

SPORTS COUNCIL FOR WALES LOTTERY DISTRIBUTION ACCOUNT
1 APRIL 2006 – 31 MARCH 2007

ANNUAL REPORT

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. The duties of the Council in performing its Lottery functions 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.

MANAGEMENT

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

The Sports Council for Wales is managed by a Council of up to 14 members including a Chairperson and Vice Chair. The name of the Council Chief Executive and the names of the Council members who served throughout the year are listed below.

Mr Phil Carling **	(Chair)
Miss A Ellis MBE (retired 31.03.07) **	(Vice Chair)
Prof. L McAllister (appointed 01.04.07)*	(Vice Chair)
Councillor K Evans * *	
Mr H Meredydd*	
Mrs A Baumgardt	
Mr R Palmer*	
Mrs C Gittoes	
Dr Nicola Bolton (retired 31.03.07)	
Mr Bob Lowe (retired 31.03.07) *	
Mr C Thomas	
Mr P H Thomas *	
Ms S Williams	
Mr D R Turner (Co-opted)*	
Dr H Jones	(Chief Executive)

* Member of the Audit committee

** Member of the Remuneration committee

MEMBERS OF THE LOTTERY PANELS

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

The Community Investment Panel considers all applications for capital projects costing above £10,000. The National Excellence Panel considers applications from individuals for revenue funding.

The panel members are listed below:

National Excellence

*Miss Anne Ellis OBE – Chair

Mr Dave Haller

Mr Tudor Williams

Mr Jim Munkley

Mrs Kelly Morgan MBE

Mr Steve James

Mr Berwyn Price

*Mr Robert Turner

Mr Ron Jones

Mr John Hinchclife

South West

*Mr Huw Thomas – Chair

*Miss Anne Ellis OBE – Vice-Chair

Ms Wendy Walters

Ms Shana Thomas

Mr Andrew Thomas

Cllr Robert Lewis

Mr Berwyn Price

Miss Lucy Hancock

Mrs Gaynor Richards

Mrs Jayne Cornelius

Cllr Robert Harris

North

*Mr Bob Lowe – Chair (retired 31.03.7)

*Miss Anne Ellis OBE – Vice-Chair (retired 31.03.07)

Mr Mel Higham

Ms Anna Marie Brown

Ms Marianne Jackson

Mr David Lloyd

Ms Victoria Burrows

Ms Denise Hampson

Mr Paul Airey

Dr Wyn Morgan

Mr Bruce Learner

Mr John Harvey-Robertson

Mr Mike Hornby

Mr David James

Ms Sally Lloyd-Davies

*Mr Hywel Meredydd

South East

*Dr Nicola Bolton – Chair (retired 31.03.07)

*Mr Clive Thomas – Vice Chair

Ms Gillian Dale

Mr Mark Shephard

Mr John Pearse

Mr Dave Phenis

Mr Lynn Phillips

Dr Olinga Taeed

Mr Andrew Schofield

Mr Rod Morris

Ms Kerry Morgan

Ms Sandra Davies

Mr Malcolm Stammers

Mr David Phillips

Ms Helen Phillips

Mr Huw Rees

Mrs Adele Baumgardt

Active Young People

*Mr Hywell Meredydd - Chair

Mr Karl Napierella

Mr Allan Caughter

Mr Peter Gomer

Ms Nalda Wainwright

Ms Enid Christie

Ms Efa Grufudd Jones

Mr Gwilym Williams

Ms Sian Sanders

Mr Owen Hayward

Ms Lynette Harries

Mr Steve Williams

Mr Tony Peters

Ms Angela Powell

Community Investment

*Mrs Chris Gittoes - Chair

*Dr Niki Bolton – Vice Chair (retired 31.03.07)

Ms Lois Hilling

Ms Heidi Bennett

Mr Paul Gardner

Mr Paul Hinder

Mr Haydn Ames

Mr Aled Roberts

Ms Sarah Powell

Mr Will Beer

Cllr Hag Harris

*Member of The Sports Council for Wales

PENSION SCHEME

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).

DECLARATIONS OF INTEREST

Other than as shown below, none of the members or senior staff of the Sports Council for Wales have declared any interests in organisations which provide, or may seek to provide, commercial services to the Council. Relevant interests of a non-commercial nature relating to members of Lottery panels are disclosed in Note 15 of these accounts.

Council member, Councillor Keith Evans, is the owner of Fedwen Tentage Ltd. Councillor Evans is also a director of Wales Ryder Cup 2010 Ltd, a representative role carried out on behalf of the Sports Council for Wales. Similarly, Mr Graham Davies, the Council's Director of Performance and Excellence, also acts as a director of Wales Ryder Cup 2010 Ltd.

Statement on Disclosure of Relevant Audit Information.

- a) As far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware, and
- b) The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any audit information and to establish that the auditors are aware of that information.

MANAGEMENT COMMENTARY

PERFORMANCE AND DEVELOPMENT DURING THE YEAR

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 £3,614,000 (2005/2006 £6,943,000) were made during the year. The amount provided in the accounts for hard commitments (signed contracts) relating to capital grants rose by £435,000 in 2006/2007 compared to a fall in 2005/2006 of £3.8 million.

As previously forecasted, few new capital schemes were supported during the year as a result of the decline in the funds available. The ability to fund capital projects is likely to remain, at best minimal, until 2013 due to the transfer of £7.25 million between 2009 and 2012 in support of the 2012 London Olympics.

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 paid during the financial year totalled £4,178,000 (2005/2006 £4,610,000) and a description of the main schemes follows.

Dragon Sport continues to maintain its good performance with 90% of eligible primary schools involved in the scheme. Through the Dragon Sport scheme 562 teachers and 889 volunteers or parents were trained to deliver Dragon Sport. Both of these figures were well in excess of the targets set for 2006/07.

The Community Chest programme contributed to the local development of sport through the 22 unitary panels across Wales. In 2006/07 1,400 awards were made and it was particularly pleasing to see that the increase in physical activity applications was higher than expected. It is hoped with the introduction of the new application forms in 2007/08, this figure will increase further.

On 1 April 2006 UK Sport became fully responsible for the elite sport performance system in the UK. In Wales, for Olympic and Paralympic sports the change will mean that athletes are no longer funded via the Elite Cymru scheme and will instead, be funded and supported through UK Sport and UK governing bodies. To date, 85 Welsh athletes have transferred onto UK Sport's new performance pathway with 35 athletes on Podium and 50 on Development.

SCW will still be responsible for the delivery of support services to any UK pathway athletes based in Wales along with Élite Cymru athletes in non-Olympic/Paralympic sports.

Disability Sport continued to support the development of sport for people with disabilities. During 2006/07 the Disability Sport scheme increased the number of volunteers supporting Disability Sport by 220 whilst getting 27,000 people with disabilities actively involved in sport and physical recreation.

FINANCIAL RESULTS

The increase in funds after taking account of costs incurred for the financial year amounted to £2,659,000 (2005/2006 increase £467,000). This has been transferred to reserves. An additional capital element of funding amounting to £24,000 was transferred to the deferred grant reserve.

The balance sheet for 2006/07 shows a total asset figure of £234,000 (2005/06, (£2,448,000)). However this does not impact upon the financial stability of the Council because the relatively low total asset figure has been produced due to following accepted, conservative, accounting practices. Whilst the Council has to account for nearly £3.7 million pounds of contracted payments to be made over the coming years, it cannot account for the future year's income which will be used, in part, to meet these future obligations.

MOVEMENT ON LOTTERY BALANCE TO 31 MARCH 2007

The Council aims to maintain its balance held with the National Lottery Distribution Fund at as low a level as possible consistent with ongoing commitments. The following table highlights the progress made in reducing the Lottery balance over the year:

Balance at 1 April 2006 (£000)	Income Received (Net) (£000)	Money Drawn Down From NLDF (£000)	Balance at 31 March 2007 (£000)
11,750	9,461	(10,649)	10,562

The table shows a reduction in balance held of £1.188 million, compared to a reduction of £1.728 million in the previous financial year.

CREDITOR PAYMENT POLICY

The Sports Council for Wales complies with the Better Payment Code and has a policy of paying creditor accounts within 30 days of receipt of agreed invoices following the supply of goods or services. All variation to this procedure must be agreed in writing. Analysis of payments made during the year reveals that 97% by number (2005/2006 90%) of settlements were within the agreed terms. No interest was incurred by the Council during the year as a result of late payments.

REMUNERATION REPORT

In accordance with Chapter 7 of the Financial Reporting manual the Council 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 the Council Members and Senior Staff. The figures within this Remuneration Report have been audited.

Name	Title	Salary 2006-07	Salary 2005-06	Real increase in Pension at age 65	Total accrued Pension at age 65 at 31 March 2007	CETV At 31 March 2007	CETV At 31 March 2006	Real Increase CETV in Year
		£000	£000	£000	£000	£000	£000	£000
P Carling	Chair	45 - 50	40 - 45	-	-	-	-	-
Dr H Jones	Chief Executive	70 - 75	65 - 70	0 - 2.5	15 - 17.5	273	248	25
G Davies	Director of Performance & Excellence	60 - 65	60 - 65	2.5-5.00	15 - 17.5	462	439	23
S Butlin	Director of Participation & Physical Activity	60 - 65	60 - 65	0- 2.5	12.5 - 15	359	331	28
C James	Director of Corporate Services	55 - 60	50-55	0 - 2.5	0-2.5	37	28	9
H Tolley	Acting Director of Participation & Physical Activity	55 - 60	50-55	0-2.5	5-7.5	401	384	17

The salary of the Chairman comprised a gross salary of £49,488 (2005/2006 £43,680) with no taxable benefits paid in the year. The salary earnings of the Chief Executive comprised a gross salary of £65,868 (2005/2006 £64,256) and a non-consolidated bonus for the year of £4,634 (2005/2006 £4,822), with no taxable benefits accruing in this financial year. He has Accounting Officer responsibility for lottery matters and 25% (2005/2006 23%) of his remuneration was recharged to the lottery distribution account. Sara Butlin, Director of Participation & Physical Activity has been seconded to the Welsh Assembly Government. Other senior staff receive a gross salary only.

The Chairman is contracted to work three days per week and has a three year contract. The other members of the Council receive a flat fee of £264 per month except for the Vice Chair who is remunerated at a daily rate of £290 and works one day per week.

REMUNERATION POLICY

The Chair, Vice Chair and members of the Council are paid in accordance with the Welsh Assembly Government's "Remuneration and expenses of Chairs and Members of ASPBs and NHS Bodies" policy.

The senior managers of the Council are employed on terms and conditions analogous to the Welsh Assembly Government. With the exception of the Chief Executive, senior managers receive no additional performance or bonus payments.

The Chief Executive is paid a performance bonus in accordance with guidelines issued by the Welsh Assembly Government. The performance bonus is determined by the Remuneration Committee which consists of the Council Chair, Vice Chair and Chair of the Audit Committee supported by the Council's Human Resources Manager. In addition to agreeing the Chief Executive's performance bonus, the Remuneration Committee also meets to agree the annual pay award for all staff via the Welsh Assembly Government's pay remit process.

ACCOUNTING OFFICER : Dr H G Jones

27 June 2007

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 Accounting Officers Memorandum issued by the Treasury and published in Government Accounting.

Statement on Internal Control

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place the Council for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance. Finally the system of internal control provides reasonable assurance that the Council has complied with the Lottery financial directions and that adequate processes are in place for the detection of conflicts of interest and to minimise losses of Lottery grants.

The Council continued during the year to review, and where necessary, implement actions that will further enhance the internal controls currently operating. This review process resulted in the membership of the Audit Committee being increased from four to seven. This action was taken to stimulate challenge and discussion at the meetings of the committee.

The Council's Risk Register was frequently updated during the year and was reviewed periodically by the senior management team, departmental managers, internal audit and the audit committee. Looking ahead, it is the intention of the Council to install a computerised Risk Register accessible to all managers via the intranet, and to arrange a one day "Risk Workshop" for key managers.

The Council's audit committee not only reviews the Risk Register, but also reviews management procedures for risk assessment and the high level controls in place to moderate business risk. In particular, it examines:

- the strategic objectives of the Council and the appropriateness of risks;
- the operation of the risk management review framework;
- internal audit reports and the annual internal audit report;
- the Annual Report and accounts;
- observations made by external audit, particularly the annual management letter and the Additional Assurance Report; and
- compliance with the Management Statement and Financial Memorandum issued by the Welsh Assembly Government as well as compliance with the Lottery Statement of Financial Requirement.

The internal audit service of the Sports Council for Wales during 2006-07 was provided by KTS Owens Thomas, which operated to standards defined in the Government Internal Audit Manual. Internal audit submit regular reports which include the Head of Internal Audit's independent annual opinion on the adequacy and effectiveness of the Council's system of internal control, together with recommendations for improvement.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers with the Council who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Council and the Audit Committee, and a plan to address weaknesses and ensure continuous improvements of the system is in place.

ACCOUNTING OFFICER : Dr H.G. Jones

27 June 2007

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT AND THE NATIONAL ASSEMBLY FOR WALES

I certify that I have audited the financial statements of the Sports Council for Wales Lottery Distribution Account for the year ended 31 March 2007 under the National Lottery Act 1993. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Council, Chief Executive and auditor

The Council and Chief Executive are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the National Lottery Act 1993 and the Secretary of State for Wales directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Council's and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery Act 1993 and the Secretary of State for Wales directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Annual Report, Management commentary and the unaudited part of the Remuneration Report, is consistent with the financial statements. I also report 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.

In addition, I report to you if the Lottery Distribution Account has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects the Lottery Distribution Account's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Lottery Distribution Account's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Lottery Distribution Account'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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Lottery Act and directions made thereunder by the Secretary of State for Wales, of the state of Lottery Distribution Account's affairs as at 31 March 2007 and of its increase in funds for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery Act 1993 and the Secretary of State for Wales's directions made thereunder; and
- information given within the Annual Report, which comprises the Annual Report, Management commentary and the unaudited part of the Remuneration Report, is consistent with the financial statements.

Audit Opinion on Regularity

- In my opinion, 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.

Report

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
9 July 2007

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

SPORTS COUNCIL FOR WALES – LOTTERY DISTRIBUTION ACCOUNT
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2007

	<u>Notes</u>	<u>2006/2007</u> £000	<u>2005/2006</u> £000
Gross Income			
Proceeds from National Lottery Distribution Fund (NLDF)	2	9,086	10,431
Investment returns from the NLDF	2	416	565
Interest Receivable	2	42	35
Recoveries of Grant	2	333	23
Release of deferred grant	2	1	-
Total Income		9,878	11,054
Expenditure			
Capital grants paid in the year	4	3,614	6,943
Revenue grants paid in the year	3&4	4,178	4,610
Change in provision for Hard Grant Commitments	4	(2,692)	(2,938)
Staff costs	8	1,581	1,395
Depreciation: owned assets	17	1	-
Other Operating Costs	9	529	570
Total Expenditure		7,211	10,580
Increase in funds before taxation		2,667	474
Taxation Payable	7	(8)	(7)
Increase in funds after taxation		2,659	467
Increase in funds for the year		2,659	467
Balance at 1 April		(2,448)	(2,915)
Balance at 31 March		211	(2,448)

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 15 to 25 form part of these accounts.

SPORTS COUNCIL FOR WALES – LOTTERY DISTRIBUTION ACCOUNT
BALANCE SHEET ACCOUNT AS AT
31 MARCH 2007

	<u>Note</u>	<u>2007</u> £000	<u>2006</u> £000
FIXED ASSETS			
Tangible fixed assets	17	23	-
CURRENT ASSETS			
Debtors	12	337	7
Investments-balance held in NLDF	2	10,562	11,750
Cash at bank and in hand	11	762	34
		<u>11,661</u>	<u>11,791</u>
CREDITORS: Amounts falling due within one year			
Provision for Hard Grant Commitments	4	(7,486)	(7,763)
Other Creditors	10	(276)	(371)
		<u>(7,762)</u>	<u>(8,134)</u>
NET CURRENT ASSETS			
		3,899	3,657
CREDITORS: Amounts falling due after more than one year			
Provision for Hard Grant Commitments falling due after one year	4	(3,688)	(6,105)
TOTAL ASSETS LESS LIABILITIES			
		<u><u>234</u></u>	<u><u>(2,448)</u></u>
FINANCED BY:			
Income and Expenditure Reserve		211	(2,448)
Deferred Grant Reserve		23	-
	2	<u><u>234</u></u>	<u><u>(2,448)</u></u>

The notes on pages 15 to 25 form part of these accounts.

ACCOUNTING OFFICER: Dr. H.G.Jones

DATE: 27 June 2007

SPORTS COUNCIL FOR WALES LOTTERY DISTRIBUTION ACCOUNT
CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007

<u>Reconciliation of movement in funds to net cash (outflow)/inflow for the year</u>	<u>2006/2007</u> £000	<u>2005/2006</u> £000
Increase in funds for the year	2,659	467
Depreciation of tangible fixed assets	1	-
Deferred grant transfer	(1)	-
(Increase)/decrease in debtors	(330)	127
Decrease in balance held at NLDF	1,188	1,728
(Decrease) in creditors	(2,789)	(2,644)
Interest Received	(42)	(35)
Tax Paid	8	7
NLDF Funding	24	-
Net cash inflow/(outflow) for the year	718	(350)

CASHFLOW STATEMENT

	<u>Notes</u>	<u>2006/2007</u> £000	<u>2005/2006</u> £000
Net cash inflow/(outflow) for the year		718	(350)
Returns on investments and servicing of finance	2	42	35
Tax paid		(8)	(7)
Capital Expenditure and Financial Investment	17	(24)	-
Increase/(decrease) in cash	11	728	(322)
		<u>2006/2007</u> £000	<u>2005/2006</u> £000
Increase /(Decrease) in cash at bank and in hand		728	(322)
(Decrease) in the balance held in the NLDF		(1,188)	(1,728)
Net Funds as at 1 April		11,784	13,834
Net Funds as at 31 March		11,324	11,784

The notes on pages 15 to 25 form part of these accounts.

SPORTS COUNCIL FOR WALES – LOTTERY DISTRIBUTION ACCOUNT
NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31 MARCH 2007

1. **Accounting policies**

1.1 **Basis of Accounting**

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

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

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

1.2 **Funding**

The distributing activities of the Council's Lottery function 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 Council's Lottery bank accounts when needed.

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of these balances attributable to the Council 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 in respect of current and future commitments. Balances quoted are the lower of cost or market value.

1.3 **Tangible fixed assets**

The Sports Council for Wales capitalise any fixed assets over £1,000 used exclusively in the administration of the Lottery function and include such fixed assets at cost, subject to annual valuation, less accumulated depreciation.

1.4 **Depreciation**

Depreciation is provided on a straight line basis on all tangible fixed assets 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
Other	3 - 10 years
Vehicles	5 years

The policy of the council is to depreciate assets from the month of acquisition.

1.5 **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.

1.6 **Allocation of costs**

The apportionment of staffing and indirect costs transferred from the Sports Council for 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 traveling expenses is apportioned on a 50/50 basis.

2 RECONCILIATION OF MOVEMENT OF FUNDS
Income and Expenditure Reserve

	Balances held In NLDF £000	Balances held at SCW £000	Total 2006/2007 £000	Total 2005/2006 £000
Income from the National Lottery	9,110	-	9,110	10,431
Transfer to Deferred Grant Reserve	-	(24)	(24)	-
Drawdown in year by the Council	(10,649)	10,649	-	-
Investment Returns	416	42	458	600
Recoveries of Grants	-	333	333	23
Expenditure in year	(63)	(7,148)	(7,211)	(10,580)
Taxation Charge	-	(8)	(8)	(7)
NLDF Audit Adjustment 2005/06	(2)	3	1	
Total increase / (decrease) in funds	(1,188)	3,847	2,659	467
Balance at 1 April	11,750	(14,198)	(2,448)	(2,915)
Balance at 31 March	10,562	(10,351)	211	(2,448)
Market Value as at 31 March	10,562			11,750
Cost as at 31 March	10,689			11,830

The balance held at 31 March 2007 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 2007/2008 accounts and is not expected to be material.

Deferred Grant Reserve

	£000
Balance at 1 April 2006	-
Transfer to Deferred Grant Reserve	24
Transfer to Income and Expenditure Account	(1)
Balance at 31 March 2007	23

3 EXPENDITURE ON REVENUE GRANT SCHEMES

Programme	2006/07 £000	2005/06 £000
Elite Cymru	624	842
Coach Cymru	970	1,095
Dragon Sport	965	994
Disability Sport	438	496
Community Chest	1,033	845
Women and Girls	148	338
	<u>4,178</u>	<u>4,610</u>

Community Chest includes an amount of £58,000 (2005/06 £58,000) paid in respect of administration costs of local authorities who administer the grant scheme at local level.

4 HARD COMMITMENTS

	Capital £000	<u>2006/2007</u> Revenue £000	Total £000	<u>2005/2006</u> Total £000
Provision for hard commitments 1 April	6,523	7,345	13,868	16,805
Hard commitments met in the year	(3,614)	(4,178)	(7,792)	(11,553)
Hard commitments not taken up	(87)	-	(87)	(12)
Revenue commitments made in the year	-	1,039	1,039	5,445
*Soft commitments transferred to hard commitments	4,136	12	4,148	3,183
Movement in year	435	(3,127)	(2,692)	(2,937)
Rounding adjustment	(2)	-	(2)	-
Provision for hard commitments 31 March	<u>6,956</u>	<u>4,218</u>	<u>11,174</u>	<u>13,868</u>
Analysed as:				
Provision for items falling due within one year	5,364	2,122	7,486	7,763
Provision for hard commitments due after one year	<u>1,592</u>	<u>2,096</u>	<u>3,688</u>	<u>6,105</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 as the applicant returns a signed copy of the contract offer having complied with any special conditions incorporated in the contract.

5 SOFT COMMITMENTS

	<u>2006/2007</u> £000	<u>2005/2006</u> £000
Soft commitments at 1 April	4,298	3,836
*Soft commitments transferred to hard commitments	(3,727)	(2,610)
Soft commitments not taken up	-	-
Soft commitments made	<u>1,516</u>	<u>3,072</u>
Soft commitments at 31 March	<u>2,087</u>	<u>4,298</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 £593,000 (2005/2006 £821,000) had been made at 31 March 2007. These arose in respect of projects where a decision making panel had indicated to the respective applicant that they could proceed with preparation of a detailed business case in support of funding.

*Soft commitments transferred £4,148,000 includes £3,727,000 brought forward from 2005/2006 and new commitments of £421,000 for 2006/2007.

6 CAPITAL COMMITMENTS

At 31 March 2007, the Lottery account had no contractual commitments for capital expenditure.

7 TAXATION PAYABLE

	<u>2006/2007</u> £000	<u>2005/2006</u> £000
Tax payable on interest received at 19%	<u>8</u>	<u>7</u>

8 STAFF COSTS

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

	Average No. Of Staff <u>involved</u>		<u>2006/2007</u> £000	<u>2005/2006</u> £000
<u>Gross salary costs</u>				
Chairman P Carling	1	23%	12	12
Chief Executive	1	25%	19	19
Other Staff	104	45%	1,550	1,364
			<hr/> 1,581	<hr/> 1,395
Salaries and Wages			1360	1,200
Social Security costs			79	70
Other Pension costs			142	125
			<hr/> <hr/> 1,581	<hr/> <hr/> 1,395

Staff costs are further analysed as follows:

	<u>2006/2007</u> £000	<u>2005/2006</u> £000
Administration	1,267	1,117
Sports Science Support to Athletes	314	278
	<hr/> 1,581	<hr/> 1,395

9 OTHER OPERATING COSTS

	<u>2006/2007</u> £000	<u>2005/2006</u> £000
Direct Costs	294	323
Accommodation	44	46
Consultants	11	30
Travel and Subsistence and Hospitality	17	14
Audit Fee	16	15
Recharges for Sports Council for Wales Services	147	142
	<hr/> 529	<hr/> 570

10 CREDITORS (amounts falling due within 1 year)

	<u>2006/2007</u>	<u>2005/2006</u>
	£000	£000
Sports Council for Wales	253	349
Taxation Payable	8	7
Accruals	15	15
	<u>276</u>	<u>371</u>

11 ANALYSIS OF CHANGES IN CASH

	<u>1 April</u>	<u>Cash</u>	<u>31 March</u>
	2006	Flow	2007
	£000	£000	£000
Cash at Bank and in hand	34	728	762

12. GRANT RECOVERIES

As at 31 March 2007, the Council was pursuing recovery of grant amounts totalling approximately £337,000. These had arisen due to a number of reasons, including underspends against amounts awarded and failures by recipients to comply in full with the conditions of grant.

13. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2007.

14. FINANCIAL INSTRUMENTS

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

Liquidity Risks

In 2006/07, £9,086,000 or 92 per cent of Lottery income derived from the National Lottery (2005/06: £10,431,000 or 94.5 per cent). Of the remaining income, £416,000 or 4.2 per cent, derived from investment returns from the balance held with the National Lottery Distribution Fund, (2005/06: £565,000 or 5 per cent), and £375,000 or 3.8 per cent from bank interest and sundry income (2005/06 : £58,000 or 0.5 per cent). The Sports Council for 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. The Sports Council for Wales has no control over the investment of Funds in the National Lottery Distribution Fund. Cash balances which are drawn down from the Fund to pay grant commitments and operating costs are held in an instant access variable rate bank account which on average carried an interest rate of 0.15 per cent in the year. The cash balance at the year end was £762,000. The Sports Council for Wales considers that its Lottery function is not exposed to significant interest rate risks.

Foreign Currency Risk

The Lottery function of the Council is not exposed to any foreign exchange risks.

15. DECLARATIONS OF INTEREST

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

Panel Member	Body	Aggregate Amount £000	Nature of Link
Mr Aled Roberts	Anglesey County Council	£93	Employee
Miss Lynette Harries	Athletics Association of Wales	£61	Chair
Mr Gwilym Williams	Athletics Association of Wales	As above	President Welsh Schools Gymnastics
Mr Lynn Phillips	Blaneau Gwent C.B.C	£220	Employee
Miss Heidi Bennett	Bridgend C.B.C	£351	Employee
Mr Rod Morris	Bridgend C.B.C	As above	Employee
Mr Mark Shepard	Bridgend C.B.C	As above	Employee
Ms Sandra Davies	Caerphilly C.B.C	£128	Panel Member
Ms Kerry Morgan	Caerphilly C.B.C	As above	Employee
Mr David Phenis	Caerphilly C.B.C	As above	Employee
Mr Peter Gomer	Caerphilly C.B.C	As above	Employee
Mr John Pearse	Cardiff County Council	£126	Employee
Mr Huw Thomas	Carmarthenshire County Council	£136	Panel Member
Ms Wendy Walters	Carmarthenshire County Council	As above	Employee
Cllr Keith Evans	Ceridigion County Council	£116	Council Member
Miss Anne Ellis MBE	City & County of Swansea	£618	Non Exec Chair
Mr Graham Cater	City & County of Swansea	As above	Non Exec Member
Mr Berwyn Price	City & County of Swansea	As above	Former Employee
Ms Shana Thomas	City & County of Swansea	As above	Employee
Ms Enid Christie	Conwy C.B.C	£91	Employee
Mr Owen Hayward	Conwy C.B.C	As above	Employee
Ms Denise Hampson	Conwy C.B.C	As above	Panel Member
Mr David Lloyd	Conwy C.B.C	As above	Panel Member
Mr David Lloyd	Denbighshire County Council	£68	Employee
Mr Peter Gomer	Federation Disability Sport Wales	£134	Director
Mr Jim Munkley	Federation Disability Sport Wales	As above	Director
Mr Mike Hornby	Flintshire County Council	£113	Employee
Mr Allan Caughter	Flintshire County Council	As above	Employee
Mr Mel Higham	Flintshire County Council	As above	Employee
Mrs Sarah Powell	Golf Development Wales	£75	Tutor
Ms Marianne Jackson	Gwynedd County Council	£106	Employee
Mr David James	Gwynedd County Council	As above	Employee
Mrs Sally Lloyd Davies	Gwynedd County Council	As above	Panel Member
Mr Gwilym Williams	Gymnastics Association	£93	Former Chair Welsh Schools Athletics
Miss Helen Phillips	Merthyr C.B.C	£601	Panel Member
Mr Steve Williams	Monmouthshire County Council	£106	Employee
Mr Karl Napierella	Neath Port Talbot C.B.C	£161	Employee
Mr Andrew Thomas	Neath Port Talbot C.B.C	As above	Employee
Mr Paul Hindler	Neath Port Talbot C.B.C	As above	Employee
Mr Hayden Ames	Newport City Council	£152	Employee

DECLARATIONS OF INTEREST CONTINUED

Ms Louis Hilling	Pembrokeshire County Council	£534	Employee
Mrs Christine Gittoes	Powys C.B.C.	£82	Employee
Mrs Sarah Powell	Powys C.B.C.	As above	Employee
Mr John Pearce	Welsh Amateur Swimming Assoc	£89	Wife Former Director Swim Wales
Mrs Kelly Morgan MBE	Welsh Badminton Union	£77	Member
Miss Anne Ellis MBE	Welsh Hockey Union	£125	President (Hon)
Mrs Sarah Powell	Welsh Hockey Union	As above	Employee
Ms Louis Hilling	Welsh Yachting Assoc	£51	Husband Member of Association
Mr Bob Lowe	Welsh Yachting Assoc	As above	Chair
Ms Anna Marie Brown	Wrexham C.B.C	£248	Panel Member

16. PENSIONS

The employer's contribution for the Sports Council For Wales for 2006/07 was £783,000 (2005/06 £623,000) representing 298% (2005/06 272%) of employees' contributions. All staff are employed directly by the Sports Council for Wales and £142,000, (2005/06 £125,000) of the contributions have been apportioned to Lottery activities. 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 2007 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. Full disclosure under FRS17 "Retirement Benefits" are set out in the Sports Council For Wales consolidated financial statements which are publicly available.

17. TANGIBLE FIXED ASSETS

	Equipment	Total
Cost or Valuation at 1 April 2006	-	-
Additions	24	24
Disposals	-	-
At 31 March 2007	<u>24</u>	<u>24</u>
Depreciation at 1 April 2006	-	-
Charge for the year	(1)	(1)
Disposals	-	-
At 31 March 2007	<u>(1)</u>	<u>(1)</u>
Net Book Value at 31 March 2007	<u><u>23</u></u>	<u><u>23</u></u>
Net Book Value at 31 March 2006	<u>-</u>	<u>-</u>

18. POST BALANCE SHEET EVENTS

The Accounting Officer authorised these financial statements for issue on 12 July 2007.