



# **The United Kingdom Sports Council**

**Grant-in-Aid and Lottery Distribution Fund Report and  
Accounts for the year ended 31 March 2015**

---

# **The United Kingdom Sports Council**

## **Grant-in-Aid and Lottery Distribution Fund Report and Accounts for the year ended 31 March 2015**

Presented to Parliament pursuant to Sections 34(3) and 35(5) of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998, and the National Lottery Act 2006).

Presented to the Scottish Parliament pursuant to the Scotland Act 1998 section 88.

---

*Ordered by the House of Commons to be printed 2 July 2015*

**© The United Kingdom Sports Council copyright (2015)**

The text of this document (this excludes, where present, the Royal Arms and all departmental or agency logos) may be reproduced free of charge in any format or medium provided that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as The United Kingdom Sports Council copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries related to this publication should be sent to us at [info@uksport.gov.uk](mailto:info@uksport.gov.uk)

This publication is available at <https://www.gov.uk/government/publications>

Print ISBN 9781474117753

Web ISBN 9781474117760

ID 20041502 07/15

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

# Contents

	<b>Page</b>
<b>Annual Report</b>	
Strategic Report	1
Directors' Report	9
Remuneration Report	12
<b>Grant-in-Aid Accounts</b>	17
Statement of the Board and Chief Executive's Responsibilities	18
Governance Statement	19
Independent Auditor's Report	27
Financial Statements	29
<b>Lottery Distribution Fund Accounts</b>	61
Statement of the Board and Chief Executive's Responsibilities	62
Governance Statement	63
Independent Auditor's Report	71
Financial Statements	73

## Strategic Report

### Legislative Background

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

### Strategy and Performance

This Annual Report outlines the responsibilities of the United Kingdom Sports Council (UK Sport) and reviews achievements across all areas of business. In addition to outlining strategy and delivery management, it also marks the progress made against the key performance indicators underpinning its Funding Agreement with The Department for Culture, Media and Sport (DCMS).

The high performance system continued to grow and evolve; the governance of sport has been strengthened with a focus on better balanced Boards of National Governing Bodies; the UK's influence in the international sporting environment has increased and success with major event bidding and hosting continues.

Following the success of GB and NI athletes at the Sochi Winter Games in 2014, the growing potential within the Winter Olympic and Paralympic sports was recognised with a doubling of investment for preparations for Pyeongchang 2018. UK Sport will invest up to £31 million of National Lottery and Exchequer income into eight winter Olympic and Paralympic sports, who have demonstrated credible medal potential for 2018 or in 2022. This will contribute towards a collective ambition for Great Britain and Northern Ireland to have yet another record breaking Games in four years' time.

UK Sport also agreed an additional £2.3 million to add to the £350 million it is already investing in summer Olympic and Paralympic sports on the road to Rio 2016 and beyond. The investment boost ensures the right support reaches every athlete with medal potential and included the addition of Wheelchair Fencing to UK Sport's World Class Programme to make it 38 summer sports now receiving funding.

After another successful year winning more bids to host major events in the UK, and with Rio 2016 ever closer, UK Sport launched its exciting #EveryRoadtoRio major events campaign calling on the British public to help give our athletes a crucial competitive edge as they step-up preparations for the Olympic and Paralympic Games.

UK Sport's strategic targeting of key qualification events means #EveryRoadtoRio will feature over 30 world class sporting events the length and breadth of the UK, with athletes competing for up to 95 individual and 10 team qualification spots for GB and NI for Rio 2016.

An important focus through 2014/15 has been early planning for post Rio and in the Autumn UK Sport undertook a wide ranging stakeholder and public consultation to help shape its future strategy for investing in high performance sport for Tokyo and beyond. The results reaffirmed the belief UK Sport's targeted approach was key to the outstanding and increasing successes of GB and NI athletes at Olympic and Paralympic Games since the injection of National Lottery investment and the creation of World Class Programmes, with 86% of sports and partners and 70% of the public identifying medal success as a key goal.

Based on the responses UK Sport has also committed to driving more impact from the significant public investment, building on the commitment athletes have demonstrated to inspiring an active and ambitious nation and wider impact factors (beyond medals) will be explored if it is necessary to differentiate between sports of equal medal potential when making investment decisions. The performance investment strategy will continue on an eight year pathway, but collaboration and alignment with home nations will be increased and UK Sport will consider investing in longer term potential if it is affordable and where there is a performance and financial need.

As we move into the next financial year and closer to Rio 2016, the National Lottery continues to play a more vital part than ever in supporting the high performance sporting landscape, alongside Exchequer funding.

The Accounts section of this report is separated into two distinct areas in line with statutory requirements; Grant-in-Aid Accounts and Lottery Distribution Fund Accounts. The former includes information on the English Institute of Sport.

### **Principal Risks and Uncertainties**

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

Where significant risks are recognised and accepted then potential impacts are identified and corresponding scenario plans, with mitigating actions, developed. A number of significant risks have been accepted/managed through 2014/15:

- Had Scotland decided to become independent in September 2014 then this would have had a significant impact on not just UK Sport but also the structure of the British World Class system;
- In July 2014 British Swimming made a formal appeal against our decision to stop funding Synchronised Swimming, the appeal was successfully defended;
- Rolling annual staff turnover within UK Sport has been reduced from 25.6% (March 2014) to a current level of 11.27% (end January 2015);
- Our Lottery income remains volatile, on the back of a year (2013/14) when the income projections set out at the start of the year were not met. At the mid-year we were forecasting that income for the year would be £2.4m short, however, sales picked up in the second half of the year and income finished the year in line with the original budget;
- We moved into our new offices in Bloomsbury Street in August 2014, six weeks later than originally planned due to issues with wayleaves and access to the new building in the latter stages of the move. Overall the relocation has been a great success.

Looking ahead to the future the key risks to UK Sport are as follows:

- Following the formation of the new Government there will be the planned Comprehensive Spending Review in which it is possible that the government will seek further efficiencies and savings. The current timetable suggests that this exercise will be taking place during the period in which we are at the height of our planning for the next Olympic/Paralympic cycle. Further reductions through our exchequer settlement (or uncertainty if process drags on, or is delayed) would have a significant impact on our ability to sustain performance into the next cycle.
- Further to this, we need to be in a position of some certainty to be able to provide guidance to sports early enough in 2015/16 regarding their submissions to us for the Tokyo 2020 cycle.

Work is continuing to further consider/evaluate the above risks to agree how to approach them and to develop and implement the mitigating action plan required.

### **Financial Performance**

At the meeting of the December 2012 UK Sport Board an overall financial plan was agreed to guide the prioritisation of resources in advance of the 2013-17 Investment decisions. The overall financial plan provides the context and guiding principles within which the annual budgets are prepared, the budget for 2014/15 having been approved by the UK Sport Board in March 2014.

The level of resource Grant-in-aid for 2014/15 was agreed as part of a three year settlement from 2012/13 to 2014/15 with DCMS. Grant-in-aid received was £49.45 million for the year, including £7.71 million of funding of the £10 million exceptional funding of the Tour de France.

On the Lottery side, proceeds have been higher than 2013/14 Lottery income. The fluctuation of Lottery income month on month and the overall forecasts for the year have been a key focus of the Executive Team and Board during the year. The Lottery balance at 31 March 2015 stood at £69.17 million, an increase of £0.85 million over the previous year. The balance is forecast to reduce over the remainder

of the Rio investment cycle as planned as the funding requirements of the World Class Performance system in the run up to the Games are met.

Administration and operating costs have continued to be an area of focus. This year saw the co-location with Sport England with one-off costs incurred. The co-location will deliver significant savings across the public sector as we were able to vacate private sector accommodation as part of the move. For 2014/15 UK Sport has operated within both the DCMS advised allocation for administration spend in the Exchequer accounts, and the DCMS advised target of 5% for grants processing in the Lottery accounts.

The Statement of Financial Position in the Exchequer accounts showed negative net assets at 31 March 2015 as a result of the Pension Scheme accounting adjustment and the discount rate assumption under International Accounting Standard 19. The discount rate assumption under the Accounting Standards (and reflected in the Statement of Financial Position) results in a greater pension deficit than the discount rate used for the actuarial or triennial valuation. The triennial valuation is used as the basis for determining the rate of employer contributions. The pension scheme was subject to a triennial valuation as at 31 March 2013 and the results were made available in January 2014. The valuation has shown that the scheme is in a marginal deficit position, and that the rate of employer contributions will remain at 12% for the active scheme for the next three years.

This year, in common with all Lottery Distributors, there has been a change in Lottery Accounts policies on the recognition of Lottery Grants. This brings the treatment of Grants through the Lottery Accounts in line with Exchequer Grants policies. An explanation of the new treatment is shown in Note 1.3 of the Accounts.

### **Going Concern**

The financial statements have been prepared on a going concern basis. A triennial review of the functions of UK Sport is being conducted by DCMS which will report later in the year. We do not have any current knowledge which would suggest that the review will change the going concern status of UK Sport. Future financial provision has been made for UK Sport through section 23 of the National Lottery Act 1993 and the Exchequer settlement agreed with DCMS, as part of the last Comprehensive Spending Review, which runs through to 31 March 2016. A further Comprehensive Spending Review will take place during the course of 2015, however at this time there is no indication that this will result in a significant change in the status of UK Sport. As a result, management considers it appropriate to continue to adopt the going concern basis in preparing the annual report and financial statements.

### **Policy on Lottery Additionality**

Together with the other UK Lottery distributors, UK Sport has adopted the following definition:

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

UK Sport has regard to the principles of additionality and this definition when progressing its investment strategies and programmes. Where appropriate, Lottery funding complements investment strategies such as the World Class Performance Programmes, which are geared to achieving long-term Olympic and Paralympic success. The major events programme and funding of Athlete Performance Awards are solely Lottery funded. These are prime examples of Lottery funded programmes that are not provided as a statutory responsibility or funded by Government but add real value to the UK’s sporting ambitions and legacy of London 2012.

### **English Institute of Sport**

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

A number of measures are in place to provide assurance as to the activities/operations of the EIS. The EIS is bound by a Funding Agreement (alongside a separate Management and Financial Memorandum). The UK Sport Group Audit Committee has risk management and audit responsibilities for the EIS.

Key Performance Indicators are agreed annually and progress against these is reviewed quarterly by the National Director and Director of Business and Finance at the EIS and by the Chief Operating Officer and the Director of Performance from UK Sport. Separate to these quarterly reviews, (but reporting into the UK Sport Group Audit Committee) there is a monthly budget/forecast report submitted to our Investment Team.

During the course of the year Sarah Springman stepped down as UK Sport's non-executive member on the EIS Board, and was replaced by Rod Carr, the Chair of UK Sport.

### **Tour de France Hub 2014 Ltd (TdfHUB2014 Ltd)**

TdfHUB2014 Ltd was incorporated as a subsidiary of UK Sport on 8 July 2013. The company was established to co-ordinate the delivery of the first three stages of the 2014 Tour de France, to deploy £10m of Central Government funding towards the safe and successful hosting of those stages and to liaise with Leeds City Council, Welcome to Yorkshire and the many other local and regional authorities that were involved in staging the event. The documents governing the relationship and control environment between UK Sport and the TdfHUB2014 Ltd are set out within the company's Articles of Association, Major Events Funding Agreement between UK Sport and TdfHUB2014 Ltd, and Collaboration Agreement between UK Sport, TdfHUB2014 Ltd, Leeds City Council and Welcome to Yorkshire.

In addition UK Sport engaged a Major Events Consultant specifically for TdF to be responsible for 'on the ground' assurance over UK Sport's investment. UK Sport's Director of Major Events & International Relations met with the CEO of TdfHUB2014 Ltd and DCMS officials every two weeks to review progress. UK Sport and DCMS have a formal representative and an observer who sat on both the TdF Board and the Audit Committee. During this period UK Sport received all Board and Audit Committee papers and the UK Sport Board received regular updates from its formal representative and the Director of Major Events & International Relations.

The event concluded on the 7 July 2014 and accounts for TdfHUB2014 Ltd were prepared for the period ended 30 September 2014. Having achieved its objectives, steps were taken to gradually wind TdfHUB2014 Ltd up. Weekly meetings were held after 30 September 2014 between officers at UK Sport and staff at the company and it was resolved on 18 December 2014 by the Directors of TdfHUB2014 Ltd to strike off the company from the Register of Companies. A notice to strike off the company was advertised in the official public record, the *London Gazette*, on 27 January 2015 and company was formally struck off the register and dissolved in May 2015.

### **General Information**

As at March 2015 UK Sport employed 105 members of staff with a Full Time Equivalent (FTE) of 101, the average FTE for the year was 103. Fifty six per cent of the workforce is female and 44% male, with 93% of the workforce regarding itself as "White British" or "White Other". An Equal Pay Audit was completed in March 2014.

As at 31 March 2015 UK Sport had one off-payroll engagement for more than £220 a day and that lasted for longer than six months. This off-payroll engagement has been subject to a risk based assessment as to whether assurance is required that the individuals are paying the correct amount of tax and, where necessary, that assurance has been sought.

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

Gender

	UK Sport Staff	Funded Athletes
Male	44%	55%
Female	56%	45%

Disability

	UK Sport Staff	Funded Athletes
Yes	2%	26%
No	98%	74%

Age

	UK Sport Staff	Funded Athletes
<16	0%	4%
16-25	6%	63%
26-44	75%	30%
45-65	19%	3%

Ethnicity

	UK Sport Staff	Funded Athletes
Mixed/Other	0%	4%
Asian	2%	1%
Black	4%	3%
White	94%	84%
Not Specified	0%	7%
Not Disclosed	0%	1%

Sustainability Reporting

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

## Performance

The following table sets out the 2014/15 Performance targets and results for the year.

### 2014/15 Performance Targets and Results

Objective	2014/15 Performance Target	2014/15 Indicator	2014/15 Result
<b>Performance Success – Summer (Olympic)</b>	Achieve within medal range target	19-38 (91-120 including non-worlds)	25 (115)
<b>Performance Success – Summer (Paralympic)</b>	Achieve within medal range target	28-56 (106-152 including non-worlds)	40 (163)
<b>Performance Success – Winter (Olympic)</b>	Achieve within medal range target	Non-Medal Targets <sup>1</sup> – 5 medals	3
<b>Performance Success – Winter (Paralympic)</b>	Achieve within medal range target	1-5 medals	4
<b>Major Event Bids</b> Support successful bids in 2014/15 for the number of major events within the agreed range.	UK Sport to support 16-20 successful major event bids in 2014/15 (including 3-7 World and European Championships)	16-20 (3-7 World and European Championships)	19 (7 World/European Championships)
<b>Major Event Spectators</b> To achieve within the spectator target range for supported events in 2014/15.	3.5m-4.0m spectators to attend major sporting events supported by UK Sport in 2014/15	3.5-4.0 million	4.9 million
<b>Major Event Direct Economic Benefit</b> To generate direct economic impact within the target range from major events supported by UK Sport in 2014/15.	£100m+ direct economic impact to host communities through major events supported by UK Sport in 2014/15	£100 million	£ 134 million

Objective	2014/15 Performance Target	2014/15 Indicator	2014/15 Result
<p><b>Governance</b> Sports and funded bodies have strong leadership and are in a position to develop and own their individual governance aspirations and targets.</p>	<p>90% of NGBs and Funded Partners meet their bespoke KPIs for the year.</p>	<p>90%</p>	<p>80%</p>
<p><b>Inspiration</b> To inspire the next generation through school and community sport.</p>	<p>% of athletes on UK Sport's World Class Programme completing at least one appearance per annum</p> <p>Total number of days completed by the whole athlete cohort in year</p>	<p>65%</p> <p>4,000</p>	<p>64%</p> <p>4,525</p>
<p><b>Elite Training Environments</b> UKS, in partnership with SE, improve daily training environments for world class athletes.</p>	<p>UKS in partnership with SE commit and spend 100% of the annual elite capital budget on jointly agreed facility enhancements to remove the barriers to achieving maximum performance and medal prospects.</p> <p>Joint priorities agreed through regular Elite Training Centre Programme Board Meetings</p>	<p>Sport England Budget £2m (2014-15) / £1m (2015-16)</p> <p>Enhancements delivered</p>	<p>£2m of projects identified</p> <p>£2.67m committed and spent (134% of budget)</p>
<p><b>Joint Governance</b> Sport England and UK Sport continue to demonstrate that they work jointly on governance using an agreed set of principles to help jointly drive improvements in NGB and partner governance.</p>	<p>Demonstrating working under the agreed set of principles</p> <p>Number of jointly funded NGBs and partners with jointly agreed governance action plans</p>	<p>Set of Principles Agreed</p> <p>No. of joint funded NGBs out of a total of 21</p>	<p>Set of Principles Agreed</p> <p>21</p>

Objective	2014/15 Performance Target	2014/15 Indicator	2014/15 Result
<p><b>Joint Procurement</b> Sport England and UK Sport collectively explore the joint procurement of three major office contracts that meet the service level requirements of their front line operations and are financially advantageous (Internal Audit / Infrastructure / Networks and Telephony).</p> <p><b>Finance</b> UK Sport operates within the budget constraints set out in the CSR settlement and in the Lottery targets for Administration costs.</p>	Explore and sign agreed contracts – Internal Audit	Sep-15	Joint Contract
	Explore and sign agreed contracts – Infrastructure	Sep-15	Joint contract explored but not yet entered in to
	Explore and sign agreed contracts – Networks and Telephony	Sep-15	Joint contract explored but not yet entered into
	Administration spend on the Exchequer fund does not exceed £3.845m	£3.845m	On-track
Administration spend on the Lottery fund does not exceed 5% of projected Lottery income	5%	On-track	

1 – Non-medal targets are focussed on finishing above a certain non-medal position in the results table.



**Liz Nicholl**  
Chief Executive and Accounting Officer  
The United Kingdom Sports Council

24 June 2015



**Rod Carr**  
Chair  
The United Kingdom Sports Council

24 June 2015

## Directors' Report

### Structure

CEO: Liz Nicholl CBE

Liz Nicholl CBE took up the post of Chief Executive at UK Sport on 23 September 2010 and leads the Directors' team that oversees 105 staff across six work areas. As at March 2015:

Chief Operating Officer: David Cole

Director of Performance: Simon Timson

Interim Director of Finance, Investment and Business Services: Mark Duly

Director of Major Events and International Relations: Simon Morton

Director of Commercial & Communications: Vanessa Wilson

### Board and Governance

UK Sport's Board meets normally six times each year to provide strategic direction to the organisation, as well as considering and making decisions on those recommendations put forward by UK Sport's officers, panels and internal committees. Rod Carr CBE was appointed as Chair on 22 April 2013.

Board members are appointed for a fixed term of three years and may be reappointed thereafter as determined by the Secretary of State for Culture, Media and Sport. The Board Chair has been appointed for four years. Representatives (usually the Chair) of the Home Country Sports Councils automatically sit on the UK Sport Board. The minutes of UK Sport Board meetings are made available on the UK Sport website.

Board members during 2014/15 were as follows: detailed information including date and duration of appointment is available on the UK Sport website at [www.ukssport.gov.uk](http://www.ukssport.gov.uk)

Name	Position	Start Date	Term duration
Rod Carr CBE	Chair	April 2013	22 April 2013 to 21 April 2017
Philip Kimberley	Member	March 2009 (term ended on 15 March 2015)	3 years to March 2012 Reappointed from 16/03/2012 to 15/03/2015
Louise Martin	Member (Chair Sport Scotland)	November 2002	3 years – appointed March 2005  Extended to March 2008  Extended to March 2011  Extended to March 2014  Extended to May 2016
Jonathan Vickers	Member	October 2008 (term ended on 26 October 2014)	3 years to October 2011  Extended to 26 October 2014
Brian Henning	Member (Chair Sports Council for Northern Ireland)	December 2012	Appointed to November 2016
Nicholas Bitel	Member (Chair Sports Council England)	April 2013	Appointed to April 2017
Laura McAllister	Member (Chair Sports Council Wales)	March 2010	3 years to March 2013 Reappointed to January 2016

Name	Position	Start Date	Term duration
Sarah Springman	Member	October 2013	3 year appointment to 27 October 2016
Lis Astall	Member	October 2013	3 year appointment to 27 October 2016
Mark Hanson	Member	July 2011 (left UK Sport in April 2014)	3 years – reappointed to March 2016 (although left UK Sport in April 2014)
Neil Chugani	Member	1 May 2014	3 years to 30 April 2017
Nicky Roche	Member	15 December 2014	3 years to 14 December 2017
John Dowson	Member	16 March 2015	3 years to 15 March 2018

In addition, the following panels/committees deal with specific areas of activity:

### Remuneration Panel

The Remuneration Panel has a key role to play in ensuring that employment issues in UK Sport are dealt with professionally. As at 31 March 2015 the Panel comprised:

- Rod Carr (Chair)
- Louise Martin CBE (Member)
- John Dowson (Member)

### Audit Committee

The Group Audit Committee covers both UK Sport and the EIS and considers external and internal audit reports, oversees risk management processes and reviews the statutory accounts and other financial matters. As at 31 March 2015 the Committee comprised:

- Jonathan Vickers\* (Chair until October 2014)
- Neil Chugani (Chair from October 2014)
- John Dowson (Member)
- Peter Rowley (Member)
- Craig Hunter (Member)
- Lis Astall (Member)

\*Jonathan Vickers' term as a UK Sport board member ended in October 2014.

### Major Events Panel

The Panel makes recommendations to Board on National Lottery (World Class Events Programme) awards and related policy matters. As at 31 March 2015 the Panel comprised:

- Phillip Kimberley (Chair until March 2015)
- Nicky Roche (Chair from March 2015)
- Neil Chugani (Member)
- Jane Allen (Member)
- David Collier (Member)
- Sally Bolton (Member)
- Zara Hyde-Peters (Member)
- David Bedford (Member)

Details of company directorships and other significant interests held by board members which may conflict with management responsibilities can be found on the UK Sport website: <http://www.uk sport.gov.uk/about-us/board>

## Sickness Absence

UK Sport has policies and procedures in place to monitor sickness absence, (both long and short term) and this information is regularly reviewed by the Senior Management Team. During 2014/15, sickness absence averaged 0.51 days (2013/14 – 2.56) per person, excluding two individuals with long term sicknesses. Long term sickness absence is deemed to be any period of absence over four weeks.

## Reporting of Personal Data Related Incidents

UK Sport holds personal information relating to employees, athletes, athlete support personnel and others relating to activities arising out of its operating environment within the high performance sport system.

UK Sport has in place robust and specific measures to ensure information security applies to such information.

In accordance with the Data Protection Act 1998, guidance from the Information Commissioner’s Office and the Cabinet Office Guidance under the HMG Security Policy Framework (SPF), UK Sport reviewed and updated its information and data security policy and procedure in 2013. The policy requires new staff undertake a compulsory e learning course when joining UK Sport and also existing members of staff to undertake the course each year.

In addition all staff receive information on data security and UK Sport undertakes sticker and poster campaigns to raise further awareness on information and data security.

UK Sport suffered two protected personal data incidents in 2014/2015. Both incidents resulted from crimes (burglary, theft etc.) and the items stolen were UK Sport encrypted laptops. The incidents do not fall within the criteria for reporting to the Information Commissioner’s Office.

**Table 1:** Summary of Protected Personal Data Related Incidents Formally Reported to the Information Commissioner’s Office in 2014/15

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

**Table 2:** Summary of Other Protected Personal Data Related Incidents in 2014/15

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner’s Office but recorded centrally within UK Sport, are set out in the table below. Small localised incidents are not recorded centrally and are not cited in these figures.

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

## **Remuneration Report**

### **Directors' Remuneration**

Director recruitment, remuneration and employment terms and conditions are overseen by the Remuneration Panel, which comprised of Rod Carr, Louise Martin and Philip Kimberley (until 15 March 2015) and John Dowson (as from 16 March 2015) during the year. Remuneration of the CEO and any higher earners is also subject to DCMS approval. Remuneration policy follows recommendations of the Senior Salaries Review Body. The Remuneration package comprises three elements:

#### **1. Salaries**

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

#### **2. Performance Related-Pay**

Performance related-pay depends on the outcome of annual performance review of objectives and competences, and on still being in post at 31 March 2015. In 2014/15 the maximum performance related pay available was 10% of basic salary for the CEO and 15% for the other Directors. These payments are not pensionable.

#### **3. Pension Arrangements**

Directors are members of the Local Government Pension Scheme (LGPS), a tax approved defined benefit occupational pension scheme set-up under the Superannuation Act 1972. Benefits are based on final salary and duration of membership. Members accrued pension entitlement in the year at a rate of 1/49 of final pensionable salary. Death in service cover is three years pay plus spouses/civil partner's pension equal to 1/160 of final pensionable salary, times total membership. At 31 March 2015 all Directors, but not the Chair, were members of LGPS.

### **Director's Contracts**

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

Other benefits include healthy lifestyle allowance and annual leave entitlement.

Emoluments of the Chair and Directors, including performance related pay and pension benefits, for the year ending 31 March 2015 are provided in the following sections.

## Remuneration (salary, benefits in kind and pensions)

Audited Information	Officials	Single total figure of remuneration									
		Salary (£'000)		Bonus payments (£,000)		Benefits in kind (to nearest £100) (7)		Pension benefits (£'000)		Total (£'000)	
		2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
S Campbell (1)	Chair	0	0-5	0	0	0	0	-	-	0-0	0-5
R Carr (2)	Chair	40-45	35-40	0	0	8,400	9,800	-	-	45-50	40-45
L Nicholl	CEO	130-135	130-135	10-15	10-15	0	0	28	63	170-175	205-210
D Cole	COO	100-105	100-105	10-15	5-10	0	0	28	31	135-140	140-145
D Lye (3)	Director	0	40-45	0	0	0	0	-	-	0-0	40-45
S Morton	Director	90-95	80-85	5-10	5-10	0	0	42	32	140-145	120-125
V Wilson	Director	80-85	75-80	5-10	5-10	0	0	25	21	110-115	105-110
R Francis (4)	Director	0	35-40	0	0	0	0	-	10	0-0	45-50
S du Sautoy (5)	Director	65-70	45-50	0-5	0-5	0	0	22	21	85-90	70-75
S Timson	Director	120-125	115-120	10-15	10-15	13,200	12,100	50	16	195-200	155-160
M Duly (6)	Interim Director	50-55	0	5-10	0	0	0	17	-	75-80	0-0
Band of the highest paid director's salary, bonus and benefits in kind		145-150	145-150								
Median total		46,173	43,251								
Remuneration ratio		3.19	3.41								

### Notes

- 1 – Sue Campbell's prior year emoluments do not reflect a full year as she left UK Sport on 18 April 2013. The full time equivalent salary band for the 2013/14 year is £35,000-£40,000 for a 0.4 full time equivalent.
- 2 – Rod Carr was appointed as chair on 22 April 2013, therefore prior year emoluments do not reflect a full year. The full time equivalent salary band for the 2013/14 year is £35,000-£40,000 for a 0.4 full time equivalent.
- 3 – Debbie Lye's prior year emoluments do not reflect a full year as she left UK Sport on 20 September 2013. The full time equivalent salary band for the 2013/14 year is £80,000-£85,000.
- 4 – Ros Francis's prior year emoluments do not reflect a full year as she was appointed director on 8 April 2013 and left UK Sport on 30 September 2013. The full time equivalent salary band for the 2013/14 year is £75,000-£80,000.
- 5 – Sophie du Sautoy was Acting Director of Finance and Investment from 1 to 8 April 2013 and acting Director of Finance, Investment and Business Services from 31 August to 31 March 2014, therefore prior year emoluments do not reflect a full year. The full time equivalent salary band for the 2013/14 year is £75,000-£80,000. Sophie du Sautoy was Director of Finance, Investment and Business Services from 1 April 2014, and was on maternity leave from 8 August 2014, therefore emoluments do not reflect a full salary however include maternity pay costs. The full time equivalent salary band for the 2014/15 year was £75,000-£80,000.
- 6 – Mark Duly was Interim Director of Finance, Investment and Business Services from 4 August 2014 to 31 March 2015, therefore current year emoluments do not reflect a full year. The full time equivalent salary band for the 2014/15 year is £75,000-£80,000.
- 7 – Benefits in kind relate to home to office travel which is a taxable benefit. Taxable benefits stated this year includes tax paid on behalf of the employee, and 2013/14 figures have been restated comparatively.

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

All UK Sport staff are entitled to claim for up to £40 each month as a healthy lifestyle allowance. This allowance has been included in the salary where applicable. Staff may sell up to 5 days of unused annual leave allowance per year; salary is also inclusive of any monies paid in lieu of this.

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.

The banded remuneration of the highest-paid director in UK Sport in the financial year 2014/15 was £145,000 – £150,000 (2013/14, £145,000 – £150,000). This was 3.19 times (2013/14, 3.41 times) the median remuneration of the workforce, which was £46,173 (2013/14, £43,251). The median pay is similar to that of the previous year. This is mainly due to no major changes in the staffing structure. The 2013/14 year has been restated to reflect the change in the accounting policy.

In 2014/15, 0 (2013/14, 0) employees received remuneration in excess of the highest-paid director. Remuneration ranged from the £20,000 – £25,000 band to £145,000 – £150,000 (2013/14, £20,000 – £25,000 band to £145,000 – £150,000 band).

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

### Pension Entitlement

<b>Audited Information</b>	<b>Accrued pension at pension age as at 31/3/15 and related lump sum</b>	<b>Real increase in pension and related lump sum at pension age</b>	<b>CETV at 31/03/15</b>	<b>CETV at 31/03/14</b>	<b>Real Increase in CETV</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
L Nicholl	55-60 plus lump sum of 120-125	0-5 plus lump sum of -5-0	1,216	1,182	19
D Cole	20-25 plus lump sum of 25-30	0-5 plus lump sum of -5-0	249	223	16
S Morton	10-15 plus lump sum of 5-10	0-5 plus lump sum of 0-5	128	103	16
V Wilson	0-5 plus lump sum of 0	0-5 plus lump sum of 0	43	28	7
S Timson	20-25 plus lump sum of 0	0-5 plus lump sum of 0	233	196	23
S du Sautoy	5-10 plus lump sum of 0	0-5 plus lump sum of 0	38	27	3
R Francis	0 plus lump sum of 0	0 plus lump sum of 0	0	7	0
M Duly	0-5 plus lump sum of 0	0-5 plus lump sum of 0	16	0	11

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

### Members' Remuneration

Members' remuneration for attending meetings was £218 per day (2013/14, £218) and half that amount for half-day meetings, up to 36 days each year. None of the Members received any benefits in kind and those who have received remuneration are as follows:

<b>Audited Information</b>	<b>2014/15 (£)</b>	<b>2013/14 (£)</b>
Rod Carr CBE (1)	-	-
Chris Holmes MBE (2)	-	1,308
Jonathan Vickers (3)	1,526	4,033
Laura McAllister	1,526	1,090
Louise Martin CBE	1,526	1,526
Phillip Kimberley (4)	4,687	4,142
Mark Hanson (5)	-	436
Brian Henning	1,090	1,526
Lis Astall (6)	3,052	981
Sarah Springman (7)	1,090	436
Nicholas Bitel (8)	-	-
Neil Chugani (9)	2,180	-
Nicky Roche (10)	545	-
John Dowson (11)	654	-

#### Notes

1 – Rod Carr was appointed as Chair of the UK Sport Board on 22 April 2013.

2 – Chris Holmes's board term expired on 31 July 2013.

3 – Jonathan Vickers left the UK Sport Board on 26 October 2014

4 – Philip Kimberley left the UK Sport Board on 15 March 2015.

5 – Mark Hanson left the UK Sport Board on 3 April 2014.

6 – Lis Astall was appointed to the UK Sport Board as of 28 October 2013.

7 – Sarah Springman was appointed to the UK Sport Board as of 28 October 2013.

8 – Nicholas Bitel has elected not to claim remuneration from UK Sport.

9 – Neil Chugani was appointed to the UK Sport Board on 01 May 2014.

10 – Nicky Roche was appointed to the UK Sport Board on 15 Dec 2014.

11 – John Dowson was appointed to the UK Sport Board on 16 March 2015.

### Compensation for Loss of Office

Three compulsory redundancies were agreed in 2014/15 (Three members of staff left under compulsory redundancy terms in 2013/14).

## Reporting of Civil Service and Other Compensation Schemes – Exit Packages

### 2014/15

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band (1)
£0 – £10,000	3	0	3

### 2013/14

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band (1)
£0 – £10,000	3	0	3

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



**Liz Nicholl**  
**Chief Executive and Accounting Officer**  
The United Kingdom Sports Council

24 June 2015



**Rod Carr**  
**Chair**  
The United Kingdom Sports Council

24 June 2015



**The United Kingdom Sports Council Grant-in-Aid  
and The United Kingdom Sports Council Group Accounts  
for the Year Ended 31 March 2015**

## Statement of the Board and Chief Executive's Responsibilities

The Royal Charter requires UK Sport to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, Olympics, Media and Sport with consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of UK Sport's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts The United Kingdom Sports Council is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the accounts direction issued by the Secretary of State for Culture, Olympics, Media and Sport, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- Prepare the financial statements on the going concern basis.

The Accounting Officer for the DCMS has designated the Chief Executive of UK Sport as the Accounting Officer for UK Sport. The relevant responsibilities of an Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for keeping of proper records and for safeguarding UK Sport's assets as set out in "Managing Public Money" published by the Treasury.

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



**Liz Nicholl**  
**Chief Executive and Accounting Officer**  
The United Kingdom Sports Council

24 June 2015



**Rod Carr**  
**Chair**  
The United Kingdom Sports Council

24 June 2015

## Governance Statement

### 1. Purpose

This statement outlines how I, as Accounting Officer, have discharged my responsibility to manage and control the organisation's resources during the course of 2014/15. As set out in *Managing Public Money*, the Governance Statement provides a clear overview of the dynamics of UK Sport and its control structure, provides a sense of how vulnerable the organisation is or might be; and how successful it has been in coping with the challenges it has faced through the course of the year.

### 2. Governance Framework

UK Sport was established in 1996 by Royal Charter as an Arm's Length Body (ALB) of the Department for Culture, Media and Sport. The formal relationship between the department and UK Sport is encapsulated in a Framework Document between the two organisations. This document sets out the broad framework within which UK Sport should operate. Copies of the document and any subsequent amendments are placed in the libraries of both Houses of Parliament and made available to members of the public on the UK Sport website.

UK Sport's constitution is set out in Article One of the Royal Charter, with the Secretary of State (and other members of the DCMS ministerial team) accounting for UK Sport's business in Parliament. My respective responsibilities as Accounting Officer are set out in Chapter Three of *Managing Public Money*. UK Sport is also compliant with the Corporate Governance Code as applied to an arm's length body via the relevant principles set out in *Corporate governance in central government departments: Code of good practice 2011* and also the Lottery Financial Directions.

#### 2.1 Board Structure

The Chair and Board members are appointed by the Secretary of State in compliance with the Code of Practice of the Commission for Public Appointments. The Board consists of the Chair and nine members, five independent and four representatives of the Home Nation Sports Councils. Collectively they have the skills and experience appropriate to direct UK Sport's business.

During this reporting year there have been a number of changes of personnel on our Board. Following the departure of Philip Kimberley and Jonathan Vickers after two terms on our Board and Mark Hanson for personal reasons; Neil Chugani, Nicky Roche and John Dowson have all joined the Board of UK Sport as Independent Members during the course of the year. All appointments of Independent NEDs to the Board have been made following open recruitment. Louise Martin was also re-confirmed as the nominee of the Scottish Secretary of State within the year.

The Board has an established Group Audit Committee to support them in their responsibilities for issues of risk, control and governance.

The Audit Committee, with oversight of both UK Sport and the EIS, advises the Board and Accounting Officer on:

- the strategic processes for risk, control and governance (and the Governance Statement);
- the accounting policies, the Annual Report and Accounts;
- the planned activity and results of both internal and external audit;
- the adequacy of management response to issues identified by audit activity;
- the effectiveness of internal and external audit; and
- assurances relating to the corporate governance requirements for the organisation.

Further to this, three standing sub-committees of the Board exist:

- Remuneration Panel – ensuring employment matters in UK Sport are dealt with professionally.
- Major Events Panel – providing advice around the development/delivery of UK Sport's Major Events Programme.
- Mission Control Panel – providing oversight of UK Sport's Mission Control process.

A fourth sub-committee, the Eligibility Sub-Committee only meets when necessary. The Committee was convened twice within the year to consider the respective cases as to an athlete's eligibility to receive funding.

## **2.2 Subsidiary Companies**

UK Sport had two trading subsidiary companies during the year:

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

A number of measures are in place to provide me with assurance as to the activities/operations of the EIS. The EIS is bound by a Funding Agreement (alongside a separate Financial Memorandum). Key Performance Indicators are agreed annually and progress against these is reviewed quarterly by the National Director and Director of Business and Finance at the EIS and the Performance Director from UK Sport. Separate (but reporting into) these quarterly reviews, budget/forecast meetings are held between our Investment Team and the Director of Business and Finance at the Institute. Also, as referred to above, the UK Sport Audit Committee has Group-wide responsibilities for the EIS.

During the course of the year Sarah Springman stepped down as UK Sports non-executive member on the EIS Board, and was replaced by Rod Carr.

TdFHUB 2014 – TdFHUB2014 Ltd was incorporated as a subsidiary of UK Sport on 8 July 2013. The company was established to deploy £10m of Central Government funding towards hosting the Tour de France 2014 Stages 1 to 3 and to liaise with Leeds City Council, Welcome to Yorkshire and other local and regional authorities hosting the Tour de France 2014 route. The documents governing the relationship and control environment between UK Sport and the TdFHUB2014 Ltd are set out within the company's Articles of Association, the Major Events Funding Agreement between UK Sport and TdFHUB2014 Ltd, and the Collaboration Agreement between UK Sport, TdFHUB2014 Ltd, Leeds City Council and Welcome to Yorkshire.

In addition UK Sport appointed a Major Events Consultant specifically for TdF to be responsible for 'on the ground' assurance over UK Sport's investment. UK Sport's Director of Major Events & International Relations met with the CEO of TdFHUB2014 Ltd and DCMS officials every two weeks to review progress. UK Sport and DCMS have a formal representative and an observer who sat on both the TdF Board and the Audit Committee. During this period UK Sport received all Board and Audit Committee papers and the UK Sport Board received regular updates from its formal representative and the Director of Major Events & International Relations.

The event concluded on the 7 July 2014 and accounts for TdFHUB 2014 Ltd. were prepared for the period ended 30 September 2014. Having achieved its objectives, steps were taken to gradually wind TdFHUB 2014 Ltd. up. Weekly meetings were held after 30 September 2014 between officers at UK Sport and staff at the company and it was resolved on 18 December 2014 by the Directors of TdFHUB 2014 Ltd. to strike off the company from the Register of Companies. A notice to strike off the company was advertised in the official public record, the London Gazette, on 27 January 2015 and the company was formally struck off the register and dissolved in May 2015.

### 2.3 Board/Committee Effectiveness

Our Board met six times in 2014/15 based around business priorities and the annual calendar of Board activity. The Board was quorate for all meetings in the year. Attendance of Board members is tabulated below.

2014/15	May	June	Sept	Dec	Feb	Mar	
Rod Carr	Y	Y	Y	Y	Y	Y	6/6
Louise Martin	Y	Y	Y	Y	Y	Y	6/6
Brian Henning	Y	Y	N	N	Y	Y	4/6
Laura McAllister	Y	Y	Y	Y	Y	Y	6/6
Philip Kimberley	Y	Y	Y	Y	Y	Term ended	5/5
Jonathan Vickers	Y	Y	Y	Term ended	-	-	3/3
Nick Bitel	Y	Y	Y	Y	Y	Y	6/6
Sarah Springman	N	Y	Y	N	N	Y	3/6
Lis Astall	Y	Y	Y	Y	Y	Y	6/6
Neil Chugani	Y	Y	Y	Y	N	Y	5/6
John Dowson	-	-	-	-	-	Y	1/1
Nicky Roche	-	-	-	-	Y	Y	2/2

A thorough review of Board Effectiveness was undertaken in June 2014 (with the quantitative research being undertaken in May) and an action plan agreed, with a focus on further developing the Board's awareness of the technical processes applied across the organisation, and enhancing the voice and expertise of all Board Members in discussion and decision-making. A follow up to this is planned to be completed in the second half of 2015/16. A skills audit was also undertaken in mid-2014 to inform the recruitment/selection process for new members to the Board and has been maintained to include the new Board members appointed.

The decisions taken by the UK Sport Board are informed primarily by the recommendations of the executive, sub-committees and legal counsel. Papers and reports summarising these recommendations and their underlying technical, strategic and financial bases are circulated in advance of each meeting, and are supplemented by verbal reports and presentations where it is felt this information is better contextualised in person. The role of the executive is to bring together a variety of data sources to shape the advice presented to Board, including the assimilation of analytical high performance results data alongside professional judgements and field observations with regards to the past and future performance of our investments.

Board Members responsibilities regarding conflicts of interest are set out in their terms of appointment which are underpinned by the "Cabinet Office Code of Conduct for Board Members of Public Bodies." In accordance with these requirements, on joining UK Sport and every year, UK Sport Board Members are required to declare all their interests. A register of interests is then compiled and published on UK Sport's website. At each Board meeting Board members are required to declare any interest against agenda items and remove themselves from discussions and decisions on that item.

The Audit Committee undertook an effectiveness review at their September 2013 meeting. Actions agreed from this review include assurance mapping across the organisation and ensuring any gaps/overlaps with Board are addressed. These actions have been progressed through 2014/15 (and monitored through the Audit Committee Self-Assessment Action Tracker). Following Jonathan Vickers' departure in October 2014, Neil Chugani was appointed interim Chair of the Committee. The attendance profile for the Committee is presented below:

	June 2014	September 2014	November 2014	March 2015	
Jonathan Vickers	Y	Y	Term ended Oct 2014	-	2/2
Philip Kimberley	Y	Y	Y	Y	4/4
Neil Chugani	N	Y	Y	Y	3/4
Peter Rowley	Y	Y	Y	Y	4/4
Lis Astall	Y	Y	N	Y	3/4
Craig Hunter	Y	Y	Y	N	3/4

## 2.4 Executive Responsibilities

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

In my role as Accounting Officer I attend both Board and Audit Committee to ensure any significant risks/issues of control are brought to their attention and discussed. I am therefore able to provide the assurances necessary within this statement for the period from April 2014 to the date of approval of the annual report and accounts.

Our Director of Finance, Investment and Business Services went on maternity leave in early August 2014 and an interim director was appointed to cover the period of leave. For any periods of absence during the year I have delegated my Accounting Officer responsibilities to the COO.

Individual named directors have responsibility for all policies and procedures pertaining to the Internal Governance of the organisation with the Chief Operating Officer and Director of Finance, Investment and Business Services having operational responsibility for the over-arching control environment within which we operate (including our risk management processes).

## 3. System of Internal Control

The system of internal control within UK Sport seeks to mitigate rather than eliminate risk. The decision as to which risks are mitigated or accepted relates both to the organisation's capacity to influence them and/or absorb their potential impact. The methodology used to evaluate risk in terms of likelihood and potential impact (through a Risk Heat Map) has been in place since 2007 to promote focus on the most significant risks facing the organisation.

In order to provide evidence-based assurances on the management of risks that threaten the achievement of UK Sport's objects a Risk Assurance Framework has also been developed. The first step, an assurance mapping exercise, was carried out in winter 2014 when potential control gaps were identified. A process of gathering evidence against these assurances is now underway. As set out in HM Treasury's 'Assurance Frameworks' document, December 2012, the Three Lines of Defence model has been used to identify and understand our assurance arrangements. The First Line of Defence deals with the front-line or business operational areas such as performance data and policies. The Second Line of Defence is associated with oversight of management activity, for example, Directors Team. Finally, the Third Line of Defence relates to independent assurance such as internal audit. Risk owners are engaged in the development and maintenance of the assurance framework and it is presented to Audit Committee and the UK Sport Board once a year alongside the full corporate Risk Register.

An audit of Corporate Governance and Risk Management was undertaken by our internal auditors in October 2014, with a final report published in February 2015. The report found that the risk management processes within the organisation continue to provide **substantial assurance** that risks

material to the achievement of UK Sport's objectives are adequately managed and controlled, with only two Level 3 (Housekeeping) recommendations being made.

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

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

Following an extensive joint tender with Sport England in February 2015, Mazars LLP were re-appointed as Internal Auditors for UK Sport (and also now, auditors for Sport England) with a new contract coming into effect from April 2015.

### **3.1 Risk Profile for 2014/15**

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

Where significant risks are recognised and accepted then potential impacts are identified and corresponding scenario plans, with mitigating actions developed. A number of significant risks have been accepted/managed through 2014/15 and are detailed in the Principal Risks and Uncertainties section within this Report. These include the risks caused by Scottish independence, challenges to our investment decisions, staff turnover, the volatility of Lottery income, and the relocation of our headquarters.

Looking ahead to the future the key risk to UK Sport is as follows:

- Following the formation of the new Government there will be the planned Comprehensive Spending Review in which it is possible that the government will seek further efficiencies and savings. The current timetable suggests that this exercise will be taking place during the period in which we are at the height of our planning for the next Olympic/Paralympic cycle. Further reductions through our exchequer settlement (or uncertainty if process drags on, or is delayed) would have a significant impact on our ability to sustain performance into the next cycle.

Work is continuing to further consider/evaluate the above risks. Mitigating actions currently under development involve modelling financial options for consideration by Government as part of the Comprehensive Spending Review, and the development of tools to assist UK Sport in its internal prioritisation of resource.

### **3.2 Policies and Procedures**

Beneath our overarching Policy on Internal Control sits a number of critical policies and procedures, which effectively describe to staff the detail of their responsibilities. Continued focus has been given in 2014/15 to reviewing and updating a number of these to ensure they are current with both statutory/legislative requirements and recognised best practice. Some of the internal policies (and associated procedures) that have been introduced/reviewed within the reported year include:

- Adoption Policy
- Anti-Fraud, Anti-Corruption & Anti-Bribery
- Budgetary Control
- Business Continuity
- Cash Management
- Delegated Authority
- Document Retention
- Fixed Asset

- Flexible Working Policy
- Gifts & Hospitality
- Health & Safety
- Healthy Lifestyle
- Home Based Working Policy
- Maternity Policy
- Parental Leave Policy
- Personal Information
- Probation Period
- Procurement Policy & Procedure
- Recruitment Procedures
- Travel & Expenses

### **3.3 Independent Assurance**

#### *3.3.1 Internal Audit*

Internal Audit for 2014/15 was provided under contract by Mazars LLP. The Internal Audit Plan for 2014/15 was considered and approved by the Group Audit Committee at its meeting on the 5 March 2014. The Plan was for a total of 58 days. All planned audits from the Plan were completed during the year.

The internal audits reported to the Group Audit Committee, together with assurance levels where provided, were:

Core Financial Systems	Substantial
IT Security	Substantial
Corporate Governance and Risk Management	Substantial
EIS – Contract Management of Estates	Limited
EIS – Information Security, Knowledge Management and Data Capture	Adequate
World Class/Major Events Programme	Substantial
Commercial Strategy	Substantial

In addition, three 'Follow Up' audits were carried out during the year. One of these was a 'Follow Up' specifically on the internal audit report 'EIS: HR – Recruitment' from 2013/14 with the other two 'Follow Up' audits being to confirm progress on implementation of recommendations from previous internal audit reports.

During the year, two 'Priority 1' and ten 'Priority 2' recommendations were made. The two 'Priority 1' recommendations were made within the report 'EIS – Contract Management of Estates' and related to:

- EIS should clarify guidance on accident and incident reporting to ensure that all staff are aware where responsibility lies for the reporting of accidents and incidents. There should be clear central oversight of accidents and incidents that fall under EIS's remit to ensure that any common themes are identified and addressed at a national level.
- EIS should ensure that Business Continuity Plans are completed to an acceptable standard for each site.

On the basis of their audit work, Mazars LLP considered that UK Sport's governance and risk management arrangements are generally adequate and effective. In respect of internal control, on the basis of their audits, with the exception of Contract Management of Estates at EIS which has been dealt with by management, in their opinion, UK Sport has adequate and effective control processes to manage the achievement of its objectives. Certain other weaknesses and exceptions were highlighted by the audit work. The issues arising were discussed with management, and a number of recommendations were made. All of these have been, or are in the process of being addressed.

### 3.3.2 Assurance of Grant Funding Awards made by UK Sport to National Governing Bodies

UK Sport has moved away from the former reliance on the onsite audits and the online self-assurance process to generate a Red/Amber/Green (RAG) rating for governance of our funded sports and partners. We now generate an overall governance RAG rating which is drawn from those independent external audit and assurance processes *combined with* intelligence gathered from our regular contact with the sports and partners. This creates a more holistic and accurate assessment of each organisation's governance, risk and control framework.

As at 31 March 2015, the overall governance RAG ratings<sup>1</sup> were as follows:

Green	Amber	Red
15	14	5

UK Sport officers are working particularly closely with those sports and partners who are currently rated as Red to ensure that the specific issues affecting those organisations are resolved effectively. A Red rating does not prohibit us from investing a sport but it means that we may choose to put in place additional control mechanisms, and we will work closely with the sport to help them address the issues that have led to this rating. However, should serious or persistent concerns arise that are not resolved we may choose to revisit our investment.

In 2014/15 we also introduced a new measure of governance; bespoke KPIs to monitor particular priority areas of governance, specific to individual sports and partners. These are reported quarterly to DCMS. 36 KPIs had a completion deadline within 2014/15. Of those, 29 have been met (80%). As regards the seven that have not been met, two have missed their target because of specific circumstances beyond their control – one waiting for the Home Country Sports Councils to assess their application for recognition status, and another where UK Sport and Sport England have pushed back the date of their onsite management audit – both have been given revised deadlines. UK Sport officers are working closely with those remaining five NGBs to ensure the required actions are completed as soon as possible.

Moore Stephens carry out the onsite audits and also review the annual self-assurance submissions of NGBs and system partners under a joint contract with Sport England. UK Sport and Sport England will be reviewing the audit and assurance contract as it reaches its end during this year, with a view to potentially altering the scope of the contract to better reflect the governance of our sports and partners and the subsequent shift in our focus.

UK Sport has also introduced a new piece of work to promote a more proactive due-diligence process and enhance the monitoring and safeguarding of investments made to National Governing Bodies (NGBs) and Partners. This piece of work builds on the work UK Sport currently undertakes via the audit and assurance programme. The objective is to enhance the overall governance framework for funded NGBs and Partners by improving the current arrangements around financial viability testing/monitoring. Subsequent to a couple of instances during the year which highlighted funded organisations with financial health and stability issues, it was determined that an enhanced due diligence process would be worthwhile to aid in the mitigation of such risks. This piece of work is being piloted at present with the proposed annual deliverable to include raw data, obtained primarily from the financial statements of funded organisations, along with a summary of financial indicators and any key issues. The aim is to be able to better flag and identify financial health and stability issues as early as possible by monitoring these indicators and obtaining a more regular independent professional review.

### 3.4 Information Security

UK Sport holds personal information regarding employees, athletes, athlete support personnel and others relating to activities arising out of its operating environment within the high performance sport system.

UK Sport has in place robust and specific measures to ensure information security applies to such information.

<sup>1</sup> assurance on the governance of the British Olympic Association is through the quarterly meetings and financial reporting so they are not included in the figures reported.

Further details related to information security control measures and incidents in 2014/15 are captured under the Reporting of Personal Data Related Incidents within the Strategic Report section of this document.



**Liz Nicholl**  
**Chief Executive and Accounting Officer**  
The United Kingdom Sports Council

24 June 2015



**Rod Carr**  
**Chair**  
The United Kingdom Sports Council

24 June 2015

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

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

I certify that I have audited the Grant-in-Aid and Group financial statements of the United Kingdom Sports Council for the year ended 31 March 2015. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

#### **Respective responsibilities of the Board, Chief Executive and auditor**

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

#### **Scope of the audit of the financial statements**

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

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

#### **Opinion on regularity**

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

#### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the United Kingdom Sports Council's affairs as at 31 March 2015 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Royal Charter of United Kingdom Sports Council and Secretary of State directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Royal Charter of the United Kingdom Sports Council; and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

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

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

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

**29 June 2015**

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

## Statement of Comprehensive Net Expenditure for the Year Ended 31/03/15

	Note	UK Sport		Group	
		2014/15	2013/14	2014/15	2013/14
		£'000	£'000	£'000	£'000
<b>INCOME</b>					
Other Operating Income	3	3,401	3,142	10,865	10,034
<b>Total</b>		<b>3,401</b>	<b>3,142</b>	<b>10,865</b>	<b>10,034</b>
<b>EXPENDITURE</b>					
Staff Costs	4.1	5,071	4,872	20,075	17,332
Grants and Other Operating Costs	5	48,237	40,266	41,543	35,034
<b>Total</b>		<b>53,308</b>	<b>45,138</b>	<b>61,618</b>	<b>52,366</b>
<b>NET EXPENDITURE BEFORE TAXATION AND INTEREST</b>		<b>(49,907)</b>	<b>(41,996)</b>	<b>(50,753)</b>	<b>(42,332)</b>
Net Interest on the Pension Liability	17.3/19	(325)	(287)	(518)	(287)
Interest Receivable	8	1	1	4	3
Taxation	9	-	-	1	-
Interest Payable		-	-	(4)	(2)
<b>NET EXPENDITURE FOR THE PERIOD</b>		<b>(50,231)</b>	<b>(42,282)</b>	<b>(51,270)</b>	<b>(42,618)</b>
<b>Other Comprehensive Expenditure</b>					
Pension Scheme Re-measurements	17.4/19	(3,997)	(311)	(12,322)	(4,384)
<b>TOTAL COMPREHENSIVE EXPENDITURE FOR THE FINANCIAL YEAR</b>		<b>(54,228)</b>	<b>(42,593)</b>	<b>(63,592)</b>	<b>(47,002)</b>

All activities relate to continuing activities.

The notes on pages 33 to 60 form part of these accounts.

Grant-in-Aid income received from DCMS is credited directly to the Statement of Changes in Taxpayers' Equity and is not shown above as income. The value received in the year was £49.452m.

## Statement of Changes in Taxpayers' Equity for the Year Ended 31/03/15

	Note	UK Sport				Group			
		2014/15		2013/14		2014/15		2013/14	
		Revenue Reserve £'000	Pension Reserve £'000						
<b>Balance Brought Forward</b>		<b>2,785</b>	<b>(7,361)</b>	<b>1,501</b>	<b>(6,558)</b>	<b>5,434</b>	<b>(12,188)</b>	<b>4,122</b>	<b>(6,929)</b>
Retained Deficit for Year		(50,231)	-	(42,282)	-	(51,270)	-	(42,618)	-
Transfer from the Pension Reserve		454	(454)	546	(546)	1,375	(1,375)	910	(910)
Grant-in-Aid Income Received	2	49,452	-	43,020	-	49,452	-	43,020	-
Pension Scheme Re-measurements	17.4/19	-	(3,997)	-	(311)	-	(12,322)	-	(4,384)
Other Movements		-	11	-	54	-	(13)	-	35
<b>Balance at 31 March</b>		<b>2,460</b>	<b>(11,801)</b>	<b>2,785</b>	<b>(7,361)</b>	<b>4,991</b>	<b>(25,898)</b>	<b>5,434</b>	<b>(12,188)</b>

The notes on pages 33 to 60 form part of these accounts.

## Statement of Financial Position as at 31/03/15

	Note	UK Sport		Group	
		31/03/15 £'000	31/03/14 £'000	31/03/15 £'000	31/03/14 £'000
<b>NON CURRENT ASSETS</b>					
Property Plant and Equipment	10	994	1,114	2,788	3,289
Intangible Assets	10.1	338	305	1,163	892
<b>Total Non Current Assets</b>		<b>1,332</b>	<b>1,419</b>	<b>3,951</b>	<b>4,181</b>
<b>CURRENT ASSETS</b>					
Trade and Other Receivables	11	2,529	3,504	3,601	3,402
Cash and Cash Equivalents	12	917	1,095	1,833	5,037
<b>Total Current Assets</b>		<b>3,446</b>	<b>4,599</b>	<b>5,434</b>	<b>8,439</b>
<b>Total Assets</b>		<b>4,778</b>	<b>6,018</b>	<b>9,385</b>	<b>12,620</b>
<b>CURRENT LIABILITIES</b>					
Trade and Other Payables	13.1	(2,084)	(2,265)	(4,142)	(6,180)
<b>Net Current Assets</b>		<b>1,362</b>	<b>2,334</b>	<b>1,292</b>	<b>2,259</b>
<b>Non Current Assets plus Net Current Assets</b>		<b>2,694</b>	<b>3,753</b>	<b>5,243</b>	<b>6,440</b>
<b>NON CURRENT LIABILITIES</b>					
Provisions	14	(234)	(968)	(234)	(968)
Pension Liabilities	17.2/19	(11,801)	(7,361)	(25,898)	(12,188)
Finance Lease Agreements	13.2	-	-	(18)	(38)
<b>Total Non Current Liabilities</b>		<b>(12,035)</b>	<b>(8,329)</b>	<b>(26,150)</b>	<b>(13,194)</b>
<b>Assets less Liabilities</b>		<b>(9,341)</b>	<b>(4,576)</b>	<b>(20,907)</b>	<b>(6,754)</b>
<b>TAXPAYER'S EQUITY</b>					
Pension Reserve	17.2/19	(11,801)	(7,361)	(25,898)	(12,188)
Revenue Reserve		2,460	2,785	4,991	5,434
<b>Total Taxpayer's Equity</b>		<b>(9,341)</b>	<b>(4,576)</b>	<b>(20,907)</b>	<b>(6,754)</b>

The notes on pages 33 to 60 form part of these accounts.



**Liz Nicholl**  
Chief Executive and Accounting Officer  
The United Kingdom Sports Council

24 June 2015



**Rod Carr**  
Chair  
The United Kingdom Sports Council

24 June 2015

## Statement of Cash Flows for the Year Ended 31/03/15

		UK Sport		Group	
	Note	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Cash Generated from Operations</b>	15	<b>(49,162)</b>	<b>(41,205)</b>	<b>(51,224)</b>	<b>(36,831)</b>
Interest Received	8	1	1	4	3
Corporation Tax Paid		-	-	(1)	-
Interest Paid		-	-	(4)	(2)
<b>Net Cash Flow from Operating Activities</b>		<b>(49,161)</b>	<b>(41,204)</b>	<b>(51,225)</b>	<b>(36,830)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments to Acquire Property Plant and Equipment	10	(176)	(1,182)	(670)	(2,109)
Payments to Acquire Intangible Assets	10.1	(293)	(266)	(763)	(579)
Receipts from Sale of Fixed Assets		-	-	2	4
<b>Net Cash Flow from Investing Activities</b>		<b>(469)</b>	<b>(1,448)</b>	<b>(1,431)</b>	<b>(2,684)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Grant-in-Aid	2	49,452	43,020	49,452	43,020
<b>Net Cash Flow from Financing Activities</b>		<b>49,452</b>	<b>43,020</b>	<b>49,452</b>	<b>43,020</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents in the Period</b>		<b>(178)</b>	<b>368</b>	<b>(3,204)</b>	<b>3,506</b>
Cash and Cash Equivalents at 1 April		1,095	727	5,037	1,531
<b>Cash and Cash Equivalents at 31 March</b>	12	<b>917</b>	<b>1,095</b>	<b>1,833</b>	<b>5,037</b>

The notes on pages 33 to 60 form part of these accounts.

## NOTES TO THE ACCOUNTS

### 1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2014/15 Government Financial Reporting Manual (FReM) issued by HM Treasury and on the basis of the Accounts Direction issued by the Secretary of State for Culture, Media and Sport, with the approval of the Treasury, in accordance with article 14 of the Royal Charter on 26 March 2002, a copy of which can be obtained from UK Sport at 21 Bloomsbury Street, London, WC1B 3HF.

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

The financial statements have been prepared on a going concern basis. Grant Commitments and other obligations have been entered into on the basis of continuing receipt of Grant-in-Aid financing from the DCMS.

#### 1.1 Accounting Convention

The accounts direction requires that, when material, accounts are prepared on a modified historical cost (MHCA) basis in which the Statement of Comprehensive Net Expenditure reflects the consumption of resources at their current value and the statement of financial position shows the value of non-current assets, current asset investments and (if material) inventories at their value to the business by reference to current costs. It has been determined that in the current period adoption of MHCA would not have a material impact on the accounts, and hence no entries have been made.

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

#### 1.2 Use of Estimates and Judgements

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

#### 1.3 Basis of Consolidation

The English Institute of Sport (EIS) and TdFHUB2014 Limited have been accounted for as subsidiary entities during the period within the consolidated accounts, in accordance with the guidance set out in the Financial Reporting Manual (FReM) issued by HM Treasury and on the basis that UKS is the sole member. TdFHUB2014 Limited became a subsidiary of UK Sport in July 2013.

TdFHUB2014 Limited has produced one set of accounts from the period 1 July 2013 to 30 September 2014. The relevant period has been consolidated within the group accounts.

The financial activities of the UK Sport Lottery distribution fund have not been included in these accounts and a separate financial report has been prepared for them.

#### 1.4 Income Recognition

##### *Grant-in-Aid Received*

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

#### *Fundraising Income*

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

#### *Investment Income*

Investment income comprises interest receivable on cash balances and short term deposits. Interest receivable is credited to the Income & Expenditure Account on an accruals basis.

#### *Other Operating Income*

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

### **1.5 Property Plant and Equipment**

The assets of UK Sport are IT equipment, leasehold improvements and other office equipment. All assets are stated in the Statement of Financial Position at depreciated historical cost as proxy to fair value. The minimum capitalisation threshold is £2,500 for UK Sport whilst for EIS it is £500.

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

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

Computer Equipment	2-5 years
Office Refurbishment	5-7 years
Office Equipment	2-5 years
Other Equipment	2-5 years

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

On 1 September 2013, UK Sport made the decision to relocate their head office from 40 Bernard Street London WC1N 1ST to 21 Bloomsbury Street WC1B 3HF. As a direct consequence of this, the remaining useful life of the Leasehold Improvements at 40 Bernard Street was reduced to 9 months to accelerate the depreciation on the remaining net book value to reflect the fact that these assets will have no commercial value to UK Sport after vacating, thereby increasing the depreciation charge for the year. A full year of depreciation is charged in the year of acquisition and none in the year of disposal.

### **1.6 Intangible Assets**

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

Computer Software	2-5 years
Licences	2-5 years

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

### **1.7 Research and Development**

Research and development costs are written off as incurred and not carried forward as an asset as the recognition criteria of IAS38 are not met.

## **1.8 Grants and Loans Awarded**

Grants payable are charged to the Statement of Comprehensive Net Expenditure on an accruals basis. Where the recognition criteria is met, commitments are reflected in the Consolidated Statement of Financial Position as a liability and where they do not meet the criteria are disclosed as other grant commitments in note 21. UK Sport may give financial assistance by way of grants and loans to any person or organisation in furtherance of the objectives of the Council.

## **1.9 Pension Costs**

The pension liabilities and assets are recorded in line with IAS 19, with a valuation undertaken by an independent actuary. IAS 19 measures the value of pension assets and liabilities at the end of each reporting period, determines the benefits accrued in the year and the interest on scheme assets and liabilities. The value of benefits accrued is used to determine the pension charge in the Statement of Comprehensive Net Expenditure and the net interest on the pension liability is shown in the Statement of Comprehensive Net Expenditure. The change in the value of the assets and liabilities arising from asset valuations, changes in benefits, actuarial assumptions or change in the level of deficit attributable to members, is recognised in the Statement of Changes in Taxpayers' Equity. The resulting pension liability or asset is shown on the Statement of Financial Position. Further information on the pension scheme is available in notes 17 – 19 to the accounts.

## **1.10 Leases and Provisions**

A 15 year lease was signed for the office premises at 40 Bernard Street WC1N 1ST with Bloomsbury Property Investment Limited which expired during the year.

Furthermore, a lease was signed for 9 years and 3 months at 21 Bloomsbury Street WC1B 3HF with the Department for Culture, Media & Sport with effect from 1 September 2013.

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

Provision was also made as at 31 March 2014 for the onerous element of the 40 Bernard Street lease until lease expiry on 31 January 2015.

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

## **1.11 Charges to and from UK Sport**

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

## **1.12 Investment**

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

## **1.13 Cash and Cash Equivalents**

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

### 1.14 Value Added Tax

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

### 1.15 Standards Issued But Not Yet Effective

There are no accounting standards issued but not yet effective that would have a material impact on the accounts of UK Sport. UK Sport reviews new and accounting standards and those yet to be issued on a regular basis.

## 2. Grant-in-Aid

	UK Sport		Group	
	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
Received from DCMS-Revenue	48,414	40,551	48,414	40,551
Received from DCMS-Capital	1,038	2,469	1,038	2,469
<b>Total</b>	<b>49,452</b>	<b>43,020</b>	<b>49,452</b>	<b>43,020</b>

A total of £49.452m (2013/14, £43.020m) Grant-in-Aid was made available and drawn down during the year.

## 3. Other Operating Income

	UK Sport		Group	
	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
Funding for International Programme	142	321	142	321
Costs Apportioned to UKS Lottery Account	2,459	2,205	2,459	2,205
Other	800	616	795	610
EIS	-	-	7,469	6,898
<b>Total</b>	<b>3,401</b>	<b>3,142</b>	<b>10,865</b>	<b>10,034</b>

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

#### 4. Staffing and Management

##### 4.1 Staff Costs

	UK Sport		Group	
	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
Wages and Salaries (including performance related pay)	3,824	3,565	15,583	13,744
Other Staff Costs	157	235	350	468
Social Security Costs	374	369	1,355	1,250
Current Service Costs	696	685	2,712	1,826
Administration Expense Relating to Pension Scheme	20	18	49	44
Other Pension Contributions	-	-	26	-
<b>Total Staff Costs</b>	<b>5,071</b>	<b>4,872</b>	<b>20,075</b>	<b>17,332</b>

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

	2014/15	2013/14
<b>Employees</b>		
UK Sport	76	72
English Institute of Sport	304	264
TdFHUB2014 Limited	10	8
<b>Total</b>	<b>390</b>	<b>344</b>
<b>Other Staff (Full Time Equivalent Values)</b>		
UK Sport	2	5
English Institute of Sport	3	10
TdFHUB2014 Limited	2	3
<b>Total</b>	<b>7</b>	<b>18</b>

Other staff numbers include agency and seconded staff.

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

EXIT PACKAGE COST BAND	UK Sport		Group	
	Number of Compulsory Redundancies			
	2014/15	2013/14	2014/15	2013/14
< £10,000	3	3	6	9
<b>Total Number of Exit Packages</b>	<b>-</b>	<b>3</b>	<b>6</b>	<b>9</b>
<b>Total Value of Exit Packages</b>	<b>£8,787</b>	<b>£1,800</b>	<b>£14,827</b>	<b>£15,647</b>

## 5. Grants and Other Operating Costs

	UK Sport		Group	
	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
<b>National Support – Grants</b>				
Sports Bodies	30,577	26,310	14,544	13,076
Performance	29	53	29	53
International Representation	946	1,184	946	1,184
Major Events	7,705	2,595	–	300
	<b>39,257</b>	<b>30,142</b>	<b>15,519</b>	<b>14,613</b>
<b>National Support – Other Costs</b>				
Performance	5,186	5,499	5,167	5,478
Communications	409	268	409	268
International Representation	116	132	116	132
English Institute of Sport	–	–	8,923	7,637
TdFHUB2014 Limited	–	–	7,045	1,596
	<b>5,711</b>	<b>5,899</b>	<b>21,660</b>	<b>15,111</b>
<b>Finance and Management Services</b>				
HQ Office Costs	2,645	2,521	2,645	2,521
Onerous Lease Provision	–	509	–	509
21 Bloomsbury Dilapidations Provision	36	198	36	198
40 Bernard Street Dilapidations Provision	(168)	–	(168)	–
21 Bloomsbury Operating Lease	156	363	156	363
Other Co-location Costs	89	54	89	54
Depreciation/Amortisation	511	580	1,606	1,665
	<b>3,269</b>	<b>4,225</b>	<b>4,364</b>	<b>5,310</b>
<b>Total</b>	<b>48,237</b>	<b>40,266</b>	<b>41,543</b>	<b>35,034</b>

## 6. Analysis of Net Expenditure by Programme and Administration Budget (UK Sport)

	2014/15			2013/14		
	Programme £'000	Administration £'000	Total £'000	Programme £'000	Administration £'000	Total £'000
<b>Expenditure</b>						
Staff Costs	2,587	2,484	<b>5,071</b>	2,310	2,562	<b>4,872</b>
Running Costs	6,045	1,834	<b>7,879</b>	5,895	1,853	<b>7,748</b>
Rentals Under Operating Leases	-	677	<b>677</b>	-	1,060	<b>1,060</b>
Grants	39,257	-	<b>39,257</b>	30,142	-	<b>30,142</b>
Depreciation	24	270	<b>294</b>	29	324	<b>353</b>
Amortisation	119	98	<b>217</b>	122	104	<b>226</b>
Loss on Disposal	-	45	<b>45</b>	30	-	<b>30</b>
Provision Provided for in Year	-	(132)	<b>(132)</b>	-	707	<b>707</b>
<b>Income</b>						
Interest Receivable	-	1	<b>1</b>	-	1	<b>1</b>
Other Income	940	2,461	<b>3,401</b>	893	2,249	<b>3,142</b>
<b>Net Expenditure After Interest</b>	<b>(47,092)</b>	<b>(2,814)</b>	<b>(49,906)</b>	<b>(37,635)</b>	<b>(4,360)</b>	<b>(41,995)</b>
Net Interest on the Pension Liability	(166)	(159)	<b>(325)</b>	(166)	(121)	<b>(287)</b>
Pension Scheme Re-measurements	(2,037)	(1,960)	<b>(3,997)</b>	(147)	(164)	<b>(311)</b>
<b>Total Comprehensive Expenditure for the Financial Year</b>	<b>(49,295)</b>	<b>(4,933)</b>	<b>(54,228)</b>	<b>(37,948)</b>	<b>(4,645)</b>	<b>(42,593)</b>

## 6. Analysis of Net Expenditure by Programme and Administration Budget (Group)

	2014/15			2013/14		
	Programme £'000	Administration £'000	Total £'000	Programme £'000	Administration £'000	Total £'000
<b>Expenditure</b>						
Staff Costs	17,591	2,484	<b>20,075</b>	14,769	2,563	<b>17,332</b>
Running Costs	20,558	1,834	<b>22,392</b>	13,373	2,169	<b>15,542</b>
Rentals under Operating Leases	1,425	677	<b>2,102</b>	1,736	744	<b>2,480</b>
Grants	15,519	-	<b>15,519</b>	14,613	-	<b>14,613</b>
Depreciation	889	270	<b>1,159</b>	938	324	<b>1,262</b>
Amortisation	349	98	<b>447</b>	299	104	<b>403</b>
Loss on Disposal	10	45	<b>55</b>	26	-	<b>26</b>
Provision Provided for in Year	-	(132)	<b>(132)</b>	-	707	<b>707</b>
Interest Payable	4	-	<b>4</b>	2	-	<b>2</b>
<b>Income</b>						
Interest Receivable	3	1	<b>4</b>	2	1	<b>3</b>
Other Income	8,404	2,461	<b>10,865</b>	7,785	2,249	<b>10,034</b>
<b>Net Expenditure After Interest</b>	<b>(47,938)</b>	<b>(2,814)</b>	<b>(50,752)</b>	<b>(37,969)</b>	<b>(4,362)</b>	<b>(42,331)</b>
Net Return on Pension Assets	(359)	(159)	<b>(518)</b>	(166)	(121)	<b>(287)</b>
Pension Scheme Re-measurements	(10,362)	(1,960)	<b>(12,322)</b>	(4,220)	(164)	<b>(4,384)</b>
<b>Total Comprehensive Expenditure for the Financial Year</b>	<b>(58,659)</b>	<b>(4,933)</b>	<b>(63,592)</b>	<b>(42,356)</b>	<b>(4,648)</b>	<b>(47,002)</b>

## 7. Operating Result

	UK Sport		Group	
	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
<b>This is stated after charging:</b>				
Travel, Subsistence and Hospitality:				
Chair and Members	24	22	27	26
Employees	505	445	1,714	1,425
Consultants' Fees and Legal Fees	73	62	1,311	1,248
Contingent Labour	131	230	324	463
Performance Programme Delivery – Specialist Services	2,211	1,873	2,211	1,873
International Programme Delivery – Specialist Services	58	38	58	38
Operating Lease – 40 Bernard Street	220	697	220	697
Operating Lease – 21 Bloomsbury	457	363	457	363
Provisions Released/Provided for in Year	(132)	707	(132)	707
Operating Lease: EIS Property	–	–	1,413	1,404
Operating Lease: Plant and Equipment	–	–	12	16
Depreciation	294	353	1,159	1,262
Amortisation	217	226	447	403
Loss on Disposal of Tangible Assets	45	30	55	26
Auditor's Remuneration for Audit Work	37	37	60	51

Group auditor's remuneration includes amount of £9,600 paid to KPMG for the TdFHUB2014 Limited audit. The remainder relates to audit work carried out by the National Audit Office.

## 8. Investment Income

	UK Sport		Group	
	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
Interest Receivable	1	1	4	3

## 9. Taxation

	UK Sport		Group	
	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
Corporation Tax Payable	–	–	1	–

UK Sport has reached agreement with HMRC that payments to charitable entities may be treated as a charge on income under S.330 ICTA 1988 and offset in full against taxable investment income. Accordingly, no corporation tax liability arises.

## 10.a UK Sport – Property Plant and Equipment

	<b>Leasehold Improvement £'000</b>	<b>Fixtures &amp; Fittings £'000</b>	<b>IT Equipment £'000</b>	<b>Office Equipment £'000</b>	<b>Other Equipment £'000</b>	<b>Total £'000</b>
<b>At Cost</b>						
At 01/04/13	1,038	–	944	95	79	2,156
Additions	949	64	129	40	–	1,182
Disposals	–	–	(408)	–	(30)	(438)
<b>At 31/03/14</b>	<b>1,987</b>	<b>64</b>	<b>665</b>	<b>135</b>	<b>49</b>	<b>2,900</b>
Additions	(12)	19	151	18	–	176
Disposals	(1,040)	–	(74)	(72)	–	(1,186)
<b>At 31/03/15</b>	<b>935</b>	<b>83</b>	<b>742</b>	<b>81</b>	<b>49</b>	<b>1,890</b>
<b>Depreciation</b>						
At 01/04/13	865	–	871	82	32	1,850
Charge for Year	246	7	63	21	17	353
Depreciation on Disposal	–	–	(408)	–	(10)	(418)
<b>At 31/03/14</b>	<b>1,111</b>	<b>7</b>	<b>526</b>	<b>103</b>	<b>39</b>	<b>1,786</b>
Charge for Year	132	9	126	17	10	294
Depreciation on Disposal	(1,040)	–	(74)	(70)	–	(1,184)
<b>At 31/03/15</b>	<b>203</b>	<b>16</b>	<b>578</b>	<b>50</b>	<b>49</b>	<b>896</b>
<b>Net Book Value</b>						
<b>At 01/04/13</b>	<b>173</b>	<b>–</b>	<b>73</b>	<b>13</b>	<b>47</b>	<b>306</b>
<b>At 31/03/14</b>	<b>876</b>	<b>57</b>	<b>139</b>	<b>32</b>	<b>11</b>	<b>1,114</b>
<b>At 31/03/15</b>	<b>732</b>	<b>67</b>	<b>164</b>	<b>31</b>	<b>–</b>	<b>994</b>

Within the closing net book value there are £nil (2013/14, £0.096m) of assets under the course of construction which are yet to be depreciated.

Leasehold improvement additions are negative due to the value of additions accrued in the prior year being higher than the value charged and paid in the current year.

## 10.b Group – Property Plant and Equipment

	Leasehold Improvement £'000	Fixtures & Fittings £'000	IT Equipment £'000	Office Equipment £'000	Other Equipment £'000	Assets Held Under Finance Leases £'000	Total £'000
<b>At Cost</b>							
At 01/04/13	1,421	4,991	3,511	95	79	-	10,097
Additions	950	636	413	40	-	70	2,109
Disposals	-	(148)	(414)	-	(30)	-	(592)
Reclassification of Assets from Tangible to Intangible	-	-	(708)	-	-	-	(708)
<b>At 31/03/14</b>	<b>2,371</b>	<b>5,479</b>	<b>2,802</b>	<b>135</b>	<b>49</b>	<b>70</b>	<b>10,906</b>
Additions	12	407	233	18	-	-	670
Disposals	(1,065)	(179)	(188)	(72)	-	-	(1,504)
<b>At 31/03/15</b>	<b>1,318</b>	<b>5,707</b>	<b>2,847</b>	<b>81</b>	<b>49</b>	<b>70</b>	<b>10,072</b>
<b>Depreciation</b>							
At 01/04/13	1,151	3,565	2,466	84	32	-	7,298
Charge for Year	279	540	395	21	17	11	1,263
Depreciation on Disposal	-	(147)	(414)	-	(10)	-	(571)
Reclassification of Assets from Tangible to Intangible	-	-	(373)	-	-	-	(373)
<b>At 31/03/14</b>	<b>1,430</b>	<b>3,958</b>	<b>2,074</b>	<b>105</b>	<b>39</b>	<b>11</b>	<b>7,617</b>
Charge for Year	164	478	470	17	10	20	1,159
Depreciation on Disposal	(1,065)	(175)	(182)	(70)	-	-	(1,492)
<b>At 31/03/15</b>	<b>529</b>	<b>4,261</b>	<b>2,362</b>	<b>52</b>	<b>49</b>	<b>31</b>	<b>7,284</b>
<b>Net Book Value</b>							
<b>At 01/04/13</b>	<b>270</b>	<b>1,425</b>	<b>1,045</b>	<b>13</b>	<b>47</b>	<b>-</b>	<b>2,799</b>
<b>At 31/03/14</b>	<b>941</b>	<b>1,521</b>	<b>728</b>	<b>30</b>	<b>10</b>	<b>59</b>	<b>3,289</b>
<b>At 31/03/15</b>	<b>789</b>	<b>1,446</b>	<b>485</b>	<b>29</b>	<b>-</b>	<b>39</b>	<b>2,788</b>

Within the closing net book value there are £nil (2013/14, £0.096m) of assets under the course of construction which are yet to be depreciated.

### 10.1.a UK Sport – Intangible Assets

	<b>Information Technology £'000</b>
<b>At Cost</b>	
At 01/04/13	1,287
Additions	266
Disposals	(30)
<b>At 31/03/14</b>	<b>1,523</b>
Additions	293
Disposals	(405)
<b>At 31/03/15</b>	<b>1,411</b>
<b>Amortisation</b>	
At 01/04/13	1,012
Charge for Year	226
Amortisation on Disposal	(20)
<b>At 31/03/14</b>	<b>1,218</b>
Charge for Year	217
Amortisation on Disposal	(362)
<b>At 31/03/15</b>	<b>1,073</b>
<b>Net Book Value</b>	
<b>At 01/04/13</b>	<b>275</b>
<b>At 31/03/14</b>	<b>305</b>
<b>At 31/03/15</b>	<b>338</b>

Within the closing net book value there are £0.097m (2013/14, £0.058m) of assets under the course of construction which are yet to be depreciated.

### 10.1.b Group – Intangible Assets

	<b>Information Technology £'000</b>
<b>At Cost</b>	
At 01/04/13	1,464
Reclassification of Assets from Tangible to Intangible	708
Additions	579
Disposals	(30)
<b>At 31/03/14</b>	<b><u>2,721</u></b>
Reclassification of Assets from Tangible to Intangible	–
Additions	763
Disposals	(421)
<b>At 31/03/15</b>	<b><u>3,063</u></b>
<b>Amortisation</b>	
At 01/04/13	1,073
Reclassification of Assets from Tangible to Intangible	373
Charge for Year	403
Amortisation on Disposal	(20)
<b>At 31/03/14</b>	<b><u>1,829</u></b>
Reclassification of Assets from Tangible to Intangible	–
Charge for Year	447
Amortisation on Disposal	(376)
<b>At 31/03/15</b>	<b><u>1,900</u></b>
<b>Net Book Value</b>	
<b>At 01/04/13</b>	<b><u>391</u></b>
<b>At 31/03/14</b>	<b><u>892</u></b>
<b>At 31/03/15</b>	<b><u>1,163</u></b>

Within the closing net book value there are £0.097m (2013/14, £0.058m) of assets under the course of construction which are yet to be depreciated.

## 11. Trade and Other Receivables

	UK Sport		Group	
	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
Trade Receivables	70	31	592	401
Other Receivables	139	102	63	54
Other Taxation and Social Security	-	-	-	-
Prepayments and Accrued Income	2,320	3,371	2,946	2,947
<b>Total</b>	<b>2,529</b>	<b>3,504</b>	<b>3,601</b>	<b>3,402</b>

## Intra-Government Balances

Balances with Central Government Bodies	481	1,152	365	1
Balances with Local Authorities and Police Authorities	150	175	150	214
Balances with Public Corporations and Trading Funds	-	-	-	-
<b>Subtotal: Intra-Government Balance</b>	<b>631</b>	<b>1,327</b>	<b>515</b>	<b>215</b>
Balances with Bodies External to Government	1,898	2,177	3,086	3,187
<b>Total</b>	<b>2,529</b>	<b>3,504</b>	<b>3,601</b>	<b>3,402</b>

All amounts fall due within one year.

The balance due from the UK Sport Lottery fund has been classified within balances with central government bodies.

## 12. Cash and Cash Equivalents

	UK Sport		Group	
	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
Balance at 1 April	1,095	727	5,037	1,531
Net Change in Cash and Cash Equivalents	(178)	368	(3,204)	3,506
<b>Balance at 31 March</b>	<b>917</b>	<b>1,095</b>	<b>1,833</b>	<b>5,037</b>

## Government Banking Services

Balances Held with Government Banking Services	336	762	336	762
<b>Subtotal: Government Banking Services Balance</b>	<b>336</b>	<b>762</b>	<b>336</b>	<b>762</b>
Balances Held with Commercial Banks	581	333	1,497	4,275
<b>Total</b>	<b>917</b>	<b>1,095</b>	<b>1,833</b>	<b>5,037</b>

### 13.1 Trade and Other Payables

	UK Sport		Group	
	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
Trade Payables	487	493	1,294	2,168
Other Payables	5	7	19	509
Corporation Tax	-	-	1	-
Other Taxation and Social Security	219	178	782	588
Accruals and Deferred Income	1,373	1,587	2,026	2,895
Finance Lease Agreements	-	-	20	20
<b>Total</b>	<b>2,084</b>	<b>2,265</b>	<b>4,142</b>	<b>6,180</b>

#### Intra-Government Balances

Balances with Central Government Bodies	272	561	649	897
Balances with Local Authorities and Police Authorities	-	-	-	999
Balances with Public Corporations and Trading Funds	6	122	6	129
<b>Subtotal: Intra-Government Balance</b>	<b>278</b>	<b>683</b>	<b>655</b>	<b>2,025</b>
Balances with Bodies External to Government	1,806	1,582	3,487	4,155
<b>Total</b>	<b>2,084</b>	<b>2,265</b>	<b>4,142</b>	<b>6,180</b>

All amounts fall due within one year.

### 13.2 Non Current Trade and Other Payables

	UK Sport		Group	
	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
Finance Lease Agreements	-	-	18	38
<b>Total</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>38</b>

#### Intra-Government Balances

Balances with Central Government Bodies	-	-	-	-
Balances with Local Authorities and Police Authorities	-	-	-	-
Balances with Public Corporations and Trading Funds	-	-	-	-
<b>Subtotal: Intra-Government Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balances with Bodies External to Government	-	-	18	38
<b>Total</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>38</b>

All amounts fall due within one year.

#### 14. Provision for Liabilities

	UK Sport		Group	
	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
Opening Balance	968	261	968	261
Provision Made in Year	36	707	36	707
Provision Paid in Year	(602)	-	(602)	-
Provision Released in Year	(168)	-	(168)	-
<b>Closing Balance</b>	<b>234</b>	<b>968</b>	<b>234</b>	<b>968</b>

Provision was made in the accounts in the prior years for the anticipated cost of making good any dilapidations at 40 Bernard Street at the end of the tenancy agreement. The dilapidations payment was made in the year, and the remainder of the provision released.

In the prior year an onerous lease provision was raised to reflect the scheduled rental payments until lease expiry of 40 Bernard Street on 31 January 2015. The costs relating to this provision were paid in the year.

Provision was been made in the accounts in the prior year for the anticipated cost of making good any dilapidations on the Ground Floor of 21 Bloomsbury at the end of the tenancy agreement. A reliable estimate was available in the year for the cost of making good dilapidations of the Lower Ground floor shared area of 21 Bloomsbury and a provision raised.

#### 15. Reconciliation of Operating Deficit to Cash Generated from Operations

	UK Sport		Group	
	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
Net Expenditure Before Taxation and Interest	(49,907)	(41,996)	(50,753)	(42,332)
Depreciation/Amortisation of Property Plant and Equipment	511	579	1,606	1,666
Loss on Disposal of Property Plant and Equipment	45	30	57	31
Decrease/(Increase) in Receivables	975	(1,134)	(199)	(278)
(Decrease)/Increase in Payables	(181)	349	(2,058)	2,756
(Decrease)/Increase in Provisions	(734)	707	(734)	707
Pension Scheme: Non Cash Movement	129	260	857	619
<b>Net Cash Outflow from Operations</b>	<b>(49,162)</b>	<b>(41,205)</b>	<b>(51,224)</b>	<b>(36,831)</b>

#### 16. Financial Instruments

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

##### *Liquidity Risks*

In the year £49.452m or 82% (2013/14, £43.020m or 81%) of the Group's income derived from DCMS Grant-in-Aid and £0m or 0% (2013/14, £0.0m or 0%) from the Lottery Distribution Fund. The remaining balance of £10.865m or 18% (2013/14, £10.035m or 19%) derived from other operating activities. UK Sport is satisfied that it has sufficient liquid resources to cover amounts due within one year.

##### *Interest Rate Risks*

Cash balances, which are drawn down as Grant-in-Aid to pay grant commitments and operating costs, are held in a Government Banking Service account and drawn down into UK Sport's current account as necessary. UK Sport's closing cash balance was £0.917m (2013/14, £1.095m).

##### *Foreign Currency Risk*

There is no material exposure to foreign exchange risk.

## 17. Superannuation Scheme – UK Sport

The majority of staff of UK Sport (Grant-in-Aid and Lottery) are members of the London Pension Fund Authority (LPFA) Superannuation Scheme. UK Sport is one of several employers whose staff are scheme participants, and data given in this note refers to the whole scheme and to the identified UK Sport portion of it. There is a generic scheme for staff covered by the accounting policy note 1.9.

The amounts disclosed in these accounts are the portion deemed apportioned to the Grant-in-Aid funded part of the scheme. All scheme members are or were employees of UK Sport. Thus the pension deficit recorded in the Lottery Accounts would become part of the Grant-in-Aid pension deficit if in the future there were no further Lottery revenues and the fund wound up.

The Pension Scheme is of the defined benefit type and is funded by employees and employers at actuarially determined rates. The employer's contribution for the year amounted to £0.426m or 12.0% of pensionable pay (2013/14, £0.327m or 10.2%). An additional pension contribution of £0.157m (2013/14, £0.117m) was also made to reduce the pension liability in respect of prior years.

The scheme is subject to triennial valuations by the consulting actuaries to the LPFA and the latest valuation was at 31/03/13, with the next formal valuation due at 31/03/16. The actuarial method used is market related, based on average yields and market values in the 12 months leading up to the valuation date.

International Accounting Standard IAS19 issued by the International Accounting Standards Board requires that the following information, which has been prepared by Barnett Waddingham (the Consulting Actuaries to the LPFA) for this purpose, be disclosed in these accounts with respect to the scheme.

### 17.1 Pension Commitments

#### Financial Assumptions

	<b>2014/15</b>	<b>2013/14</b>
Price Increases	3.4%	3.7%
Salary Increases	4.4%	4.7%
Pension Increases	2.6%	2.9%
Discount Rate	3.5%	4.6%

#### Average Future Life Expectancies at Age 65:

	<b>Males (years)</b>	<b>Females (years)</b>
Current Pensioners	23.0	25.3
Future Pensioners	25.4	27.6

## 17.2 Fair Value of Employers Assets

	<b>31/03/15</b>	<b>31/03/14</b>
	<b>Assets</b>	<b>Assets</b>
	<b>£'000</b>	<b>£'000</b>
Equities	6,393	7,156
LDI/Cashflow Matching	1,107	811
Target Return Funds	4,261	4,051
Alternative Assets	-	-
Infrastructure	730	540
Commodities	137	135
Property	418	405
Cash	1,692	405
<b>Total Fair Value of Assets</b>	<b>14,738</b>	<b>13,503</b>
Present Value of Scheme Liabilities	(26,539)	(20,864)
<b>Net Pension Liability</b>	<b>(11,801)</b>	<b>(7,361)</b>

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

	<b>31/03/15</b>	<b>31/03/14</b>
	<b>%</b>	<b>%</b>
Equities	43	53
LDI/Cashflow Matching	8	6
Target Return Funds	29	30
Alternative Assets	-	-
Infrastructure	5	4
Commodities	1	1
Property	3	3
Cash	11	3

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

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Current Service Cost	696	685
Net Interest on the Defined Liability	325	287
Administration Expenses	20	18
<b>Total</b>	<b>1,041</b>	<b>990</b>

## 17.4 Re-measurements in Other Comprehensive Income

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Return on plan assets in excess of interest	290	(142)
Other actuarial gains on assets	-	142
Change in financial assumptions	(4,281)	(1,723)
Change in demographic assumptions	-	(289)
Experience loss on defined benefit obligation	(6)	1,701
<b>Re-measurements</b>	<b>(3,997)</b>	<b>(311)</b>

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

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening defined benefit obligation</b>	<b>20,864</b>	<b>19,172</b>
Current service cost	696	685
Interest cost	953	873
Change in financial assumptions	4,281	1,723
Change in demographic assumptions	–	289
Experience loss/(gain) on defined benefit obligation	6	(1,701)
Estimated benefits paid net of transfers in	(545)	(363)
Contributions by scheme participants	313	214
Unfunded pension payments	(29)	(28)
<b>Closing defined benefit obligation</b>	<b>26,539</b>	<b>20,864</b>

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

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening fair value of employers assets</b>	<b>13,503</b>	<b>12,614</b>
Interest on assets	628	599
Return on assets less interest	290	(142)
Administration expenses	(20)	(18)
Contributions by employer including unfunded	598	436
Contributions by scheme participants	313	214
Estimated benefits paid net of transfers in including unfunded	(574)	(391)
Other actuarial losses	–	191
<b>Closing fair value of employer assets</b>	<b>14,738</b>	<b>13,503</b>

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

	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fair Value of Employer Assets	14,738	13,503	12,614	10,481	10,136
Present Value of Defined Benefit Obligation	(26,539)	(20,864)	(19,172)	(17,568)	(13,353)
<b>Deficit</b>	<b>(11,801)</b>	<b>(7,361)</b>	<b>(6,558)</b>	<b>(7,087)</b>	<b>(3,217)</b>
Experience Gains/(Losses) on Assets	–	–	–	(591)	197
Experience Gains/(Losses) on Liabilities	(6)	1,701	(38)	13	(712)

1. In order to assess the actuarial value of the London Pensions Fund Authority Pension Fund's liabilities as at 31/03/15, Barnett Waddingham have rolled forward the actuarial value of the liabilities reported as at the latest formal valuation on 31/03/13, allowing for the different financial assumptions required under IAS19. In addition, they have also considered the effect of contributions paid into, and estimated benefits paid from, the Fund by UK Sport and its employees.

2. It is not possible to assess the accuracy of the estimated liability as at 31/03/15 without completing a full valuation. However Barnett Waddingham are satisfied that the approach of rolling forward the previous valuation to 31/03/15 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions and the structure of the liabilities is substantially the same as the latest formal valuation.

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

The Actuarial Valuation for IAS 19 purposes has been allocated between the Lottery and Exchequer (GIA) accounts in accordance with accounting policy note 1.9.

## 17.8 Sensitivity

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

	£'000	£'000	£'000
<b>Adjustment to discount rate</b>	<b>+0.10%</b>	<b>0%</b>	<b>-0.10%</b>
Present value of total obligation	25,953	26,539	27,140
<b>Adjustment to long term salary increase</b>	<b>+0.10%</b>	<b>0%</b>	<b>-0.10%</b>
Present value of total obligation	26,607	26,539	26,472
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.10%</b>	<b>0%</b>	<b>-0.10%</b>
Present value of total obligation	27,076	26,539	26,015
<b>Adjustment to mortality age rising assumption</b>	<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>
Present value of total obligation	25,736	26,539	27,343

## 18. Superannuation Scheme – EIS

The company participates in the London Pension Fund Authority Superannuation Scheme (LPFA). It is one of a large number of employers whose staff participate in the scheme, but the data given in this note relates just to the company.

The majority of the company's staff are members of the scheme.

The Pension Scheme is of the defined benefit type and it is funded by employees and employers at actuarially determined rates. Employer contributions charged for members of the scheme amounted to £1.317m (2013/14, £0.796m).

Following advice of the consulting actuaries to the LPFA as at 31 March 2013 the English Institute of Sport Limited's employer contributions (as a percentage of pensionable salary) were increased from 9.1% to 12%.

A valuation for IAS 19 purposes as at 31 March 2015 was carried out by a qualified independent actuary.

The assumptions used by the actuary for IAS 19 valuation purposes were:

### 18.1 Pension Commitments

<b>Financial Assumptions:</b>	<b>2014/15</b>	<b>2013/14</b>
	<b>%</b>	<b>%</b>
Price Increases	3.4	3.7
Salary Increases	3.0	3.0
Pension Increases	2.6	2.9
Discount Rate	3.5	4.6
<b>Average Future Life Expectancies at Age 65:</b>	<b>Males</b>	<b>Females</b>
	<b>(years)</b>	<b>(years)</b>
Current Pensioners	22.7	25.4
Future Pensioners	25.1	27.7

## 18.2 Fair Value of Employer Assets

	<b>Value £'000</b>	<b>Value £'000</b>
Equities	9,981	10,345
LDI/Cashflow Matching	1,727	1,171
Target Return Portfolio	6,650	5,856
Infrastructure	1,140	781
Commodities	214	195
Property	652	586
Alternative Assets	-	-
Cash	2,641	586
<b>Total Market Value of Assets</b>	<b>23,005</b>	<b>19,520</b>
Present Value of Scheme Liabilities	(37,102)	(24,347)
<b>Net Pension Liability</b>	<b>(14,097)</b>	<b>(4,827)</b>

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

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

	<b>31/03/15</b>	<b>31/03/14</b>
	<b>%</b>	<b>%</b>
Equities	43	53
LDI/Cashflow Matching	8	6
Target Return Portfolio	29	30
Infrastructure	5	4
Commodities	1	1
Property	3	3
Alternative Assets	0	0
Cash	11	3

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

	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
Service Cost	2,016	1,141
Net Interest on the Defined Liability	193	-
Administration Expenses	29	26
<b>Total</b>	<b>2,238</b>	<b>1,167</b>

## 18.4 Re-measurements recognised in Other Comprehensive Income:

	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
Return on plan assets in excess of interest	437	(202)
Other actuarial gains on assets	-	128
Change in financial assumptions	(8,762)	(2,365)
Change in demographic assumptions	-	(329)
Experience loss on defined benefit obligation	-	(1,305)
<b>Re-measurements</b>	<b>(8,325)</b>	<b>(4,073)</b>

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

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening defined benefit obligation</b>	<b>24,347</b>	<b>17,765</b>
Current service cost	2,016	1,141
Interest cost	1,139	849
Change in financial assumptions	8,762	2,365
Change in demographic assumptions	-	329
Experience loss on defined benefit obligation	-	1,305
Estimated benefits paid in excess of transfers in	6	(7)
Contributions by scheme participants	832	600
<b>Closing defined benefit obligation</b>	<b>37,102</b>	<b>24,347</b>

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

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening fair value of employers assets</b>	<b>19,520</b>	<b>17,394</b>
Interest on assets	945	849
Return on assets less interest	437	(202)
Other actuarial gains	-	129
Administration expenses	(29)	(26)
Contributions by employer including unfunded	1,294	783
Contributions by participants	832	600
Estimated benefits paid plus unfunded net of transfers in	6	(7)
<b>Closing fair value of employers assets</b>	<b>23,005</b>	<b>19,520</b>

**18.7 History of Experience Gains and Losses**

	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>	<b>RESTATED</b>	<b>£'000</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fair Value of Employer Assets	23,005	19,520	17,394	14,089	12,683
Present Value of Defined Benefit Obligation	(37,102)	(24,347)	(17,765)	(15,830)	(11,357)
<b>Deficit</b>	<b>(14,097)</b>	<b>(4,827)</b>	<b>(371)</b>	<b>(1,741)</b>	<b>1,326</b>
Experience Losses on Assets	-	-	-	(766)	(147)
Experience Losses on Liabilities	-	(1,305)	-	-	(1,450)

**18.8 Sensitivity:**

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

	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustment to discount rate</b>	<b>+0.10%</b>	<b>0%</b>	<b>-0.10%</b>
Present value of total obligation	35,945	37,102	38,298
<b>Adjustment to long term salary increase</b>	<b>+0.10%</b>	<b>0%</b>	<b>-0.10%</b>
Present value of total obligation	37,308	37,102	36,898
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.10%</b>	<b>0%</b>	<b>-0.10%</b>
Present value of total obligation	38,101	37,102	36,138
<b>Adjustment to mortality age rising assumption</b>	<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>
Present value of total obligation	35,989	37,102	38,215

## 19. Group Pension Amounts

	Note	2014/15 £'000	2013/14 £'000
Pension Liabilities UK Sport	17.2	(11,801)	(7,361)
Pension Liabilities EIS	18.2	(14,097)	(4,827)
<b>Total Pension Liabilities Group</b>		<b>(25,898)</b>	<b>(12,188)</b>
Pension Scheme Re-measurements UK Sport	17.4	(3,997)	(311)
Pension Scheme Re-measurements EIS	18.4	(8,325)	(4,073)
<b>Total Pension Scheme Re-measurements Group</b>		<b>(12,322)</b>	<b>(4,384)</b>
Net Interest on the Defined Liability UK Sport	17.3	(325)	(287)
Net Interest on the Defined Liability EIS	18.3	(193)	-
<b>Total Net Interest on the Defined Liability Group</b>		<b>(518)</b>	<b>(287)</b>

## 20. Commitments Under Leases

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

	UK Sport		Group	
	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
Obligations under operating leases comprise:				
<b>Buildings</b>				
Not later than one year	357	462	1,558	1,052
Later than one year not later than five years	1,671	1,591	2,836	2,764
Later than five years	1,139	1,577	1,139	1,577
<b>Other</b>				
Not later than one year	-	-	16	16
Later than one year not later than five years	-	-	25	38
Later than five years	-	-	-	-
<b>Total</b>	<b>3,167</b>	<b>3,630</b>	<b>5,574</b>	<b>5,447</b>

## 21. Grant Commitments

On the undertaking that funds are to be provided by DCMS, UK Sport at 31/03/15 had entered into commitments to pay grants to governing bodies in respect of their approved programmes in the following years (these commitments at 31/03/15 have not yet been recognised in the Statement of Comprehensive Net Expenditure Account nor Statement of Financial Position). Group commitments in 2013/14 include commitments made by TdfHUB2014 Limited.

	UK Sport		Group	
	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
2014/15	-	27,208	-	28,937
2015/16	21,681	24,243	21,681	24,243
2016/17	23,841	24,178	23,841	24,178
2017/18	-	-	-	-
	<b>45,522</b>	<b>75,629</b>	<b>45,522</b>	<b>77,358</b>

## 22. Events After the Reporting Period

The accounts were authorised for issue on the date the Comptroller and Auditor General certified the accounts. The financial accounts do not reflect events after this date.

### 23.1 Related Party Transactions

UK Sport is a Non-Departmental Public Body sponsored by DCMS. The DCMS is regarded as a related party. During the period of 01/04/2014 to 31/03/2015, UK Sport had various material transactions with the departments and with the Sports Councils for the home countries.

As a matter of policy and procedure, Council members, Award Panel members and staff maintain publicly available registers of interests and declare any direct interests in grant applications made to UK Sport and any commercial relationships with the Council. If any member has an interest in an application, they exclude themselves from the grant appraisal discussion and decision process within the Council.

The following table details UK Sport's related party transactions for the year which are on an arm's length basis:

Related Party	Nature of Transaction	Amounts (£)
Elisabeth Astall (Board Member of UK Sport) – Member of Royal Yachting Association (RYA)	Grant funding to RYA	1,564,974
	Recharged expenditure to RYA	2,335
David Cole (Director of UK Sport) – Family Membership of Royal Yachting Association (RYA)	Delegate fees charged to RYA	2,750
	Contribution to Leading Edge Programme charged to RYA	2,500
Nick Bitel (Board Member of UK Sport) – Chair of Sport England	Grant funding to Sport England	40,000
	Contribution to Leading Edge Programme charged to Sport England	52,083
Peter Rowley (Audit Committee Member of UK Sport) – Board Member of Sport England	Delegate fees charged to Sport England	750
	Recharged expenditure from Sport England	118,945
Nick Bitel (Board Member of UK Sport) – Spouse is a Member and Son is a Coach at Lawn Tennis Association (LTA)	Athlete Medical Scheme fees charged to LTA	43,050
	Delegate fees charged to LTA	5,000
Neil Chugani (Board Member of UK Sport) – Member of British Rowing. CEO and Board Director of British Rowing from February 2014 to January 2015	Grant funding to British Rowing	2,874,900
	Delegate fees charged to British Rowing	2,750
John Dowson (Board Member of UK Sport) – Chair of Great Britain Boccia Federation	Grant funding to Great Britain Boccia Federation	10,000
Craig Hunter (Audit Committee Member of UK Sport) – Director at British Swimming	Grant funding to British Swimming	603,956
	Recharged expenditure from British Swimming	6,602
	Delegate fees charged to British Swimming	4,500
	Recharged expenditure to British Swimming	4,429

The United Kingdom Sports Council Grant-in-Aid and Lottery Distribution Fund  
Report and Accounts for the Year Ended 31 March 2015

<b>Related Party</b>	<b>Nature of Transaction</b>	<b>Amounts (£)</b>
Craig Hunter (Audit Committee Member of UK Sport) – Director and Shareholder of Sports Management and Governance consultancies, VERSEC Limited	Services provided to UK Sport	590
Craig Hunter (Audit Committee Member of UK Sport) – Director and Shareholder of Sports Management and Governance consultancies, Onboard Associates Limited	Services provided to UK Sport	6,600
Craig Hunter (Audit Committee Member of UK Sport) – Director at English Institute of Sport (EIS)	Grant funding to EIS	16,033,274
	Recharged expenditure to EIS	482,778
Simon Timson (Director of UK Sport) – Board Member of the English Institute of Sport (EIS)	Delegate fees charged to EIS	4,641
	Recharged expenditure from EIS	49,795
Brian Henning (Board Member of UK Sport) – Chair of Sport Northern Ireland	Grant funding to Sport Northern Ireland	40,000
	Recharged expenditure from Sport Northern Ireland	4,561
Phillip Kimberley (Board Member of UK Sport) – Chair of England Hockey	Grant funding to England Hockey	8,775
	Delegate fees charged to England Hockey	3,710
	Recharged expenditure from England Hockey	
Phillip Kimberley (Board Member of UK Sport) – Director of Sports Coach UK	Grant funding to Sports Coach UK	800,000
	Delegate fees charged to Sports Coach UK	1,728
Louise Martin (Board Member of UK Sport) – Honorary Secretary General of Commonwealth Games Federation	Grant funding to Commonwealth Games Federation	37,500
Louise Martin (Board Member of UK Sport) – Chair of Sport Scotland	Grant funding to Sport Scotland	87,248
	Contribution for Leading Edge Programme charged to Sport Scotland	25,000
Professor Laura McAllister (Board Member of UK Sport) – Chair of Sport Wales	Grant funding to Sport Wales	40,000
	Delegate fees charged to Sport Wales	3,250
	Services provided to UK Sport	7,250
	Recharged expenditure from Sport Wales	5,058
Professor Laura McAllister (Board Member of UK Sport) – Board Member of Stonewall Equality Limited until 27 January 2015	Services provided to UK Sport	2,400
	Delegate fees charged to UK Sport	318

<b>Related Party</b>	<b>Nature of Transaction</b>	<b>Amounts (£)</b>
Peter Rowley (Audit Committee Member of UK Sport) – Member of England Athletics	Athlete Medical Scheme fees charged to England Athletics	12,300
	Services provided to UK Sport	150
Peter Rowley (Audit Committee Member of UK Sport) – Chairman and Director of British weightlifting	Grant funding to British Weightlifting	9,295
	Delegate fees charged to British Weightlifting	2,130
Sarah Springman (Board Member of UK Sport) – Senior International Postholder of British Triathlon	Grant funding to British Triathlon	79,905
	Delegate fees charged to British Weightlifting	3,680

### 23.2 Related Party Transactions

TdFHUB2014 Limited became a subsidiary of UK Sport in July 2013.

The following table details TdFHUB2014 Limited's related party transactions (excluding those with UK Sport) for the year which are on an arm's length basis.

<b>Related Party</b>	<b>Nature of Transaction</b>	<b>Amounts (£)</b>
Ben Plowden (Board Member of TdFHUB2014 Limited) – Employee of Transport for London	Grant funding to Transport for London	1,248,000
Gary Verity (Board Member of TdFHUB2014 Limited) – Director of Welcome to Yorkshire	Fees charged for services provided by Welcome to Yorkshire	296,462
Councillor Keith Wakefield (Board Member of TdFHUB2014 Limited) – Leader of Leeds City Council	Services provided to the company and grant for event related costs incurred by Leeds City Council	4,286,270
Sir Rodney Walker (Board Member of TdFHUB2014 Limited) – The Rugby Football League	Services provided by the Rugby Football League	15,550
Dennis Hone (Board Member of TdFHUB2014 Limited) – London Legacy Development Corporation	Services provided by the London Legacy Development Corporation	8,829
John Weighell (Board Member of TdFHUB2014 Limited) – North Yorkshire County Council	Grants income received via Leeds City Council	52,940
Ann Naylor (Board Member of TdFHUB2014 Limited) – Essex County Council	Grants income received via Leeds City Council	96,445
Antoinette Jackson (Board Member of TdFHUB2014 Limited) – Cambridge City Council	Grants income received via Leeds City Council	47,869

## 24. Subsidiary Undertakings

### English Institute of Sport

UK Sport was given responsibility for the EIS in April 2006.

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

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
<b>Statement of Comprehensive Net Expenditure</b>		
Income	23,639	20,107
Administrative Expenses	(24,361)	(20,477)
<b>Operating Deficit</b>	<b>(722)</b>	<b>(370)</b>
Interest Receivable	178	165
Interest Payable and Similar Charges	(4)	(2)
<b>Deficit on Ordinary Activities Before Taxation</b>	<b>(548)</b>	<b>(207)</b>
Tax on Ordinary Activities	(1)	–
<b>Deficit for the Financial Year</b>	<b>(549)</b>	<b>(207)</b>
<b>Statement of Financial Position</b>		
	<b>31/03/15</b>	<b>31/03/14</b>
	<b>£'000</b>	<b>£'000</b>
Property Plant and Equipment	1,793	2,174
Intangible Assets	825	587
Current Assets	2,114	2,787
Payables: Falling Due Within One Year	(2,135)	(2,842)
<b>Total Assets less Current Liabilities</b>	<b>2,597</b>	<b>2,706</b>
Payables: Falling Due After More Than One Year	(18)	(38)
Deferred Income	(2,632)	(2,719)
<b>Net Liabilities Excluding Pension Asset</b>	<b>(53)</b>	<b>(51)</b>
Defined Benefit Pension Scheme Asset	(14,097)	(4,828)
<b>Net Liabilities Including Pension Asset</b>	<b>(14,150)</b>	<b>(4,879)</b>
<b>Reserves</b>		
<b>Revenue Reserve</b>	<b>(14,150)</b>	<b>(4,879)</b>

The above figures have been presented on a gross basis as per the EIS annual accounts prior to intercompany eliminations and alignment adjustments.

## 25. Subsidiary Undertakings

### TdFHUB2014 Limited

UK Sport was given responsibility for TdFHUB 2014 Limited in July 2013. TdFHUB2014 Limited has produced one set of accounts from the period 1 July 2013 to 30 September 2014. The relevant period has been disclosed within the consolidated accounts.

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

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
<b>Statement of Comprehensive Net Expenditure</b>		
Income	7,705	2,295
Expenditure	(7,705)	(2,295)
<b>Operating Surplus</b>	-	-
Interest Receivable	-	-
Interest Payable and Similar Charges	-	-
<b>Surplus on Ordinary Activities Before Taxation</b>	-	-
Tax on Ordinary Activities	-	-
<b>Surplus for the Financial Year</b>	-	-
<b>Statement of Financial Position</b>		
	<b>31/03/15</b>	<b>31/03/14</b>
	<b>£'000</b>	<b>£'000</b>
Property Plant and Equipment	-	-
Intangible Assets	-	-
Current Assets	-	2,206
Payables: Falling Due Within One Year	-	(2,206)
<b>Total Assets less Current Liabilities</b>	-	-
<b>Reserves</b>		
<b>Revenue Reserve</b>	-	-

The above figures have been presented on a gross basis prior to inter-company eliminations taking place within the group accounts.



**The United Kingdom Sports Council  
Lottery Distribution Fund  
Accounts for the Year Ended 31 March 2015**

## Statement of Board's and Chief Executive Officer's Responsibilities

Under section 35(2) and (3) of the National Lottery etc. Act 1993 the UK Sports Council is required to prepare a statement of accounts for the financial period in the form and on the basis directed by the Secretary of State for Culture, Olympics, 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 the state of affairs of the UK Sport Lottery Fund distribution activities at the period end and of its income and expenditure and cash flows for the financial period.

In preparing the accounts The United Kingdom Sports Council is required to:

- Observe the accounts directions issued by the Secretary of State, including the relevant accounting and disclosure requirements; apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards 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 UK Sport will continue in operation.

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

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



**Liz Nicholl**  
**Chief Executive and Accounting Officer**  
The United Kingdom Sports Council

24 June 2015



**Rod Carr**  
**Chair**  
The United Kingdom Sports Council

24 June 2015

## Governance Statement

### 1. Purpose

This statement outlines how I, as Accounting Officer, have discharged my responsibility to manage and control the organisation's resources during the course of 2014/15. As set out in *Managing Public Money*, the Governance Statement provides a clear overview of the dynamics of UK Sport and its control structure, provides a sense of how vulnerable the organisation is or might be; and how successful it has been in coping with the challenges it has faced through the course of the year.

### 2. Governance Framework

UK Sport was established in 1996 by Royal Charter as an Arm's Length Body (ALB) of the Department for Culture, Media and Sport. The formal relationship between the department and UK Sport is encapsulated in a Framework Document between the two organisations. This document sets out the broad framework within which UK Sport should operate. Copies of the document and any subsequent amendments are placed in the libraries of both Houses of Parliament and made available to members of the public on the UK Sport website.

UK Sport's constitution is set out in Article One of the Royal Charter, with the Secretary of State (and other members of the DCMS ministerial team) accounting for UK Sport's business in Parliament. My respective responsibilities as Accounting Officer are set out in Chapter Three of *Managing Public Money*. UK Sport is also compliant with the Corporate Governance Code as applied to an arm's length body via the relevant principles set out in *Corporate governance in central government departments: Code of good practice 2011* and also the Lottery Financial Directions.

#### 2.1 Board Structure

The Chair and Board members are appointed by the Secretary of State in compliance with the Code of Practice of the Commission for Public Appointments. The Board consists of the Chair and nine members, five independent and four representatives of the Home Nation Sports Councils. Collectively they have the skills and experience appropriate to direct UK Sport's business.

During this reporting year there have been a number of changes of personnel on our Board. Following the departure of Philip Kimberley and Jonathan Vickers after two terms on our Board and Mark Hanson for personal reasons; Neil Chugani, Nicky Roche and John Dowson have all joined the Board of UK Sport as Independent Members during the course of the year. All appointments of Independent NEDs to the Board have been made following open recruitment. Louise Martin was also re-confirmed as the nominee of the Scottish Secretary of State within the year.

The Board has an established Group Audit Committee to support them in their responsibilities for issues of risk, control and governance.

The Audit Committee, with oversight of both UK Sport and the EIS, advises the Board and Accounting Officer on:

- the strategic processes for risk, control and governance (and the Governance Statement);
- the accounting policies, the Annual Report and Accounts;
- the planned activity and results of both internal and external audit;
- the adequacy of management response to issues identified by audit activity;
- the effectiveness of internal and external audit; and
- assurances relating to the corporate governance requirements for the organisation.

Further to this, three standing sub-committees of the Board exist:

- Remuneration Panel - ensuring employment matters in UK Sport are dealt with professionally.
- Major Events Panel – providing advice around the development/delivery of UK Sport's Major Events Programme.
- Mission Control Panel – providing oversight of UK Sport's Mission Control process.

A fourth sub-committee, the Eligibility Sub-Committee only meets when necessary. The Committee was convened twice within the year to consider the respective cases as to an athlete's eligibility to receive funding.

## **2.2 Subsidiary Companies**

UK Sport had two trading subsidiary companies during the year:

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

A number of measures are in place to provide me with assurance as to the activities/operations of the EIS. The EIS is bound by a Funding Agreement (alongside a separate Financial Memorandum). Key Performance Indicators are agreed annually and progress against these is reviewed quarterly by the National Director and Director of Business and Finance at the EIS and the Performance Director from UK Sport. Separate (but reporting into) these quarterly reviews, budget/forecast meetings are held between our Investment Team and the Director of Business and Finance at the Institute. Also, as referred to above, the UK Sport Audit Committee has Group-wide responsibilities for the EIS.

During the course of the year Sarah Springman stepped down as UK Sports non-executive member on the EIS Board, and was replaced by Rod Carr.

TdFHUB 2014 – TdFHUB2014 Ltd was incorporated as a subsidiary of UK Sport on 8 July 2013. The company was established to deploy £10m of Central Government funding towards hosting the Tour de France 2014 Stages 1 to 3 and to liaise with Leeds City Council, Welcome to Yorkshire and other local and regional authorities hosting the Tour de France 2014 route. The documents governing the relationship and control environment between UK Sport and the TdFHUB2014 Ltd are set out within the company's Articles of Association, Major Events Funding Agreement, between UK Sport and TdFHUB2014 Ltd, and Collaboration Agreement between UK Sport, TdFHUB2014 Ltd, Leeds City Council and Welcome to Yorkshire.

In addition UK Sport appointed a Major Events Consultant specifically for TdF to be responsible for 'on the ground' assurance over UK Sport's investment. UK Sport's Director of Major Events & International Relations met with the CEO of TdFHUB2014 Ltd and DCMS officials every two weeks to review progress. UK Sport and DCMS have a formal representative and an observer who sat on both the TdF Board and the Audit Committee. During this period UK Sport received all Board and Audit Committee papers and the UK Sport Board received regular updates from its formal representative and the Director of Major Events & International Relations.

The event concluded on the 7 July 2014 and accounts for TdFHUB 2014 Ltd. were prepared for the period ended 30 September 2014. Having achieved its objectives, steps were taken to gradually wind TdFHUB 2014 Ltd. up. Weekly meetings were held after 30 September 2014 between officers at UK Sport and staff at the company and it was resolved on 18 December 2014 by the Directors of TdFHUB 2014 Ltd. to strike off the company from the Register of Companies. A notice to strike off the company was advertised in the official public record, the London Gazette, on 27 January 2015 and the company was formally struck off the register and dissolved in May 2015.

### 2.3 Board/Committee Effectiveness

Our Board met six times in 2014/15 based around business priorities and the annual calendar of Board activity. The Board was quorate for all meetings in the year. Attendance of Board members is tabulated below.

2014/15	May	June	Sept	Dec	Feb	Mar	
Rod Carr	Y	Y	Y	Y	Y	Y	6/6
Louise Martin	Y	Y	Y	Y	Y	Y	6/6
Brian Henning	Y	Y	N	N	Y	Y	4/6
Laura McAllister	Y	Y	Y	Y	Y	Y	6/6
Philip Kimberley	Y	Y	Y	Y	Y	Term ended	5/5
Jonathan Vickers	Y	Y	Y	Term ended	-	-	3/3
Nick Bitel	Y	Y	Y	Y	Y	Y	6/6
Sarah Springman	N	Y	Y	N	N	Y	3/6
Lis Astall	Y	Y	Y	Y	Y	Y	6/6
Neil Chugani	Y	Y	Y	Y	N	Y	5/6
John Dowson	-	-	-	-	-	Y	1/1
Nicky Roche	-	-	-	-	Y	Y	2/2

A thorough review of Board Effectiveness was undertaken in June 2014 (with the quantitative research being undertaken in May) and an action plan agreed, with a focus on further developing the Board's awareness of the technical processes applied across the organisation, and enhancing the voice and expertise of all Board Members in discussion and decision-making. A follow up to this is planned to be completed in the second half of 2015/16. A skills audit was also undertaken in mid-2014 to inform the recruitment/selection process for new members to the Board and has been maintained to include the new Board members appointed.

The decisions taken by the UK Sport Board are informed primarily by the recommendations of the executive, sub-committees and legal counsel. Papers and reports summarising these recommendations and their underlying technical, strategic and financial bases are circulated in advance of each meeting, and are supplemented by verbal reports and presentations where it is felt this information is better contextualised in person. The role of the executive is to bring together a variety of data sources to shape the advice presented to Board, including the assimilation of analytical high performance results data alongside professional judgements and field observations with regards to the past and future performance of our investments.

Board Members responsibilities regarding conflicts of interest are set out in their terms of appointment which are underpinned by the "Cabinet Office Code of Conduct for Board Members of Public Bodies." In accordance with these requirements on joining UK Sport and every year UK Sport Board Members are required to declare all their interests. A register of interests is then compiled and published on UK Sport's website. At each Board meeting Board members are required to declare any interest against agenda items and remove themselves from discussions and decisions on that item.

The Audit Committee undertook an effectiveness review at their September 2013 meeting. Actions agreed from this review include assurance mapping across the organisation and ensuring any gaps/overlaps with Board are addressed. These were actions have been progressed through 2014/15 (and monitored through the Audit Committee Self-Assessment Action Tracker). Following Jonathan Vickers' departure in October 2014, Neil Chugani was appointed interim Chair of the Committee. The attendance profile for the Committee is presented overleaf:

	June 2014	September 2014	November 2014	March 2015	
<b>Jonathan Vickers</b>	Y	Y	Term ended Oct 2014	–	2/2
<b>Philip Kimberley</b>	Y	Y	Y	Y	4/4
<b>Neil Chugani</b>	N	Y	Y	Y	3/4
<b>Peter Rowley</b>	Y	Y	Y	Y	4/4
<b>Lis Astall</b>	Y	Y	N	Y	3/4
<b>Craig Hunter</b>	Y	Y	Y	N	3/4

## 2.4 Executive Responsibilities

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

In my role as Accounting Officer I attend both Board and Audit Committee to ensure any significant risks/issues of control are brought to their attention and discussed. I am therefore able to provide the assurances necessary within this statement for the period from April 2014 to the date of approval of the annual report and accounts.

Our Director of Finance, Investment and Business Services went on maternity leave in early August 2014 and an interim director was appointed to cover the period of leave. For any periods of absence during the year I have delegated my Accounting Officer responsibilities to the COO.

Individual named directors have responsibility for all policies and procedures pertaining to the Internal Governance of the organisation with the Chief Operating Officer and Director of Finance, Investment and Business Services having operational responsibility for the over-arching control environment within which we operate (including our risk management processes).

## 3. System of Internal Control

The system of internal control within UK Sport seeks to mitigate rather than eliminate risk. The decision as to which risks are mitigated or accepted relates both to the organisation's capacity to influence them and/or absorb their potential impact. The methodology used to evaluate risk in terms of likelihood and potential impact (through a Risk Heat Map) has been in place since 2007 to promote focus on the most significant risks facing the organisation.

In order to provide evidence-based assurances on the management of risks that threaten the achievement of UK Sport's objects a Risk Assurance Framework has also been developed. The first step, an assurance mapping exercise, was carried out in winter 2014 when potential control gaps were identified. A process of gathering evidence against these assurances is now underway. As set out in HM Treasury's 'Assurance Frameworks' document, December 2012, the Three Lines of Defence model has been used to identify and understand our assurance arrangements. The First Line of Defence deals with the front-line or business operational areas such as performance data and policies. The Second Line of Defence is associated with oversight of management activity, for example, Directors Team. Finally, the Third Line of Defence relates to independent assurance such as internal audit. Risk owners are engaged in the development and maintenance of the assurance framework and it is presented to Audit Committee and the UK Sport Board once a year alongside the full corporate Risk Register.

An audit of Corporate Governance and Risk Management was undertaken by our internal auditors in October 2014, with a final report published in February 2015. The report found that the risk management processes within the organisation continue to provide **substantial assurance** that risks

material to the achievement of UK Sport's objectives are adequately managed and controlled, with only two Level 3 (Housekeeping) recommendations being made.

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

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

Following an extensive joint tender with Sport England in February 2015, Mazars LLP were re-appointed as Internal Auditors for UK Sport (and also now, auditors for Sport England) with a new contract coming into effect from April 2015.

### **3.1 Risk Profile for 2014/15**

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

Where significant risks are recognised and accepted then potential impacts are identified and corresponding scenario plans, with mitigating actions developed. A number of significant risks have been accepted/managed through 2014/15 and are detailed in the Principal Risks and Uncertainties section within this Report. These include the risks caused by Scottish independence, challenges to our investment decisions, staff turnover, the volatility of Lottery income, and the relocation of our headquarters.

Looking ahead to the future the key risk to UK Sport is as follows:

- Following the formation of the new Government there will be the planned Comprehensive Spending Review in which it is possible that the government will seek further efficiencies and savings. The current timetable suggests that this exercise will be taking place during the period in which we are at the height of our planning for the next Olympic/Paralympic cycle. Further reductions through our exchequer settlement (or uncertainty if process drags on, or is delayed) would have a significant impact on our ability to sustain performance into the next cycle.

Work is continuing to further consider/evaluate the above risks. Mitigating actions currently under development involve modelling financial options for consideration by Government as part of the Comprehensive Spending Review, and the development of tools to assist UK Sport in its internal prioritisation of resource.

### **3.2 Policies and Procedures**

Beneath our overarching Policy on Internal Control sits a number of critical policies and procedures, which effectively describe to staff the detail of their responsibilities. Continued focus has been given in 2014/15 to reviewing and updating a number of these to ensure they are current with both statutory/legislative requirements and recognised best practice. Some of the internal policies (and associated procedures) that have been introduced/reviewed within the reported year include:

- Adoption Policy
- Anti-Fraud, Anti-Corruption & Anti-Bribery
- Budgetary Control
- Business Continuity
- Cash Management
- Delegated Authority
- Document Retention
- Fixed Asset

- Flexible Working Policy
- Gifts & Hospitality
- Health & Safety
- Healthy Lifestyle
- Home Based Working Policy
- Maternity Policy
- Parental Leave Policy
- Personal Information
- Probation Period
- Procurement Policy & Procedure
- Recruitment Procedures
- Travel & Expenses

### **3.3 Independent Assurance**

#### *3.3.1 Internal Audit*

Internal Audit for 2014/15 was provided under contract by Mazars LLP. The Internal Audit Plan for 2014/15 was considered and approved by the Group Audit Committee at its meeting on the 5 March 2014. The Plan was for a total of 58 days. All planned audits from the Plan were completed during the year.

The internal audits reported to the Group Audit Committee, together with assurance levels where provided, were:

Core Financial Systems	Substantial
IT Security	Substantial
Corporate Governance and Risk Management	Substantial
EIS – Contract Management of Estates	Limited
EIS – Information Security, Knowledge Management and Data Capture	Adequate
World Class/Major Events Programme	Substantial
Commercial Strategy	Substantial

In addition, three 'Follow Up' audits were carried out during the year. One of these was a 'Follow Up' specifically on the internal audit report 'EIS: HR – Recruitment' from 2013/14 with the other two 'Follow Up' audits being to confirm progress on implementation of recommendations from previous internal audit reports.

During the year, two 'Priority 1' and ten 'Priority 2' recommendations were made. The two 'Priority 1' recommendations were made within the report 'EIS - Contract Management of Estates' and related to:

- EIS should clarify guidance on accident and incident reporting to ensure that all staff are aware where responsibility lies for the reporting of accidents and incidents. There should be clear central oversight of accidents and incidents that fall under EIS's remit to ensure that any common themes are identified and addressed at a national level.
- EIS should ensure that Business Continuity Plans are completed to an acceptable standard for each site.

On the basis of their audit work, Mazars LLP considered that UK Sport's governance and risk management arrangements are generally adequate and effective. In respect of internal control, on the basis of their audits, with the exception of Contract Management of Estates at EIS which has been dealt with by management, in their opinion, UK Sport has adequate and effective control processes to manage the achievement of its objectives. Certain other weaknesses and exceptions were highlighted by the audit

work. The issues arising were discussed with management, and a number of recommendations were made. All of these have been, or are in the process of being addressed.

### 3.3.2 Assurance of Grant Funding Awards made by UK Sport to National Governing Bodies

UK Sport has moved away from the former reliance on the onsite audits and the online self-assurance process to generate a Red/Amber/Green (RAG) rating for governance of our funded sports and partners. We now generate an overall governance RAG rating which is drawn from those independent external audit and assurance processes *combined with* intelligence gathered from our regular contact with the sports and partners. This creates a more holistic and accurate assessment of each organisation's governance, risk and control framework.

As at 31 March 2015, the overall governance RAG ratings<sup>2</sup> were as follows:

Green	Amber	Red
15	14	5

UK Sport officers are working particularly closely with those sports and partners who are currently rated as Red to ensure that the specific issues affecting those organisations are resolved effectively. A Red rating does not prohibit us from investing a sport but it means that we may choose to put in place additional control mechanisms, and we will work closely with the sport to help them address the issues that have led to this rating. However, should serious or persistent concerns arise that are not resolved we may choose to revisit our investment.

In 2014/15 we also introduced a new measure of governance; bespoke KPIs to monitor particular priority areas of governance, specific to individual sports and partners. These are reported quarterly to DCMS. 36 KPIs had a completion deadline within 2014/15. Of those, 29 have been met (80%). As regards the seven that have not been met, two have missed their target because of specific circumstances beyond their control – one waiting for the Home Country Sports Councils to assess their application for recognition status, and another where UK Sport and Sport England have pushed back the date of their onsite management audit – both have been given revised deadlines. UK Sport officers are working closely with those remaining five NGBs to ensure the required actions are completed as soon as possible.

Moore Stephens carry out the onsite audits and also review the annual self-assurance submissions of NGBs and system partners under a joint contract with Sport England. UK Sport and Sport England will be reviewing the audit and assurance contract as it reaches its end during this year, with a view to potentially altering the scope of the contract to better reflect the governance of our sports and partners and the subsequent shift in our focus.

UK Sport has also introduced a new piece of work to promote a more proactive due-diligence process and enhance the monitoring and safeguarding of investments made to National Governing Bodies (NGBs) and Partners. This piece of work builds on the work UK Sport currently undertakes via the audit and assurance programme. The objective is to enhance the overall governance framework for funded NGBs and Partners by improving the current arrangements around financial viability testing/monitoring. Subsequent to a couple of instances during the year which highlighted funded organisations with financial health and stability issues, it was determined that an enhanced due diligence process would be worthwhile to aid in the mitigation of such risks. This piece of work is being piloted at present with the proposed annual deliverable to include raw data, obtained primarily from the financial statements of funded organisations, along with a summary of financial indicators and any key issues. The aim is to be able to better flag and identify financial health and stability issues as early as possible by monitoring these indicators and obtaining a more regular independent professional review.

## 3.4 Information Security

UK Sport holds personal information regarding employees, athletes, athlete support personnel and others relating to activities arising out of its operating environment within the high performance sport system.

UK Sport has in place robust and specific measures to ensure information security applies to such information.

<sup>2</sup> assurance on the governance of the British Olympic Association is through the quarterly meetings and financial reporting so they are not included in the figures reported

Further details related to information security control measures and incidents in 2014/15 are captured under the Reporting of Personal Data Related Incidents within the Strategic Report section of this document.



**Liz Nicholl**  
**Chief Executive and Accounting Officer**  
The United Kingdom Sports Council

24 June 2015



**Rod Carr**  
**Chair**  
The United Kingdom Sports Council

24 June 2015

## **The United Kingdom Sports Council Lottery Distribution Fund**

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

I certify that I have audited the financial statements of the United Kingdom Sports Council Lottery Distribution Fund for the year ended 31 March 2015 under the National Lottery etc. Act 1993. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Equity; and the related notes. 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 Board, Chief Executive and auditor**

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

#### **Scope of the audit of the financial statements**

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

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

#### **Opinion on regularity**

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

#### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the United Kingdom Sports Council Lottery Distribution Fund's affairs as at 31 March 2015 and of its increase in lottery funds for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the National Lottery etc. Act 1993; and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

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

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

### **Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

**29 June 2015**

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

## Statement of Comprehensive Net Expenditure for the Year Ended 31/03/15

	Note	2014/15 £'000	2013/14 £'000 RESTATED
<b>INCOME</b>			
National Lottery Share of Proceeds	2	82,223	75,704
Investment Returns from NLDF	2	360	354
OLDF Proceeds	2	6,779	–
Other Operating Income		8	17
Interest Receivable		3	3
<b>Total</b>		<b>89,373</b>	<b>76,078</b>
<b>EXPENDITURE</b>			
Accrued Grant Commitments	3	5,701	11,139
Accrued Grant De-commitments	3	(321)	(74)
Other Grant Payments	5	78,749	77,123
Staff Costs	6	1,711	1,480
Amortisation	9	27	24
Other Operating Costs		483	598
Costs Apportioned from UK Sport GIA Account		2,459	2,205
<b>Total</b>		<b>88,809</b>	<b>92,495</b>
<b>INCREASE/(DECREASE) IN LOTTERY FUNDS BEFORE TAXATION</b>		<b>564</b>	<b>(16,417)</b>
Net Interest on the Pension Liability	12.3	(92)	(90)
<b>INCREASE/(DECREASE) IN LOTTERY FUNDS</b>		<b>472</b>	<b>(16,507)</b>
<b>Other Comprehensive Expenditure</b>			
Pension Scheme Re-measurements	12.4	(1,128)	(90)
<b>TOTAL COMPREHENSIVE NET EXPENDITURE</b>		<b>(656)</b>	<b>(16,597)</b>

All activities are to continuing activities.  
The notes on pages 77 to 88 form part of these accounts.

## Statement of Changes in Equity for the Year Ended 31/03/15

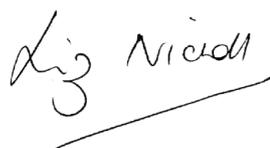
	Note	2014/15		2013/14	
		Revenue Reserve £'000	Pension Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000
				<b>RESTATED</b>	
<b>Balance Brought Forward</b>		<b>56,881</b>	<b>(2,077)</b>	<b>(55,965)</b>	<b>(1,751)</b>
Effect of Change in Accounting Policy		-	-	129,141	-
<b>Balance Brought Forward (restated)</b>		<b>56,881</b>	<b>(2,077)</b>	<b>73,176</b>	<b>(1,751)</b>
Retained Surplus/(Deficit) for the Year		472	-	(16,507)	-
Pension Scheme Re-measurements	12.4	-	(1,128)	-	(90)
Transfer from the Pension Fund		133	(133)	212	(212)
Other Movements		-	12	-	(24)
<b>Balance at 31 March</b>		<b>57,486</b>	<b>(3,326)</b>	<b>56,881</b>	<b>(2,077)</b>

The notes on pages 77 to 88 form part of these accounts.

## Statement of Financial Position as at 31/03/15

	Note	31/03/15 £'000	31/03/14 £'000 RESTATED	31/03/13 £'000 RESTATED
<b>NON CURRENT ASSETS</b>				
Intangible Assets	9	45	59	72
<b>Total Non Current Assets</b>		<b>45</b>	<b>59</b>	<b>72</b>
<b>CURRENT ASSETS</b>				
Investments – Balance at NLDF	2	69,165	68,312	77,878
Trade and Other Receivables	10	39	178	13
Cash and Cash Equivalents	14	524	625	438
<b>Total Current Assets</b>		<b>69,728</b>	<b>69,115</b>	<b>78,329</b>
<b>CURRENT LIABILITIES</b>				
Trade and Other Payables	11	(518)	(95)	(400)
Grant Commitments Falling Due Within One Year	3	(6,519)	(5,707)	(2,734)
<b>Total Current Liabilities</b>		<b>(7,037)</b>	<b>(5,802)</b>	<b>(3,134)</b>
<b>Net Current Assets</b>		<b>62,691</b>	<b>63,313</b>	<b>75,195</b>
<b>Non Current Assets plus Net Current Assets</b>		<b>62,736</b>	<b>63,372</b>	<b>75,267</b>
<b>NON CURRENT LIABILITIES</b>				
Grant Commitments Falling Due After One Year	3	(5,250)	(6,491)	(2,091)
Pension Liability	12.2	(3,326)	(2,077)	(1,751)
<b>Total Non Current Liabilities</b>		<b>(8,576)</b>	<b>(8,568)</b>	<b>(3,842)</b>
<b>Assets less Liabilities</b>		<b>54,160</b>	<b>54,804</b>	<b>71,425</b>
<b>EQUITY</b>				
Pension Reserve	12.2	(3,326)	(2,077)	(1,751)
Revenue Reserve		57,486	56,881	73,176
<b>Total Equity</b>		<b>54,160</b>	<b>54,804</b>	<b>71,425</b>

The notes on pages 77 to 88 form part of these accounts.



**Liz Nicholl**  
**Chief Executive and Accounting Officer**  
The United Kingdom Sports Council

24 June 2015



**Rod Carr**  
**Chair**  
The United Kingdom Sports Council

24 June 2015

## Statement of Cash Flows for the Year Ended 31/03/15

	Note	2014/15 £'000	2013/14 £'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Net Cash Generated from Operations</b>	13	<b>(104)</b>	<b>184</b>
Interest Received		3	3
<b>Net Cash Flow from Operating Activities</b>		<b>(101)</b>	<b>187</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents in the Period</b>		<b>(101)</b>	<b>187</b>
Cash and Cash Equivalents at 1 April		625	438
<b>Cash and Cash Equivalents at 31 March</b>	14	<b>524</b>	<b>625</b>

The notes on pages 77 to 88 form part of these accounts.

## **NOTES TO THE ACCOUNTS**

### **1. Accounting Policies**

#### **1.1 Statement of Accounting Policies**

These financial statements have been prepared in accordance with the 2014/15 Government Financial Reporting Manual (FReM) and in a form directed by the Secretary of State with consent of Treasury in accordance with section 35(3) of the National Lottery etc. Act 1993.

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

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

The accounts have been prepared under the accruals convention and, as such, all income and expenditure is taken into account in the financial year to which it relates.

The accounts cover the year to 31/03/15, in compliance with section 35 of the National Lottery etc. Act 1993.

Separate accounts have been prepared for the UK Sport operations funded from Grant-in-Aid, in accordance with the instructions issued by the Secretary of State. Consolidated accounts have not been prepared.

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

The financial statements have been prepared on a going concern basis.

#### **1.2 Use of Estimates and Judgements**

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

#### **1.3 Grant Commitments**

Following the issue of the revised Lottery Accounts Direction by the Secretary of State in December 2014, a change in accounting policy has been implemented. The revised direction has been applied to the financial statements in 2014/15 and grants made are now accounted for on an accruals basis, where previously these were accounted for when a firm offer of an award had been made by UK Sport and accepted by the recipient ("Hard Commitments").

The reporting of grants has been aligned with the FReM. Where the recognition criteria is met, commitments are reflected in the Consolidated Statement of Financial Position as a liability and where they do not meet the criteria are disclosed as other grant commitments in note 4.

Note 3 provides more detail relating to those grant commitments which have been recognised as liabilities at the balance sheet date.

The prior year figures have been restated and the impact on the Financial Statements is as follows:

	<b>2013/14 Restated £'000</b>	<b>2013/14 Disclosed £'000</b>
<b>Statement of Comprehensive Net Expenditure</b>		
Total Comprehensive Net Expenditure	(16,597)	(92,571)
<b>Statement of Financial Position</b>		
Hard Commitments falling due within one year	-	(87,628)
Hard Commitments falling due after one year	-	(129,685)
Accrued Grant Commitments falling due within one year	(5,707)	-
Accrued Grant Commitments falling due after one year	(6,491)	-

#### **1.4 Property Plant and Equipment**

The UK Sport Lottery Fund does not own any land or buildings. All assets are stated in the Statement of Financial Position at depreciated historical cost as proxy to fair value. Depreciation is provided on all property plant & equipment at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Computer Software: 3-5 Years

#### **1.5 Pension Costs**

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

Further information on the pension scheme is available in note 12 to the accounts.

Details about the valuation of the pension fund and the recharges are also in note 12.

#### **1.6 Charges to and from UK Sport**

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

#### **1.7 Value Added Tax**

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

#### **1.8 Investments**

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

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

### 1.9 Cash and Cash Equivalents

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

## 2. National Lottery Distribution Fund

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

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance Brought Forward</b>	<b>68,312</b>	<b>77,878</b>
Share of Net Operator Proceeds	82,223	75,704
Investment Returns from NLDF	360	354
Proceeds Received from the OLF	6,779	–
<b>Available for Distribution</b>	<b>157,674</b>	<b>153,936</b>
Funds Drawn Down	(88,509)	(85,624)
<b>Balance Carried Forward</b>	<b>69,165</b>	<b>68,312</b>

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

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

The market value carried forward at 31/03/15 is £69.165m (31/03/14, £68.312m).

The NLDF balance increased during the year 2014/15 to stand at £69.165m at 31/03/15, representing 38% of outstanding commitments made at that point.

UK Sport received additional proceeds in 2014/15 due to the closure of the OLF (Olympic Lottery Distribution Fund). The value received by UK Sport was £6.779m.

### 3. Accrued Grant Commitments

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Accrued Commitments Brought Forward	12,198	4,827
Commitments Made in the Year	5,701	11,139
De-commitments Made in the Year	(321)	(74)
<b>Total Accrued Grant Commitments</b>	<b>17,578</b>	<b>15,892</b>
Accrued Grant Commitments Met in the Year	(5,809)	(3,694)
<b>Accrued Grant Commitments Carried Forward</b>	<b>11,769</b>	<b>12,198</b>

#### Accrued Grant Commitments by Year

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Amounts Falling Due During 2014/15	-	5,707
Amounts Falling Due During 2015/16	6,519	2,032
Amounts Falling Due During 2016/17	691	391
Amounts Falling Due During 2017/18	4,256	4,068
Amounts Falling Due During 2018/19	303	-
<b>Total</b>	<b>11,769</b>	<b>12,198</b>

Accrued commitments made in the year are shown as expenditure, but during the year some commitments will be made and paid in the same year, which accounts for the difference between outstanding accrued commitments at 31/03/2014 and actual amounts paid in 2014/15.

### 4. Other Grant Commitments

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Amounts Falling Due During 2014/15	-	82,185
Amounts Falling Due During 2015/16	85,773	64,940
Amounts Falling Due During 2016/17	72,524	58,293
Amounts Falling Due During 2017/18	6,602	-
Amounts Falling Due During 2018/19	3,250	-
	<b>168,149</b>	<b>205,418</b>

The accounting policies applied for National Lottery funding require commitments to be accrued in the accounts when an offer has been made, commitments are free of performance related conditions and are free from conditions under the control of UK Sport. Other grant commitments do not meet this requirement and have therefore not been accrued. Revenue can only be recognised when funds are made available within the National Lottery Distribution Fund. With effect from 2002/03, and to provide appropriate financial security for grantees, UK Sport commits funds for a period of up to four years with the expectation that actual funds will be available from future National Lottery revenue to meet future years' expenditure.

## 5. Lottery Grant Payments

	2014/15 £'000	2013/14 £'000 RESTATED
<b>Accrued Grant Payments</b>		
Major Events	5,362	3,327
International Relations	447	367
	<b>5,809</b>	<b>3,694</b>
<b>Other Grant Payments</b>		
Athletes	15,600	14,546
National Governing Bodies and Partners	63,149	62,577
	<b>78,749</b>	<b>77,123</b>
<b>Total Grant Payments</b>	<b>84,558</b>	<b>80,817</b>

## 6. Staff Costs

	2014/15 £'000	2013/14 £'000
Wages and Salaries	1,379	1,149
Social Security Costs	138	109
Current Service Cost	188	216
Administration Expense Relating to Pension Scheme	6	6
<b>Total Employee Costs</b>	<b>1,711</b>	<b>1,480</b>

## 7. Staffing

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

	2014/15	2013/14
Operations/Planning/Development	27	24
<b>Average Staff Numbers</b>	<b>27</b>	<b>24</b>

## 8. Lottery Funds

	2014/15 £'000	2013/14 £'000
The Lottery Fund is stated after charging for:		
External Auditors' Remuneration for Audit Work	28	28

## 9. Intangible Assets

All intangible fixed assets are computer software.

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>		
At 1 April	617	606
Additions	13	11
<b>At 31 March</b>	<b>630</b>	<b>617</b>
<b>Amortisation</b>		
Start of Year	558	534
Charge for Year	27	24
<b>At 31/03/15</b>	<b>585</b>	<b>558</b>
<b>Net Book Value</b>		
<b>At 1 April</b>	<b>59</b>	<b>72</b>
<b>At 31 March</b>	<b>45</b>	<b>59</b>

## 10. Trade Receivables

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Trade Receivables	18	18
Prepayments	21	14
Other Receivables	-	146
<b>Total</b>	<b>39</b>	<b>178</b>
<b>Intra-Government Balances</b>		
Balances with Central Government Bodies	7	153
Balances with Local Authorities and Police Authorities	-	-
<b>Subtotal: Intra-Government Balances</b>	<b>7</b>	<b>153</b>
Balances with Bodies External to Government	32	25
<b>Total</b>	<b>39</b>	<b>178</b>

All amounts fall due within one year.

## 11. Trade Payables

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Trade Payables	78	45
Accruals and Deferred Income	440	50
<b>Total</b>	<b>518</b>	<b>95</b>
<b>Intra-Government Balances</b>		
Balances with Central Government Bodies	385	29
Balances with Local Authorities and Police Authorities	–	–
<b>Subtotal: Intra-Government Balance</b>	<b>385</b>	<b>29</b>
Balances with Bodies External to Government	133	66
<b>Total</b>	<b>518</b>	<b>95</b>

The balance due from the UK Sport Lottery fund to the UK Sport Exchequer (GIA) accounts has been classified within balances with central government bodies.

## 12. Superannuation Scheme

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

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

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

Employer's contribution for the year amounted to £0.157m or 12% of pensionable pay (2013/14, £0.099m or 10.2%).

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

The scheme is subject to triennial valuations by the consulting actuaries to the LPFA and the latest valuation was at 31/03/2013. The actuarial method used is market related, based on average yields and market values in the 12 months leading up to the valuation date.

International Accounting Standard (IAS19) issued by the International Accounting Standards Board requires that the following information, which has been prepared by Barnett Waddingham (the Consulting Actuaries to the LPFA) for this purpose, be disclosed in these accounts with respect to the scheme.

## 12.1 Pension Commitments

<b>Financial Assumptions</b>	<b>2014/15</b>	<b>2013/14</b>
Price Increases	3.4%	3.7%
Salary Increases	4.4%	4.7%
Pension Increases	2.6%	2.9%
Discount Rate	3.5%	4.6%
Average future life expectancies at age 65:		
	<b>Males</b>	<b>Females</b>
	<b>(years)</b>	<b>(years)</b>
Current Pensioners	23.0	25.3
Future Pensioners	25.4	27.6

## 12.2 Fair Value of Employer's Assets

	<b>Fund Value at 31/03/15</b>	<b>Fund Value at 31/03/14</b>
	<b>£'000</b>	<b>£'000</b>
Equities	1,809	2,026
LDI/Cashflow Matching	313	229
Target Return Portfolio	1,205	1,147
Infrastructure	207	153
Commodities	39	38
Property	118	115
Alternative Assets	-	-
Cash	480	115
<b>Total Fair Value of Assets</b>	<b>4,171</b>	<b>3,823</b>
Present Value of Scheme Liabilities	(7,497)	(5,900)
<b>Net Pension Liability</b>	<b>(3,326)</b>	<b>(2,077)</b>

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

	<b>31/03/15</b>	<b>31/03/14</b>
	<b>%</b>	<b>%</b>
Equities	43	53
LDI/Cashflow Matching	8	6
Target Return Portfolio	29	30
Infrastructure	5	4
Commodities	1	1
Property	3	3
Cash	11	3

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

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Service Cost	188	216
Net Interest on the Defined Liability	92	90
Administration Expenses	6	6
<b>Total</b>	<b>286</b>	<b>312</b>

#### 12.4 Re-measurements in Other Comprehensive Income

	2014/15 £'000	2013/14 £'000
Return on plan assets in excess of interest	82	(41)
Other actuarial gains on assets	-	40
Change in financial assumptions	(1,208)	(492)
Change in demographic assumptions	-	(82)
Experience (loss)/gain on defined benefit obligation	(2)	485
<b>Re-measurements</b>	<b>(1,128)</b>	<b>(90)</b>

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

	2014/15 £'000	2013/14 £'000
<b>Opening defined benefit obligation</b>	<b>5,900</b>	<b>5,375</b>
Current service cost	188	216
Interest cost	269	275
Change in financial assumptions	1,208	492
Change in demographic assumptions	-	82
Experience (gain)/loss on defined benefit obligation	2	(485)
Estimated benefits paid net of transfer in	(147)	(114)
Contributions by scheme participants	85	68
Unfunded pension payments	(8)	(9)
<b>Closing defined benefit obligation</b>	<b>7,497</b>	<b>5,900</b>

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

	2014/15 £'000	2013/14 £'000
<b>Opening fair value of employer's assets</b>	<b>3,823</b>	<b>3,624</b>
Interest on assets	178	172
Return on assets less interest	82	(41)
Administration expenses	(6)	(6)
Contributions by employer including unfunded	162	137
Contributions by scheme participants	85	68
Estimated benefits paid net of transfers in including unfunded	(153)	(123)
Actuarial losses	-	(8)
	<b>4,171</b>	<b>3,823</b>

#### 12.7 History of Experience Gains and Losses

	2014/15 £'000	2013/14 £'000	2012/13 £'000	2011/12 £'000	2010/11 £'000
Fair Value of Employer Assets	4,171	3,823	3,624	3,027	2,844
Present Value of Defined Benefit Obligation	(7,497)	(5,900)	(5,375)	(5,031)	(3,938)
<b>Deficit</b>	<b>(3,326)</b>	<b>(2,077)</b>	<b>(1,751)</b>	<b>(2,004)</b>	<b>(1,094)</b>
Experience Gains/(Losses) on Assets	-	-	-	(167)	54
Experience Gains/(Losses) on Liabilities	(2)	485	(11)	4	(194)

1. In order to assess the actuarial value of the London Pensions Fund Authority Pension Fund's liabilities as at 31/03/15, Barnett Waddingham have rolled forward the actuarial value of the liabilities reported as at the latest formal valuation allowing for the different financial assumptions required under IAS 19. In addition, they have also considered the effect of contributions paid into, and estimated benefits paid from, the Fund by UK Sport and its employees.

2. It is not possible to assess the accuracy of the estimated liability as at 31/03/15 without completing a full valuation. However Barnett Waddingham are satisfied that the approach of rolling forward the previous valuation to 31/03/15 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions and the structure of the liabilities is substantially the same as the latest formal valuation.

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

The Actuarial Valuation for IAS 19 purposes has been allocated between the Lottery and Exchequer (GIA) accounts in accordance with accounting policy note 1.5.

## 12.8 Sensitivity

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

	£'000	£'000	£'000
<b>Adjustment to discount rate</b>	<b>+0.10%</b>	<b>0%</b>	<b>-0.10%</b>
Present value of total obligation	7,331	7,496	7,666
<b>Adjustment to long term salary increase</b>	<b>+0.10%</b>	<b>0%</b>	<b>-0.10%</b>
Present value of total obligation	7,515	7,496	7,477
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.10%</b>	<b>0%</b>	<b>-0.10%</b>
Present value of total obligation	7,648	7,496	7,348
<b>Adjustment to mortality age rising assumption</b>	<b>+1 Year</b>	<b>0%</b>	<b>-1 Year</b>
Present value of total obligation	7,269	7,496	7,723

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

	2014/15 £'000	2013/14 £'000
		<b>RESTATED</b>
Increase/(Decrease) in Lottery Funds Before Taxation	564	(16,417)
Decrease/(Increase) in Receivables	139	(165)
(Decrease)/Increase in Payables	(6)	7,067
Amortisation of Intangible Assets	27	24
Interest Receivable	(3)	(3)
(Increase)/Decrease in NLDF	(852)	9,566
Pension Scheme: Non Cash Movement	40	123
Purchase of Fixed Assets	(13)	(11)
<b>Net Cash (Outflow)/Inflow from Operating Activities</b>	<b>(104)</b>	<b>184</b>

## 14. Change in Cash and Cash Equivalents

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Opening Cash Balance	625	438
Net Cash Inflow/(Outflow)	(101)	187
<b>Cash and Bank Balances at Year End</b>	<b>524</b>	<b>625</b>

## 15. Financial Instruments

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

### *Liquidity Risks*

In 2014/15 £89.362m or 99.99% (2013/14, £76.058m or 99.97%) of the UK Sport Lottery Fund's income was derived from the National Lottery. The remaining income derived from interest on deposits and sundry income. In previous reports, UK Sport considered that the Lottery Fund's ability to meet the Award Commitments and other liabilities in the short and longer term is dependent on adequate sales revenue from the National Lottery.

### *Interest Rate Risks*

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

At the balance sheet date the market value of UK Sport's share of investment in the National Lottery Distribution Fund was £69.165 (2013/14, £68.312m). In the year the average return on these investments was 0.52% (2013/14, 0.48%). Cash balances which are drawn down from the Fund to pay grant commitments and operating costs are held in a deposit account which on average carried an interest rate of 0.27% (2013/14, 0.29%) in the year. Cash on deposit is gross of corporation tax. The cash balance at the year-end was £0.524m (2013/14, £0.625m). The Fund is not exposed to significant interest rate risks.

### *Foreign Currency Risk*

The Fund is not exposed to material foreign exchange risks.

## 16. Contingent Liabilities

There was a transfer of responsibilities for the English Institute of Sport from Sport England to UK Sport in 2006, as part of the transfer there was also a NLDF balance transfer of £5m which under the terms of the transfer may be payable back to Sport England at a future point in time.

This would depend on a review being undertaken and UK Sport not being put "under excessive financial risk or pressure."

## 17. Capital Commitments

As at 31/03/15, the Lottery Fund had made no commitments to purchase further capital equipment (31/03/14, £nil).

## 18. Events after the Reporting Period

The accounts were authorised for issue on the date the Comptroller and Auditor General certified the accounts. The financial accounts do not reflect events after this date.

## 19. Related Party Transactions

The Department for Culture, Media and Sport is the sponsoring department for UK Sport, and is regarded as a related party of the Council. During the year UK Sport had a number of material transactions with the Department.

As a matter of policy and procedure, Council members, Lottery Awards Panel members and staff maintain publicly available registers of interests and declare any direct interests in grant applications made to the Lottery Sports Fund and any commercial relationships of the Council. If any member has an interest in an application, they exclude themselves from the relevant grant appraisal, discussion and decision process within the Council.

The following table details UK Sport's related party transactions for the year which are on an arm's length basis:

Related Party	Nature of Transaction	Amounts (£)
Elisabeth Astall (Board Member of UK Sport) – Member of British Eventing Limited	Grant funding to British Eventing Limited	178,000
Elisabeth Astall (Board Member of UK Sport) – Member of Royal Yachting Association (RYA)	Grant funding to RYA	5,472,728
Neil Chugani (Board Member of UK Sport) – Member of British Rowing. CEO and Board Director of British Rowing from February 2014 to January 2015	Grant funding to British Rowing	4,708,656
John Dowson (Board Member of UK Sport) – Chair of Great Britain Boccia Federation	Grant funding to Great Britain Boccia Federation	761,650
Craig Hunter (Audit Committee Member of UK Sport) – Director at British Swimming	Grant funding to British Swimming	8,713,871
Craig Hunter (Audit Committee Member of UK Sport) – Director at English Institute of Sport (EIS)	Grant funding to EIS	2,100
	Recharged expenditure to EIS	6,750
Phillip Kimberley (Board Member of UK Sport) – Chair of England Hockey	Grant funding to England Hockey	3,990,984
Louise Martin (Board Member of UK Sport) – Chair of Sport Scotland	Grant funding to Sport Scotland	1,137,646
Professor Laura McAllister (Board Member of UK Sport) – Chair of Sport Wales	Grant funding to Sport Wales	189,687
Peter Rowley (Audit Committee Member of UK Sport) – Chairman and Director of British weightlifting	Grant funding to British Weightlifting	388,486
Sarah Springman (Board Member of UK Sport) – Senior International Postholder of British Triathlon	Grant funding to British Triathlon	2,946,487
David Cole (Director of UK Sport) – Royal Yachting Association (RYA) Family Membership	Grant funding to RYA	5,472,728
Simon Morton (Director of UK Sport) – Director of London 2017 Ltd	Grant funding to London 2017 Ltd	1,625,449
Simon Timson (Director of UK Sport) – Board Member of the English Institute of Sport (EIS)	Grant funding to EIS	2,100
	Recharged expenditure to EIS	6,750
Simon Timson (Director of UK Sport) – Member of British Bobsleigh Association	Grant funding to British Bobsleigh Association	14,400

ISBN 978-1-4741-1775-3



9 781474 117753