year to a number of organisations in which panel members have declared an interest and which are considered material. Having declared an interest panel members are required to leave the meeting while the relevant application is discussed and a decision made.

Panel Member	Body	Aggregate Amount £000	Nature of Link
Mr Ron Jones	City and County of Swansea	2,407	Member of Board of Governors, University of Swansea
Mr Berwyn Price	City and County of Swansea	As above	Salaried Employee
Mr Ieuan Lewis	Gwynedd County Council	180	Salaried Employee
Mr Robin Morrison	Blaenau Gwent CBC	235	Salaried Employee
Mr John Parsons	Blaenau Gwent CBC	As above	Salaried Employee
Dr Hilary Matheson	Blaenau Gwent CBC	As above	Executive Member Monmouthshire Sports Council
Mr Eirion Richards	Palleg Golf Club	112	Member
Mr Eric Hitchings	Penywaun Enterprise Partnership	64	Director of Leisure Cynon Valley Council
Dr Lesley J Evans-Worthing	Ceredigion County Council	157	Member Ceredigion Sports Council
Cllr Keith Evans	Ceredigion County Council	As above	Elected Member
Mr Ray Quant	Ceredigion County Council	As above	Elected Member
Mrs Pru Davies	Vale of Glamorgan Council	323	Adviser School Improvement Unit
Cllr John Pembbridge	Newport CBC	135	Elected Member
Mr Iain Varah	Newport CBC	As above	Head of Continuing Learning and Leisure
Miss Anne Ellis	Cyngor Sir Ynys Mon	265	Honorary President Welsh Hockey Union
Mr Aled Roberts	Cyngor Sir Ynys Mon	As above	Salaried Employee

In addition, a declaration of interest has been made by Mrs Margaret Evans, an employee of the Welsh Assembly Government in respect of the funding awarded to the City and County of Swansea for construction of a new Olympic-sized swimming pool. Mrs Evans is the Chair of the Independent National 50 metre Pool Committee from March 2002.